G&M Holdings Limited
信越控股有限公司

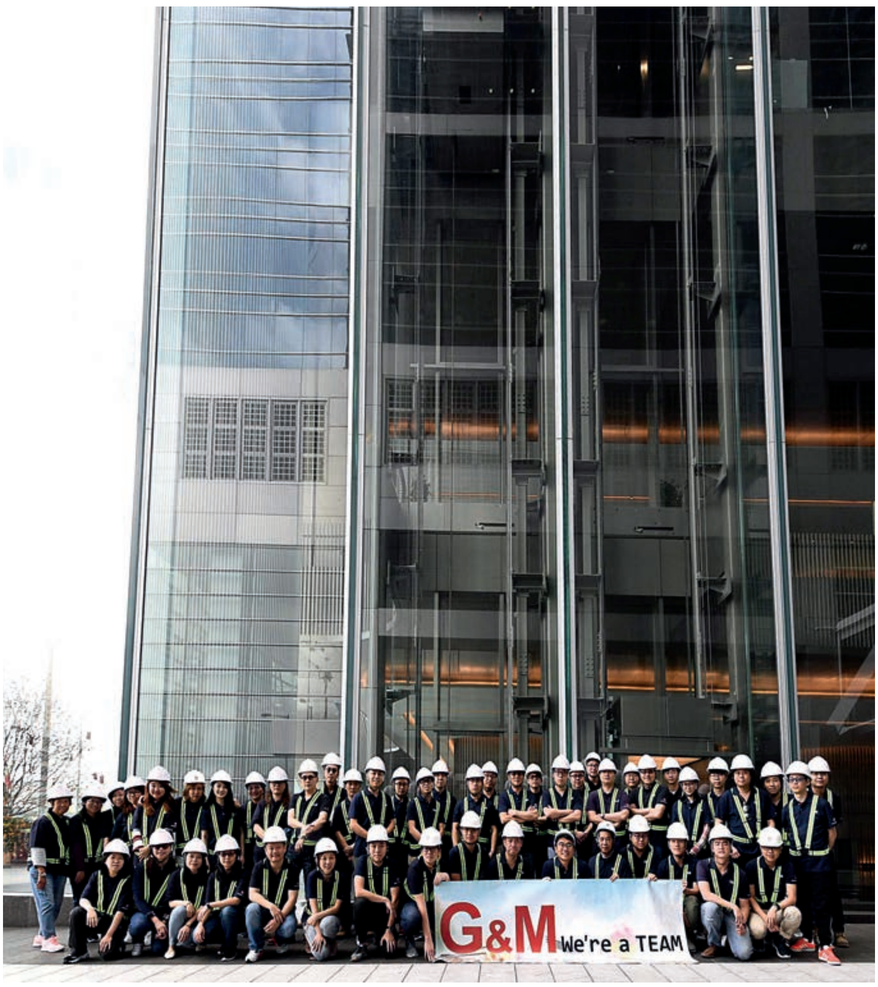
(Incorporated in the Cayman Islands with limited liability)

Stock Code: 6038

2018
Annual Report

About G&M

G & M is a subcontractor that focuses on providing podium facade and curtain wall works in Hong Kong with a history of over 20 years. The Group is principally engaged in the provision of one-stop design and build solutions as well as repair and maintenance services in relation to podium facade and curtain wall works in Hong Kong.



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CORPORATE INFORMATION

BOARD OF DIRECTORS

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

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 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
Certified Public Accountants

COMPANY WEBSITE

www.gm-eng.com.hk

STOCK CODE

6038

CHAIRMAN'S STATEMENT

On behalf of the board (the "**Board**") of Directors (the "**Directors**") of G & M Holdings Limited (the "**Company**") together with its subsidiaries (the "**Group**"), I am delighted to present the annual report of the Group for the year ended 31 December 2018 (the "**Year 2018**").

The capital raised from listing on the Main Board of the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") enables the Group to undertake more curtain wall projects. During the Year 2018, the Group was awarded three curtain wall projects out of 11 tenders of curtain wall projects submitted. As a result, the revenue generated from curtain wall projects increased by approximately HK$106.9 million compared with last year.

With the intensified competition in the podium facade and curtain wall markets in Hong Kong, as well as the raising labour and operation costs, the Group is facing further challenges ahead. Even the construction market is continuing weaken, we remain prudently optimistic as we believe that we shall remain competitive in the market due to our established market presence in the podium facade market, the well-established long term relationship with customers and our experienced and dedicated management team.

Looking forward, the Group will continue focus on podium facade projects through reliable operational performance and outstanding project execution to maximising our shareholders' value. Furthermore, we will seek for more opportunities curtain wall projects and continue to execute our growth strategies as set out in the Company's prospectus dated 25 May 2017 (the "**Prospectus**") in order to maintain our competitive edge and provide comprehensive services to our customers.

On behalf of the Board, I wish to take this opportunity to express our gratitude to our management and staff for their exceptional effort, they have put our shareholders, investors and business partners who trust and remain faithful to the Group.

The Board is pleased to share the Group's performance with its shareholders and recommends the payment of a final dividend of HK1.8 cents per share of the Company for the Year 2018.

Lee Chi Hung
Chairman and Executive Director

Hong Kong, 18 March 2019

MANAGEMENT DISCUSSION AND ANALYSIS

The Group is principally engaged in the provision of one-stop design and build solutions as well as repair and maintenance services in relation to podium facade and curtain wall works in Hong Kong.

FINANCIAL REVIEW

Revenue

During the Year 2018, the Group recorded a revenue of approximately HK$365.4 million, representing a growth of approximately HK$49.6 million or 15.7% from that of approximately HK$315.8 million for the year ended 31 December 2017 ("**Year 2017**"). Design and build projects contributed approximately HK$357.3 million (Year 2017: HK$307.0 million) of the Group's total revenue whereas repair and maintenance services brought in revenue of approximately HK$8.1 million (Year 2017: HK$8.8 million), representing approximately 97.8% (Year 2017: 97.2%) and 2.2% (Year 2017: 2.8%) of the Group's total revenue, respectively.

Outlook and prospects

The Group's major projects on hand as at 31 December 2018 can be summarised as follow:

No.	Type of works undertaken	Location	Expected completion date	Estimated remaining contract value as at 31 December 2018 HK$'million
1.	Curtain Wall	Harbourfront, Kowloon	Sep 2019	67.1
2.	Curtain Wall	Kwai Chung, New Territories	Dec 2019	54.8
3.	Podium Facade	Pak Shek Kok, New Territories	Jun 2019	36.3
4.	Podium Facade	North Point, Hong Kong	Apr 2019	31.0
5.	Podium Facade	Tin Shui Wai, New Territories	Apr 2020	14.8
6.	Curtain Wall	Happy Valley, Hong Kong	Dec 2019	12.7
				216.7

Subsequent to the end of the Year 2018 and up to the date of this report, the Group had been awarded a new curtain wall contract with contract sum of approximately HK$69.5 million. Meanwhile, the Group is in the process of bidding for or pending the results of 6 sizeable project tenders with an estimated total contract value of over approximately HK$863.2 million, which comprised a podium facade project with an estimated contract value of approximately HK$116.1 million and 5 curtain wall projects with an estimated total contract value of approximately HK$747.1 million.

Furthermore, the Group observed the continuing weakening of the construction market and the tightening budgeted tendering price in curtain wall market from customers. However, the Group anticipated that the tendering opportunities will be increased in the near future because of commercial building rebuild which will enable the Group to secure good quality projects.

Gross profit and gross profit margin

The Group's gross profit decreased by approximately HK$12.5 million or 12.6% from approximately HK$99.5 million for the Year 2017 to approximately HK$87.0 million for the Year 2018. Gross profit margin of the Group was approximately 23.8% for the Year 2018 as compared with that of approximately 31.5% for the Year 2017. The significant decrease in the gross profit margin was mainly due to the delay on the projects' period, the increase in the labour cost and staff cost as well as the constraints on the certain construction sites which led to the increase in subcontractor cost.

Administrative and other operating expenses

The Group's administrative and other operating expenses increased by approximately HK$12.5 million or 43.3% from approximately HK$28.9 million for the Year 2017 to approximately HK$41.4 million for the Year 2018. Such increase was mainly due to the increase in salaries, allowances and other benefits and rental expenses as a result of the Group's business expansion.

Listing expenses

Listing expenses in the Year 2017 represent professional fees incurred for the listing and are not recurring in nature.

Income tax expenses

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

For the Year 2018, the Group recorded income tax expense of approximately HK$8.3 million (Year 2017: approximately HK$11.7 million) representing an effective tax rate of approximately 18.3% (Year 2017: approximately 18.3%).

Profit for the Year

The Group's profit for the Year 2018 amounted to approximately HK$36.9 million, representing a decrease of approximately HK$15.4 million or 29.4% as compared to that of approximately HK$52.3 million for the Year 2017.

Such decrease was mainly due to the drop in gross profit of approximately HK$ 12.5 million as discussed above and an increases in the administrative expense of HK$12.5 million, partly offset by the serving in the non-recurring listing expenses of approximately HK$6.4 million incurred for the Year 2017.

Receivable turnover days

The Group's receivable turnover days for the Year 2018 increased to approximately 63.1 days as compared to that of approximately 45.7 days for the Year 2017 because the progress payments of curtain wall projects from a customer was certified near the year end. The Group did not observe any signs of default on any of its trade receivables balance as at 31 December 2018.

Bank borrowings

The Group's bank borrowings as at 31 December 2018 were approximately HK$8.2 million, representing a decrease of approximately HK$11.3 million as compared to that of approximately HK$19.5 million as at 31 December 2017 as the Group's internal financial resources improved after the listing and required less external financings.

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group's gearing ratio, calculated by dividing total debts by total equity, as at 31 December 2018 was approximately 0.04 times (31 December 2017: 0.09 times). The decrease was mainly due to the increase in the total equity and the decrease in the bank borrowings.

The Group's cash and cash equivalents balances as at 31 December 2018 amounted to approximately HK$96.6 million, representing a decrease of approximately HK$10.0 million as compared to that of approximately HK$106.6 million as at 31 December 2017. Such decrease was mainly due to the payment of dividend of HK$24.0 million and partly offset by releasing the pledged bank deposit of approximately HK$16.2 million.

The Group's bank borrowings as at 31 December 2018 were all denominated in Hong Kong Dollars. The interest rates were ranged from 3.63% to 5.87% per annum.

Foreign exchange

The Group mainly operates in Hong Kong and majority of the operating transactions such as revenue, expenses, monetary assets and liabilities are denominated in Hong Kong Dollars. As such, the Directors are of the view that the Group's risk in foreign exchange is insignificant and that we should have sufficient resources to meet foreign exchange requirements as and if they arise. Therefore, the Group did not engage in any derivatives contracts to hedge its exposure to foreign exchange risk during the Year 2018.

Capital expenditures and commitments

As at 31 December 2018, the Group did not have any significant capital commitments.

Significant investments held

The Group had not held any significant investments during the Year 2018.

Material acquisitions and disposals

During the Year 2018, the Group did not have any material acquisitions and disposal of subsidiaries, associations and joint ventures.

Pledge of assets

As at 31 December 2018, pledged deposits in the sum of approximately HK$5.0 million (31 December 2017: 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 2018.

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 95 staff as at 31 December 2018 (31 December 2017: 91 staff) and the total employee benefit expenses for the Year 2018 amounted to approximately HK$49.6 million (Year 2017: HK$43.5 million). Such increase was mainly contributed to the increase in average number of staff salary as a result of the Group's business expansion. The Group determines the remuneration of its employees based on each employee's qualifications, experience and past performance. The remuneration committee makes recommendations to the Board on the overall remuneration policy and structure for our Directors and senior management. The Group maintains a good relationship with its employees and has not experienced any major labour disputes nor any difficulty in recruiting suitable staff.

Senior management remuneration

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

	2018 Number of individuals	2017 Number of individuals
Nil to HK$1,000,000	**1**	3
HK$1,000,001 to HK$1,500,000	**2**	2
HK$1,500,001 to HK$2,000,000	**1**	—

Customers, suppliers and subcontractors

The Group maintains a close and stable relationship of more than 10 years with the majority of its major customers, with some going over 15 years. The Group is generally invited by its customers to submit tenders for potential projects. The pricing on projects is determined by reference to the estimated costs plus a profit margin having taken into consideration the project type, design and scale, target completion date and the Group's availability of resources. The Group endeavours to maintain its presence and keep abreast of opportunities in the market by continuous communication and working with customers, potential customers and by responding to tender invitations, it may however from time to time decide to turn down certain tender enquiries in order to focus on other target projects. The Group has been making continuous efforts to diversify its customer base by targeting projects of different scales and from different customers.

The Group has built up a stable pool of suppliers and subcontractors over the 20 years of its operating history, which allows the Group to effectively maintain the quality of its works, including the quality of materials and workmanship. An internal list of approved suppliers and subcontractors is maintained and updated on a continual basis. The Group assigns a project manager to each project to monitor and supervise the working process of the contractors and to ensure they have met the workmanship, safety and other applicable regulatory compliance requirements. The Group has not experienced any shortage or delay in supply of materials and labour.

MANAGEMENT DISCUSSION AND ANALYSIS

USE OF PROCEEDS

The utilisation of net proceeds raised by the Group from issuance of shares upon the listing of the Company's shares on the Stock Exchange as at 31 December 2018 is as below:

	Adjusted use of proceeds HK$million	**Utilised up to 31 December 2018** HK$million	**Unutilised as at 31 December 2018** HK$million
Expanding the Group's capacity to undertake more design and build projects	48.4	48.4	—
Expanding the Group's manpower	16.6	14.1	2.5
Enhancing the Group's operational efficiency and technical capacity	5.2	2.9	2.3
General working capital	7.7	7.7	—
Total	**77.9**	**73.1**	**4.8**

The remaining unused net proceeds as at 31 December 2018 were placed as bank balances with licensed bank in Hong Kong and will be applied in the manner consistent with the proposed allocations as 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 the Year 2018 and up to the date of this report, the Group's operations have complied with all the relevant laws and regulations in the above jurisdiction in all material respect.

PRINCIPAL RISK AND UNCERTAINTY

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

EVENTS AFTER THE FINANCIAL YEAR

No event has occurred after 31 December 2018 and up to the date of this report which would have a material effect on the Group.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

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

The Company has adopted the code provisions of the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") and has complied with the CG Code during the Year 2018, except in relation to provision A.2.1 of the CG Code which requires that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Lee Chi Hung, an executive Director, is both the chairman of the Board and the chief executive officer of the Company. With over 23 years of experience in the construction industry in Hong Kong, Mr. Lee is responsible for the overall management of the Group's operations and business development and is instrumental to the Group's growth and business expansion since the establishment in November 1993. The Board considers that vesting the roles of chairman and chief executive officer in the same person is beneficial to the management of the Group. The balance of power and authority is ensured by the operation of the senior management and the Board, which comprises experienced and high-calibre individuals. The Board currently comprises two executive Directors (including Mr. Lee), one non-executive Director and three independent non-executive Directors and therefore has a strong independence element in its composition.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 of the Listing Rules and all the Directors confirmed, upon specific enquiry made, that they complied with the Model Code during the Year 2018 and up to the date of this report.

BOARD OF DIRECTORS

The Board is responsible for leading and directing the Group's business through formulation of overall strategies and policies, evaluation of performance and overseeing the management function. In discharging its duties, the Board acts in good faith with due diligence and care, and makes decisions objectively in the best interests of the Company and its shareholders. The execution of strategies and implementation of policies in the Group's daily operations are delegated to the management team. The Board is also responsible for performing the functions set out in the code provision D.3.1 of the CG Code.

During the Year 2018 and up to the date of this report, the number of independent non-executive Directors was in compliance with the requirement under Rules 3.10 and 3.10A of the Listing Rules. The composition of the Board and the attendance record of each Director at board meetings and general meeting during the Year 2018 are as below.

	Attendance/ Board meeting held	**Attendance/ General meeting held**
Executive Directors		
Mr. Lee Chi Hung *(Chairman and Chief Executive Officer)*	4/4	1/1
Mr. Chan Wai Yin	4/4	1/1
Non-executive Director		
Mr. Leung Ping Kwan	3/4	0/1
Independent Non-executive Directors		
Professor Wong Roderick Sue Cheun	3/4	1/1
Mr. Tai Kwok Leung, Alexander	4/4	1/1
Mr. Kwan Cheuk Kui	4/4	1/1

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

Each of the Directors has participated in continuous professional development seminar organised by the Company to develop their knowledge and skills during the Year 2018.

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

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

CORPORATE GOVERNANCE REPORT

BOARD DIVERSITY

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

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

— management skills and experience;

— industry specific knowledge and experience relevant to the Group;

— financial management skills and experience; and

— legal and compliance expertise.

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

BOARD COMMITTEE

As an integral part of good corporate governance, the Board has established four committees for overseeing the performance of specific functions which are set out in written terms of reference for each committee. The composition of each committee and attendance of members at committee meetings held during the Year 2018 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	2/3(M)	1/1(M)	1/1(M)	1/2(M)
Mr. Tai Kwok Leung, Alexander	3/3(C)	1/1(M)	1/1(M)	2/2(M)
Mr. Kwan Cheuk Kui	3/3(M)	1/1(M)	1/1(C)	2/2(M)
Executive Directors				
Mr. Lee Chi Hung	N/A	1/1(C)	1/1(M)	N/A
Mr. Chan Wai Yin	N/A	N/A	N/A	2/2(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 2018 and met the Company's auditor to discuss auditor's independence, audit approach, key audit matters, results of audit for the Year 2018. 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 2018. Further information on the Group's risk management and internal control is set out in the section headed "Risk Management and Internal Control" of this report.

Nomination committee

The primary duties of the nomination committee are to make recommendations to the Board regarding candidates to fill vacancies on the Board and/or in senior management. The nomination committee has reviewed the independence of independent non-executive Directors, considered the retirement and proposal for appointment of Directors at the Company's forthcoming annual general meeting and considered the appointment of a new independent non-executive Director. 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 2018 and made recommendations to the Board thereon.

Risk management committee

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

CORPORATE GOVERNANCE REPORT

RISK MANAGEMENT AND INTERNAL CONTROL

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

The risk management committee supports the Board in ensuring the effectiveness of the risk management and internal control of the Group and reports to the Board on any material issues identified. The risk management committee has conducted an update risk assessment during the Year 2018 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 2018 and to report their findings to the risk management committee and the Board. The review scope for the Year 2018 covered overall management control, risk assessment and management, control procedures for sub-contracting and treasury and cash management, management information systems and IT function and fixed assets management.

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

AUDITOR'S REMUNERATION

The remuneration paid to the Company's auditor for the Year 2018 is as below:

	HK$'000
Audit services provided to the Group	660
Non-audit services	—
	660

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 38 to 41 of this annual report. The Directors are not aware of any material uncertainties relating to events of conditions that may cast significant doubt upon the Group's ability to continue as a going concern.

JOINT COMPANY SECRETARIES

The Company's joint company secretaries are Ms. Huen Shuk Man and Mr. Lee Baldwin. Ms. Huen is an employee of the Company, while Mr. Lee is an external service provider. Ms. Huen is the primary contact person at the Company with Mr. Lee. During the Year 2018, each of Ms. Huen and Mr. Lee has taken no less than 15 hours of relevant professional training in compliance with Rule 3.29 of the Listing Rule.

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

SHAREHOLDERS' RIGHTS AND INVESTOR RELATIONS

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

To propose a candidate for election as a Director at a general meeting, a shareholder should deposit a written proposal, together with a written notice by the candidate indicating his willingness to be elected, to the Company either at its principal place of business in Hong Kong (at 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.

DIRECTORS' REPORT

The Directors submit their report together with the audited financial statements of the Group for the Year 2018.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holdings. The principal activities of the Group are the provision of one-stop design and build solutions as well as repair and maintenance services in relation to podium facade and curtain wall works in Hong Kong. The principal activities of the subsidiaries of the Company are set out in note 27 to the consolidated financial statements.

BUSINESS REVIEW

A fair review of the business of the Group during the Year 2018, a discussion about the Group's future business development and an analysis of the Group's performance using financial key performance indicators are set out in the section headed "Management Discussion and Analysis — Financial Review" in this annual report and a discussion of the principal risks and uncertainties facing by the Group is included in the section headed "Management Discussion and Analysis — Principal Risk and Uncertainty" in this annual report and note 35 to the consolidated financial statements. The review forms part of this Directors' Report.

RESULTS AND DIVIDENDS

The Group's results for the Year 2018 are set out in the consolidated statement of comprehensive income on page 42 of this annual report.

The Directors recommended the payment of a final dividend of HK1.8 cents per share, amounting to a total of HK$18.0 million for the Year 2018, representing a dividend ratio of approximately 48.7%. The proposed final dividend is subject to the approval of shareholders at the forthcoming annual general meeting of the Company to be held on Thursday, 13 June 2019 (the "**AGM**") and is expected to be paid on or about 12 July 2019.

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 Monday, 10 June 2019 to Thursday, 13 June 2019 (both days inclusive), during which period no transfer of Shares will be registered, for purpose of determining the right to attend and vote at the AGM. All transfer of the Company's shares together with the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong no later than 4:30 p.m. on Thursday, 6 June 2019 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 Thursday, 20 June 2019 to Monday, 24 June 2019 (both days inclusive). In order to qualify for the proposed final dividend, which is subject to approval of shareholders at the AGM, holders of shares of the Company must ensure that all transfers of shares be lodged with the Company's branch share registrar and transfer office in Hong Kong for registration no later than 4:30 p.m. on Wednesday, 19 June 2019.

SUMMARY FINANCIAL INFORMATION

A summary of the results and of the assets and liabilities of the Group for the last five years is set out on page 116 of this annual report. Such summary does not form part of the audited consolidated financial statements.

DONATIONS

Charitable donations made by the Group during the Year 2018 amounted to approximately HK$40,000.

SHARE CAPITAL

Details of movement in the Company's share capital during the Year 2018 are set out in note 23 to the consolidated financial statements.

RESERVES

Details of movement in the Group's and the Company's reserves during the Year 2018 are set out in note 26 to the consolidated financial statements.

The Company's distributable reserves amounted to approximately HK$165.2 million as at 31 December 2018.

SHARE OPTION SCHEME

During the Year 2018, the Company granted 5,500,000 share options under the share option scheme (the "**Share Option Scheme**") adopted by the Company on 12 May 2017 and no options have been exercised or cancelled since then and up to the date of this annual report.

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

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

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

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

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

The Share Option Scheme will remain in force for a period of 10 years from the date of Listing until 12 May 2027.

During the Year 2018, an executive Director and other eligible participants have interests in share options to subscribe for the shares of the Company. Details of such interests and movements in the Company's share options under the Share Option Scheme for the Year 2018 as followings:

Participants	Date of Grant	Exercise period	Balance as at 1 January 2018	Granted during the Year	Exercised during the Year	Lapsed during the Year	Balance as at 31 December 2018	Exercise Price HK$
Chan Wai Yin	2 November 2018	*Note*	—	3,000,000	—	—	3,000,000	0.28
Other Eligible Participants	2 November 2018	*Note*	—	2,500,000	—	—	2,500,000	0.28

Note: The 2,750,000 share options will become exercisable from 1 January 2019 to 31 December 2019 (both days inclusive) while the remaining 2,750,000 share options will become exercisable from 1 January 2020 to 31 December 2020 (both days inclusive).

PRE-EMPTIVE RIGHTS

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

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

Neither the Company, nor any of its subsidiaries, had purchased, sold or redeemed any of the Company's listed securities during the Year 2018.

DIRECTORS' REPORT

DIRECTORS

The Directors of the Company during the Year 2018 and up to the date of this report are as follow.

Executive Directors

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

Non-executive Director

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

Independent Non-executive Directors

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

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

DIRECTORS' SERVICE CONTRACTS

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

DEED OF NON-COMPETITION

The controlling shareholders of the Company has given an unconditional and irrevocable non-competition undertaking in favour of our Company and its subsidiaries on 12 May 2017 to protect the Group from any potential competition with the controlling shareholders. The controlling shareholders have confirmed full compliance with the terms of the non-competition undertaking during the Year 2018. Furthermore, the Directors, including independent non-executive Directors, have carried out certain review procedures and nothing has come to their attention that there has been non-compliance with the terms of the non-competition undertaking during the Year 2018.

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 the Year 2018.

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

Except as disclosed elsewhere in this annual report, none of the Directors or controlling shareholders, nor a connect party of any Directors or controlling shareholders, had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance in relation to the Group's business to which the Company or its subsidiaries was a party during the Year 2018.

DISCLOSURE OF INTERESTS

As at 31 December 2018, 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 2018, the interest and short positions of the persons, other than a director or chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO are as follows:

Substantial shareholders' interest in the Company

Name of shareholder	Capacity	Number of Shares held/ interested in	Long/short position	Percentage of shareholding
Luxury Booming *(Note 1)*	Beneficial owner	750,000,000	Long	75%
Ms. 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 the Year 2018, the Group's five largest customers in aggregate and the single largest customer accounted for approximately 97.1% and 45.1% of the Group's total turnover respectively.

During the Year 2018, the Group's five largest suppliers in aggregate and the single largest supplier accounted for approximately 56.8% and 22.6% 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.

DIRECTORS' REPORT

DIVIDEND POLICY

The Company may declare and distribute dividends to the shareholders of the Company (the "**Shareholders**") to allow Shareholders to share the Company's profit and for the Company to retain adequate reserves for future growth. In proposing any dividend payout, the Board shall also take into account variety factors, including but not limited to the Group's financial conditions, availability, future operations and funding needs for expansion.

RELATED PARTY TRANSACTIONS

Related party transactions entered into by the Group during the Year 2018 are disclosed in note 32 to the consolidated financial statements, none of which constituted connected transactions or continuing connected transactions subject to reporting requirement under Chapter 14A of the Listing Rules.

PERMITTED INDEMNITY PROVISION

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

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

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the minimum public float required under the Listing Rules during the Year 2018 and up to the date of this annual report.

AUDITOR

The consolidated financial statements for the Year 2018 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, 18 March 2019

DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Lee Chi Hung (李志雄), aged 53, 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 53, 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 Associate. Mr. Chan is also a director of one of the Group's subsidiaries, G & M Engineering Company Limited.

NON-EXECUTIVE DIRECTORS

Mr. Leung Ping Kwan (梁炳坤), aged 57, 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 74, 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 the 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 (stcok code: 3822) and BExcellent Group Holdings Limited (stock code:1775) which shares are listed on the Stock Exchange.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Tai Kwok Leung, Alexander (戴國良), aged 61, 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), Shengjing Bank Co., Ltd. (stock code: 2066) and AAG Energy Holdings Limited (stock code: 2686), which are all listed on the Stock Exchange. Mr. Tai graduated from the Victoria University of Wellington in New Zealand and obtained a bachelor degree in Commerce and Administration in 1982. He is an associate member of the Hong Kong Institute of Certified Public Accountants and CPA Australia.

Mr. Kwan Cheuk Kui (關卓鉅), aged 55, 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 59, 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 at 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 Façade Association.

Mr. Tong Wai Shing, Wilson (湯偉成), aged 40, is the deputy project director of the Group. 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. Ho Ting Shun (賀挺信), aged 53, is a senior design manager and joined the Group in May 2013. He is responsible for the overall management of the Group's design department. Mr. Ho holds a degree of Bachelor of Engineering in manufacturing engineering from the Hong Kong Polytechnic. Mr. Ho has over 21 years of experience in the construction industry in Hong Kong.

Ms. Huen Shuk Man (禤淑敏), aged 34, is the financial controller of the Group and one of the joint company secretaries of the Company and joined the Group in October 2015. She is primarily responsible for the financial reporting and financial control matters, and the company secretarial matters of the Group. She holds a degree of Bachelor of Business Administration in accountancy from the City University of Hong Kong and is a certified public accountant of the Hong Kong Institute of Certified Public Accountants. Ms. Huen has over five years of experience in auditing, accounting and financial management.

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

G&M Holdings Limited (the "**Company**" together with its subsidiaries as the "**Group**" or "**G&M**") is pleased to present the Environmental, Social and Governance ("**ESG**") Report (the "**Report**") for the year ended 31 December 2018. This Report aims to provide an annual update on the sustainability performance of the Group to our stakeholders, and it presents our commitments to the environment, the society and our customers.

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

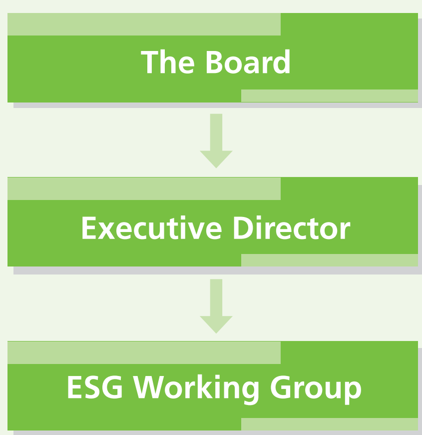
The Group is engaged in provision of one-stop design and build solutions, as well as repair and maintenance services in relation to podium facade and curtain wall works in Hong Kong. This Report covers the Group's operations in Hong Kong for the period from 1 January 2018 to 31 December 2018 (the "**Reporting Period**"). There is no significant change in scope of this Report from that of the ESG Report 2017.

GOVERNANCE STRUCTURE AND APPROACH TO ESG STRATEGY AND REPORTING

G&M's ESG strategy is developed for aligning the Group's philosophy and objectives of creating long-term value for our stakeholders.

This Report is prepared by the Group's ESG working group, which consists of external ESG advisor and senior managers from major departments, and is led by an executive director of the Company (a "Director"). The working group is responsible for formulating ESG policies and initiatives and embedding the ESG principles in each department of the Group, and it makes sure the Group's ESG objectives are delivered.

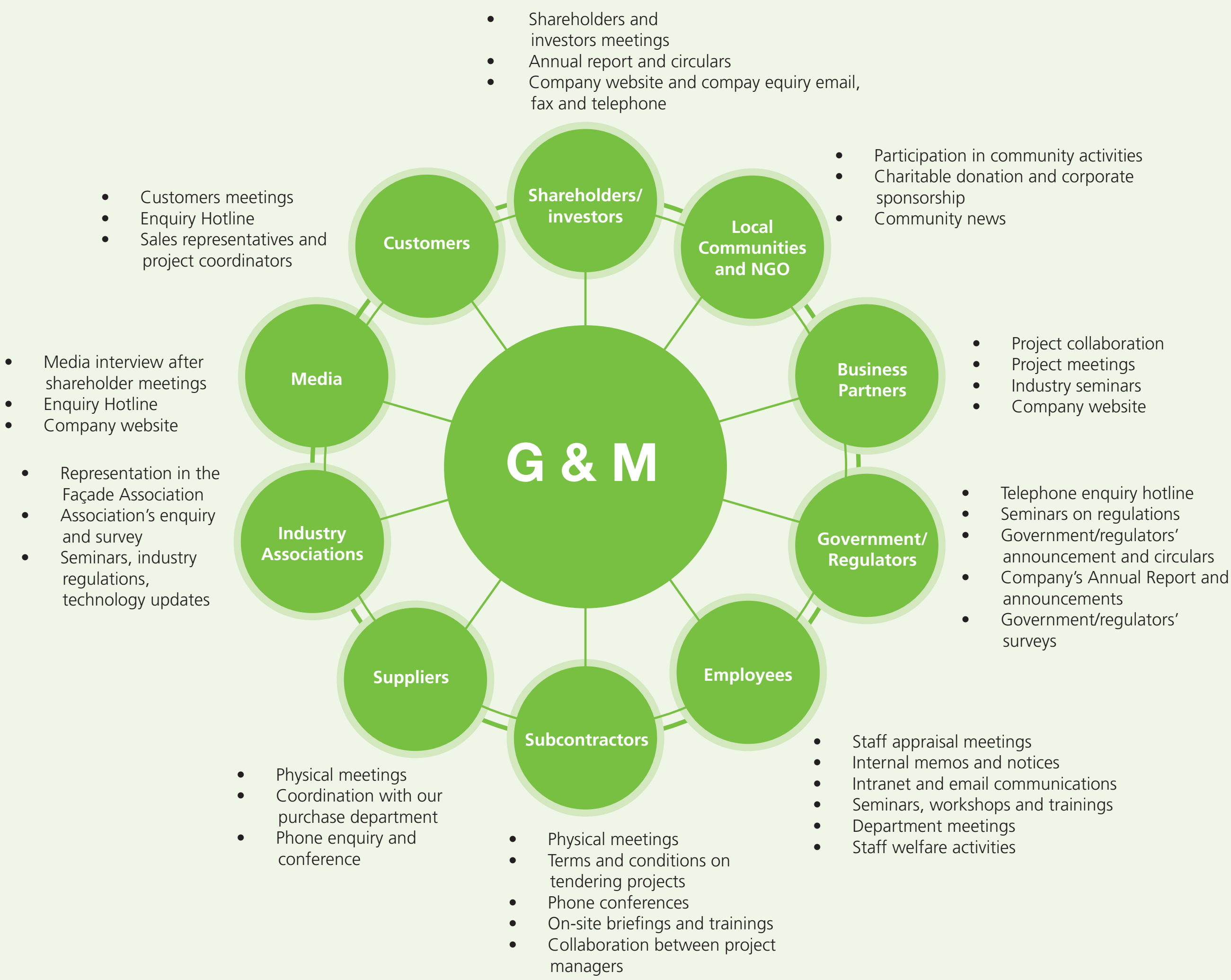
The Board oversees the ESG development of the Group and sets out ESG objectives and direction. It has delegated the day-to-day execution of all ESG related responsibilities to the ESG working Group, through the responsible executive Director.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE

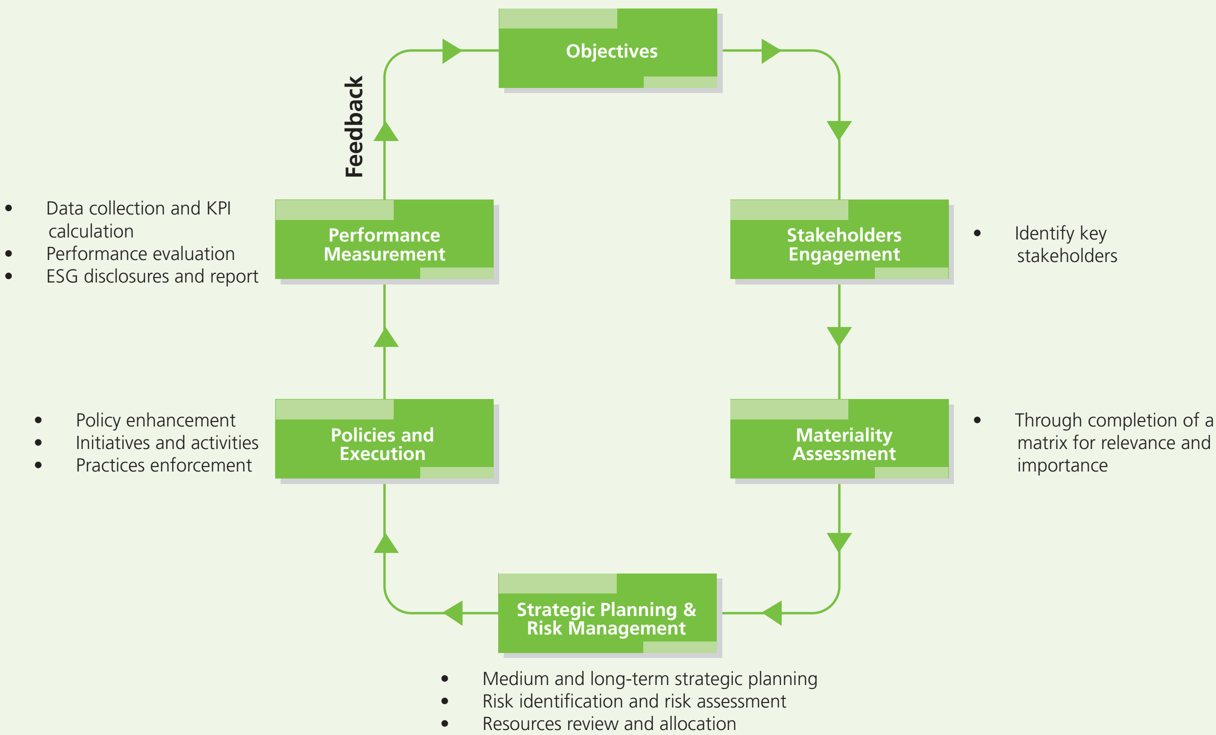
STAKEHOLDERS ENGAGEMENT AND MATERIALITY ASSESSMENT

The stakeholder engagement process is essential in determining ESG material issues specific to the Group's operations, and is critical to sustainable value creation and sustainable development. Through various channels and interactions, the Group is able to initiate two-way communication to understand the needs and valuable feedbacks from stakeholders, and to formulate future strategies and make initiatives for ESG improvement. The chart below highlighted the various communication channels with our stakeholders:



G&M FRAMEWORK FOR CREATING SUSTAINABLE VALUES

Our ESG framework governs how our objectives are translated into sustainability performance. After stakeholders are engaged and views are collected from the stakeholders, materiality assessment is carried out by plotting a matrix of relevance and importance to get an insight of the relative importance of specific ESG issues for our stakeholders. Through the assessment result, we understand and identify the material ESG issues and the respective risks associated in our operations. We prioritise the material issues and focus these in the medium and long-term planning disclosure. Adequate manpower and financial resources are ensured to meet the strategic plans. Policies are enhanced and improved where they are inadequate to meet the ESG objectives. The ESG working Group formulates ESG initiatives and arranges activities for achieving the ESG objectives, and ensure the initiatives and practices are properly executed. ESG data are accumulated continuously and are analysed annually for evaluation of sustainability performance. A feedback mechanism on the ESG performance is designed for the Board to revise and update the ESG objectives based on the result, and the ESG process will be revisited periodically as a continuous process to reflect what we have learned during the process and to align with the changes on stakeholders over time.



STAKEHOLDERS' FEEDBACK

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

CONTRIBUTION TO OUR ENVIRONMENT

G&M believes it is important for our business to thrive in a sustainable environment. We are committed to avoiding adverse impact and damage to the environment in order to make the world a better place to live and for business to survive. We believe that with the efforts of the Group, our staff and our subcontractors are making remarkable contribution to our environment.

The Group engages subcontractors to carry out construction works in the construction sites. Our business operations does not directly produce greenhouse gas ("**GHG**"), air pollutants and hazardous waste in construction sites. However, we are still subject to certain laws and regulations in relation to environmental protection in Hong Kong, such as Air Pollution Control Ordinance, Noise Control Ordinance, Waste Disposal Ordinance and Public Health and Municipal Services Ordinance. We require our staff to strictly comply with all environmental laws and regulations.

During the construction process, we have stringent controls to ensure that our subcontractors fully comply with the relevant laws and regulations. We require our staff and subcontractors to take range of measures for environmental protection. All equipment used is in compliance with the permitted noise level and is maintained in good condition. Construction works are carried out in accordance with the permitted work hours as specified by the Noise Control Ordinance and our customers. For waste management, wastes are segregated into general wastes and construction wastes and disposed to rubbish collection points designated by the customers.

Managing Emissions and Optimising Usage of Resources

The Group is committed to minimising the adverse impact on the environment due to our business growth. The Group's emissions and energy consumptions are mainly derived from electricity consumption of our offices in Hong Kong and the PRC, the usage of motor vehicles in Hong Kong for projects, paper and supplies for office use, and air travel by our staff. We take various eco-friendly measures at our offices to achieve energy saving and emission reduction.

Air emissions of the Group mainly come from the usage of motor vehicles by our staff travelling among the constructions sites. To control the use of gasoline, the fuel consumption/mileage usage from motor vehicles are monitored. Staff are encouraged to take public transportation to visit construction sites and the suppliers' factories.

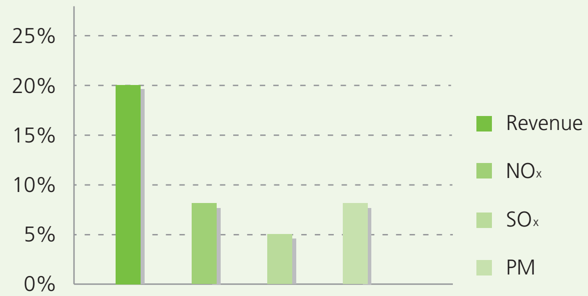
In our offices, electricity is the most consumed energy. We have introduced certain initiatives to reduce energy consumption and emissions:

- switch off unused lighting and air conditioning;
- shut down all computers, electronics devices, printers and lighting when the office is closed;
- air conditioners are set at proper temperature and are regularly cleaned; and
- use of eco-friendly and advanced multi-function printers instead of stand-alone printing devices.

Apart from the emissions produced from electricity and gasoline, paper usage and business air travel are also sources of emissions. To reduce paper usage, we encourage our staff to minimise photocopies and print copies, by means of electronic communication and double-sided printing. Waste paper is collected for recycling to help reducing emissions. In 2018, 620kg of waste paper were recycled and about 3 tonnes of GHG emissions were reduced. We also recommended our staff to use video conferencing and emails instead of business travel trips. The number of staff travelling is also minimised as low as possible in order to reduce the consumption of gasoline.

KEY PERFORMANCE INDICATORS	2018	2017
AIR EMISSIONS	**kg**	kg
— Nitrogen Oxides ("**NO_X**")	**3.23**	2.99
— Sulphur Oxides ("**SO_X**")	**0.0566**	0.0538
— Particulate Matter ("**PM**")	**0.238**	0.220
GHG EMISSIONS	**tonnes $CO_{2\text{-}e}$**	tonnes $CO_{2\text{-}e}$
Scope 1 : direct emissions from combustion of vehicle fuel	**10.4**	9.8
Scope 2 : indirect emissions from purchased electricity	**78.8**	71.8
Scope 3 : other indirect emissions from paper waste & business air travel	**26.8**	39.4
Total GHG Emissions	**116.0**	121.0
GHG Intensity (in terms of average no. of staff, tonnes $CO_{2\text{-}e}$/staff)	**1.25**	1.48
ENERGY CONSUMPTION		
Direct energy consumption		
— gasoline consumption (litres)	**3,800**	3,600
— gasoline consumption/average no. of staff (litres/staff)	**41**	44
Indirect energy consumption		
— electricity consumption (kWh)	**149,900**	137,000
— electricity consumption/average no. of staff (kWh/staff)	**1,612**	1,671

For the Reporting Period, the Group's emissions of NO_X, SO_X, and PM were slightly increased by 0.24kg (8%), 0.0028kg (5%) and 0.018kg (8%) respectively as compared with last year. Despite the total gasoline consumption increased by about 200 litres and produced 10.4 tonnes of carbon dioxide equivalent ($CO_{2\text{-}e}$) emissions, the average per employee gasoline consumption intensity has actually reduced by 6.8%. As our business volume increased significantly by over 20% as well as the number of projects and the number of our staff, our staff are required to inspect more construction sites during the year and the vehicle mileage and fuel consumption were increased accordingly.



Comparison of Revenue Increase and Air Emission Increases

To cope with our business expansion, the manpower in our Hong Kong office has been increased by 13%. A new office is relocated in the PRC with larger floor area at the end of 2017 to provide better workplace environment to our PRC staff and to enhance work efficiency. The increase in electricity consumption and GHG $CO_{2\text{-}e}$ emissions from purchased electricity are attributable to our increase in manpower and office space, nevertheless the electricity consumption per staff has slightly decreased by 3.5% to 1,612kWh.

By the request of our customers, our staff travelled frequently in 2017 to our suppliers in Japan, South East Asia and Europe for quality inspection of materials. However in this Reporting Period, we sourced more materials from suppliers with factories in Guangdong PRC and air travel could largely be reduced. Thus, GHG emissions from business air travel has been substantially reduced.

In 2018, the Group generated a total of 116 tonnes $CO_{2\text{-e}}$ emissions, a decrease of 4% in absolute terms compared with emissions of 121 tonnes in 2017, despite the significant expansion of our business. The intensity of $CO_{2\text{-e}}$ emissions in terms of average number of staff also decreased by 15.5%.

Electricity Consumption Intensity (kWh/staff)		Gasoline Consumption Intensity (Litres/staff)		GHG Emissions Intensity (tonnes $CO_{2\text{-e}}$ /staff)	
2018	2017	**2018**	2017	**2018**	2017
1,612 kWh	1,671 kWh	**41 ltr**	44 ltr	**1.25 tonnes**	1.48 tonnes

3.5% | **6.8%** | **15.5%**

Managing Waste

In this Reporting Period, the Group produced 5.2 tonnes of general non-hazardous wastes, which were mainly waste paper and other office supplies. The non-hazardous wastes per staff was 0.06 tonnes, same as last year. To reduce waste, we encourage double-sided printing and reusing used paper for draft documents. We also collect used paper for recycling and keep the used printer toner cartridges for the suppliers to recycle.

KEY PERFORMANCE INDICATORS	2018	2017
WASTE	**tonnes**	tonnes
Total non-hazardous waste produced	**5.2**	4.6
Non-hazardous waste intensity (in terms of average no. of staff; tonnes/staff)	**0.06**	0.06

The Group's construction projects are carried out by subcontractors, therefore the Group does not directly generate hazardous waste.

Water Consumption

Water is supplied to our offices by municipal water supply or public organisations through the respective property management company where our offices locate. So we do not have issues in sourcing water. Our offices have not consumed significant amount of water and we have no discharge made into water. Although it is not feasible to measure our water consumption, we still promote the awareness to our staff on saving water and reducing unnecessary wastage of water.

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

The Environment and Natural Resources

Except for the energy consumption, paper usage and solid waste produced, our offices do not cause any direct and significant impacts on the environment and natural resources. For our construction projects, we pay close attention to the works carried out by our subcontractors and to ensure that they strictly comply with the laws and regulations in relation to environmental protection and minimise damage to the environment.

CARING FOR OUR SOCIETY

Our Talents

We value our talents and believes they play an important role to G&M's business development and they are the key to delivering quality and reliable products and services to our customers consistently, and making our business value sustainable.

Recruiting and Retaining Talents

We strive to provide a harmony and supportive working environment for them and also offer competitive remuneration package with benefits and welfare to maintain our competitiveness in attracting and retaining talents. The Group recognises and encourages our staff through our remuneration and appraisal system to ensure that they are rewarded according to their individual qualifications, working experience and performance. Our staff can also share with the Group's performance by way of the annual discretionary bonus.

Valuing Our Talents

We support a work-life balance. We arrange different social activities for our staff to promote a health lifestyle and to enhance team cohesion. In this year, our staff gathering functions included monthly birthday celebration, Christmas party and festival lunches. The annual dinner organised every year is a special event for the Group to express our appreciation and recognition to the staff for their hard works for the year. Recreational activities are also arranged for our staff to balance their pressures of work and family. During the year, we arranged a short vacation trip for all our PRC staff at the Company's expense to relax from hard works. We also sponsored our staff to participate in charity walk activity in Hong Kong.

Developing Our Talents

Trainings can assist our staff to maximise their full potential and contributions to the Group. We support continuous learning and improvement efforts to acquire skills and knowledge, which can facilitate both personal and professional development. Training and development needs of our staff can be identified during the annual appraisal process to assist their professional development. Different internal and external trainings are provided to our staff based on specific needs for their career advancement.

During the Reporting Period, the Group had arranged our staff to attend external training courses to acquire knowledge and information about the new safety requirements on materials, such as new code of practice for structural use glass, quality control for structural use glass, etc. Our staff also attended various job-related training courses on construction site supervision, ISO and technical trainings organised by professional bodies. Several internal workshops were provided by the management to our general staff.

Besides vocational trainings, we provided financial subsidies to our staff for attending management course organised by HK Management Association, and other corporate governance, financial reporting and taxation courses organised by HKICPA and Accounting Development Foundation, etc.

Promoting Health and Safety

The Group cares about the well-being of our talents and recognises it as our prime responsibility to assure the health, safety and welfare of our staff, as well as other persons who are likely to be affected by our operations, including the subcontractors and the public where appropriate. We have complied with Factories and Industrial Undertakings Ordinance and Occupational Safety and Health Ordinance in Hong Kong. In addition we also require our subcontractors to comply with the laws and regulations in relation to health and safety at the construction sites in Hong Kong. Our project managers are responsible for ensuring that the subcontractors have met the safety and workmanship requirements.

For each construction project, we would set up a safety team, including a safety supervisor, engineer, foreman, and work representatives, under the supervision of the project management team. The safety supervisor provides safety courses and information to the workers, carries out site safety inspection and gives instructions to workers on correct and safe working practices. Due to the growth of the Group's business, the number of construction projects has increased during the Reporting Period. In order to ensure a safe environment for each building project, we have hired three more safety supervisors during the year.

We have established procedures to provide our staff with a safe and healthy working environment by specifying various safety control measures and in-house rules in our safety handbook "Safety Plan", which is given to all our staff and subcontractors. All workmen and supervisory staff are required to attend safety induction course, toolbox training and manual lifting training, etc., to ensure they get adequate health and safety information and training. The supervisory staff are also provided with formal safety training by attending external safety courses organised by recognised organisations.

The Group is also committed to providing the staff in Hong Kong and the PRC with a safe and healthy workplace, by complying with the Occupational Safety and Health Ordinance in Hong Kong and relevant laws and regulations in the PRC. To maintain a safe and healthy working environment in our offices, we prohibit indoor smoking, and provide regular office cleaning and first aid kit at the office. As a commitment to a more comfortable and safer workplace for our PRC staff, we have moved the PRC office to a new one with 50% more in floor area.

During the Reporting Period, the Group was not aware of any non-compliance with relevant laws and regulations that has a significant impact on the Group relating to occupational health and safety.

Upholding Fair Employment Practices and Labour Standards

The Group is committed to providing a fair workplace to protect the existing and potential staff from being treated disadvantageously or excluded on the basis of characteristics such as gender, age, race, marital status, and religious belief. We establish human resources policies in accordance with the Employment Ordinance and other anti-discrimination ordinances in Hong Kong, and the Labour Law and Labour Contract Law in the PRC, covering recruitment, dismissal, probation, promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare. All policies are set out in the staff handbook.

We have also established policies and procedures for prohibiting the employment of child labour and forced labour. Our human resources department will examine the applicant's original identity document with photo that indicates the age of the application to prevent employment of child labour. The Group ensures that the terms of employment are voluntary and would not be changed arbitrarily without communicating with the staff. Our staff can work on their own free will and are free to leave the Group upon reasonable notice under the Group's relevant human resources policies.

As at 31 December 2018, the Group had 70 (2017: 62) staff in Hong Kong and 25 (2017: 29) staff in the PRC. The Group was not aware of any non-compliance with laws and regulation that has significant impact on the Group relating to in relating to employment and labour standards during the Reporting Period.

Anti-corruption

The Group is committed to conducting business in fair, integrity and legal manner. We do not tolerate bribery, kickbacks, or corrupt acts of any kind or in any circumstances from our staff or our agents. The management, our staff and agents are required to strictly comply with the Prevention of Bribery Ordinance, which is stated clearly in the Code of Conduct of the Group. We have given guidelines to our staff about giving and receiving gifts among our business partners. Our staff are also required to declare any conflict of interests.

The Group has established whistleblowing policies to provide channels and guidance to our staff on reporting any misconduct, malpractice or irregularity within the Group. All cases reported will be kept confidential and will be investigated thoroughly. The investigation reports will be reported to the Chairman and the Audit Committee. Appropriate corrective or disciplinary actions will be taken when a misconduct case is proven.

During the Reporting Period, the Group was not aware of any non-compliance of laws and regulations that had a significant impact on the Group relating to of bribery, extortion, fraud and money-laundering.

Contribution to Our Community

As a socially responsible corporation, we care for and support the community where we operate. G&M is committed to contributing to our community in different ways. We give monetary donations to various charitable bodies to support their works in helping people in needs in the community. On the other hand, we support our staff to participate in community activities. Through the Group's active participation in giving back to our community, we hope to inspire our staff to increase their sense of community involvement and participation.

In the Reporting Period, the Group continued to focus on providing aids to underprivileged people in Hong Kong by donating to different charity organisations. We made donations to Rainbow Foundation, J Life Foundation and World Vision Hong Kong. Both Rainbow Foundation and J Life Foundation are charitable institutions in Hong Kong. Rainbow Foundation integrates resources from corporations, schools, organisations and individuals, and co-operates with social welfare and charitable institutions to bring love and care to the underprivileged people, and to improve social harmony in Hong Kong. J Life Foundation is a privately funded non-profit organisation that aims to strengthen at-risk children and families in underprivileged communities in Hong Kong.

Apart from donations, the Group endeavours to support and sponsor our staff to participate in community activities. Our staff participated in the charity fundraising event "Sowers Action Challenging 12 Hours Charity Marathon 2018" to raise funds for providing children in poverty with better education conditions and healthier environment to grow up.

The Group will keep on our best to contribute to the community through supporting different volunteer services and community programs.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

COMMITMENT TO OUR CUSTOMERS

We strive to deliver quality, reliable and safe project works and also to provide sustainable solutions to our customers for building a better place to live and work.

Delivering Quality and Reliable Services to Our Customers

Quality and reliability is the foundation of the Group's success. G&M provides services ranging from structural calculation and shop drawings, sourcing and procurement of materials, arrangement for material fabrication and processing, installation works and post-completion repair and maintenance services. To maintain high quality services, we have been employing a quality management system to monitor our work processes for meeting customer' needs and to fulfil regulatory requirements. Our business is operated under the procedures that comply with ISO 9001:2015 quality standards.

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

At the project planning stage, our qualified design engineers are responsible for system design and structural calculation to assess the feasibility of the design and installation works. The system design and structural calculation is submitted to customers and the Buildings Department for approval. The curtain wall systems are required to undergo a series of tests by independent laboratories to confirm the performance meeting the stringent safety standard as required by the Buildings Department.

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

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

Managing Our Supply Chain

Supply chain management is crucial to the Group's sustainable operations. We address supply chain challenges through risk management, responsible sourcing, and close monitoring the suppliers and subcontractors. G&M has a supply chain sustainability working group to develop sustainability policies and guidelines, to share best practices with the suppliers, and to monitor the quality of the suppliers.

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

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

Furnishing Sustainable Value to Our Customers

Many of our supply chain policies and product quality and responsibility policies are developed and implemented in close collaboration with our customers and business partners. We select suppliers and employ subcontractors based on their quality of products and services, environmental and social responsibility, and compliance with laws and regulations. Through regular and intensive communication and long-term cooperation, the Group and our business partners are able to furnish sustainable value to our customers.

THE STOCK EXCHANGE ESG REPORTING GUIDE CHECKLIST

ASPECTS	DESCRIPTION	PAGE REF
A. Environmental		
Aspect A1: Emissions		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	28–31
KPI A1.1	The types of emissions and respective emissions data.	29–30
KPI A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	29–30
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Not applicable for disclosure
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	30
KPI A1.5	Description of measures to mitigate emissions and results achieved.	28–31
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	30
Aspect A2: Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	28–31
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	29–30
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Not applicable for disclosure
KPI A2.3	Description of energy use efficiency initiatives and results achieved.	29–30
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Not applicable for disclosure
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Not applicable for disclosure

ASPECTS	DESCRIPTION	PAGE REF
Aspect A3: The Environment and Natural Resources		
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	31
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	31
B. Social		
Employment and Labour Practices		
Aspect B1: Employment		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	31
Aspect B2: Health and Safety		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	32
Aspect B3: Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	31
Aspect B4: Labour Standards		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	32

ASPECTS	DESCRIPTION	PAGE REF
Operating Practices		
Aspect B5: Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	34–35
Aspect B6: Product Responsibility		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	34
Aspect B7: Anti-corruption		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	33
Community		
Aspect B8: Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	33

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 42 to 115 which comprise the consolidated statement of financial position as at 31 December 2018, 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 2018 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

Recognition of contract revenue and contract assets/contract liabilities

Refer to notes 7 and 17 to the consolidated financial statements

For the year ended 31 December 2018, the Group recognised revenue from one-stop design and build solutions amounting to HK$357,288,000 and, as at 31 December 2018, the Group recorded contract assets and contract liabilities of HK$87,891,000 and HK$16,153,000 respectively. Revenue from construction works is recognised by applying input method, which is measured by reference to the contract costs incurred to date as a proportion to the total estimated contract costs, whereas contract assets/contract liabilities are determined based on contract costs incurred, progress billings, any foreseeable losses and recognised profits which is also dependent on estimation of contract costs. As disclosed in notes 5(i) and 5(ii) to the consolidated financial statements, the estimation of contract costs for an individual contract, which mainly comprise subcontracting fees, materials and processing charges and project staff costs, is based on quotations provided by subcontractors/suppliers/vendors as well as from the experience of the directors, which is revised regularly as the contract progresses. This involves the use of significant management judgment and involves estimation uncertainty.

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

- Understanding the procedures and relevant controls of the Group in preparing and updating budgets for construction works and recording contract costs.
- Agreeing budgeted costs to respective construction budgets, on a sample basis.
- Evaluating reasonableness of contract budgets through discussion with management about preparation of those budgets.
- Testing contract costs incurred to date and estimated total costs to underlying supporting evidence, on a sample basis.
- Assessing reliability of contract budgets by comparing actual contract costs against budgeted costs of completed projects.
- Checking the calculations of input method for the completion of individual contract and the amounts of contract revenue and gross profit recognised.

OTHER INFORMATION IN THE ANNUAL REPORT

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

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

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

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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, 18 March 2019

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
Revenue	*7*	**365,436**	315,751
Cost of revenue		**(278,441)**	(216,246)
Gross profit		**86,995**	99,505
Other income, gains and losses	*8*	**(26)**	286
Administrative and other operating expenses		**(41,438)**	(28,893)
Listing expenses		**—**	(6,363)
Finance costs	*9*	**(336)**	(538)
Profit before income tax	*10*	**45,195**	63,997
Income tax expense	*11*	**(8,256)**	(11,730)
Profit for the year		**36,939**	52,267
Other comprehensive income for the year			
Item that may be subsequently reclassified to profit or loss:			
Exchange difference arising from translation of foreign operation		**17**	23
Total comprehensive income for the year		**36,956**	52,290
Profit for the year attributable to owners of the Company		**36,939**	52,267
Total comprehensive income for the year attributable to owners of the Company		**36,956**	52,290
		HK cents	HK cents
Earnings per share			
— Basic	*14*	**3.7**	5.9
— Diluted	*14*	**3.7**	5.9

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	*15*	**3,508**	5,376
Current assets			
Inventories	*16*	**986**	2,432
Amounts due from customers for contract works	*17*	**—**	40,599
Contract assets	*17*	**87,891**	—
Trade and other receivables	*18*	**104,537**	98,372
Tax recoverable		**3,956**	—
Pledged bank deposits	*19*	**5,000**	21,215
Cash and bank balances	*20*	**96,620**	106,614
		298,990	269,232
Current liabilities			
Amounts due to customers for contract works	*17*	**—**	8,381
Contract liabilities	*17*	**16,153**	—
Trade and other payables	*21*	**59,093**	38,427
Tax payable		**—**	239
Bank borrowings	*22*	**8,233**	19,476
		83,479	66,523
Net current assets		**215,511**	202,709
Total assets less current liabilities		**219,019**	208,085
Net assets		**219,019**	208,085
CAPITAL AND RESERVES			
Share capital	*23*	**10,000**	10,000
Reserves	*26*	**209,019**	198,085
Total equity		**219,019**	208,085

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 2018

		Equity attributable to owners of the Company					
	Notes	Share capital *(note 23)* HK$'000	Share premium *(note 26)** HK$'000	Merger reserve *(note 26)** HK$'000	Translation reserve* HK$'000	Retained profits* HK$'000	Total equity HK$'000
Balance 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
Dividend declared	*13*	—	—	—	—	(20,000)	(20,000)
Share issued pursuant to the capitalisation issue	*23(iv)*	7,500	(7,500)	—	—	—	—
Share issued under share offer	*23(v)*	2,500	100,000	—	—	—	102,500
Share issuance expenses	*23(vi)*	—	(9,652)	—	—	—	(9,652)
Balance at 31 December 2017		10,000	82,848	(4,592)	(49)	119,878	208,085

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

		Equity attributable to owners of the Company						
	Notes	Share capital *(note 23)* HK$'000	Share premium *(note 26)** HK$'000	Merger reserve *(note 26)** HK$'000	Translation reserve* HK$'000	Share-based payments reserve* HK$'000	Retained profits* HK$'000	Total equity HK$'000
Balance at 31 December 2017 as originally presented		**10,000**	**82,848**	**(4,592)**	**(49)**	**—**	**119,878**	**208,085**
Initial application of HKFRS 9	*3*	—	—	—	—	—	(2,222)	(2,222)
Restated balance as at 1 January 2018		**10,000**	**82,848**	**(4,592)**	**(49)**	**—**	**117,656**	**205,863**
Profit for the year		—	—	—	—	—	36,939	36,939
Other comprehensive income for the year:								
Exchange difference arising from translation of foreign operation		—	—	—	17	—	—	17
Total comprehensive income for the year		**—**	**—**	**—**	**17**	**—**	**36,939**	**36,956**
Dividend paid	*13*	—	—	—	—	—	(24,000)	(24,000)
Equity settled share-based transaction	*24*	—	—	—	—	200	—	200
Balance at 31 December 2018		**10,000**	**82,848**	**(4,592)**	**(32)**	**200**	**130,595**	**219,019**

* The reserves of HK$209,019,000 (2017: HK$198,085,000) in the consolidated statement of financial position were comprised of these reserve accounts.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	2018 HK$'000	2017 HK$'000
Cash flows from operating activities		
Profit before income tax	**45,195**	63,997
Adjustments for:		
Depreciation of property, plant and equipment	**1,920**	2,640
Bank interest income	**(38)**	(32)
Loss/(Gain) on disposal of property, plant and equipment	**88**	(25)
Interest expenses	**336**	538
Equity share-based payments	**200**	—
Reversal of expected credit loss allowance for retention receivables	**(94)**	—
Expected credit loss allowance for trade receivables	**61**	—
Expected credit loss allowance for contract assets	**1,136**	—
Operating profit before working capital changes	**48,804**	67,118
Decrease/(Increase) in inventories	**1,446**	(1,456)
Increase in amounts due from customers for contract works	**—**	(25,644)
Increase in contract assets	**(48,513)**	—
Increase in trade and other receivables	**(8,269)**	(24,151)
Increase in trade and other payables	**20,666**	397
Decrease in amounts due to customers for contract works	**—**	(16,058)
Increase in contract liabilities	**7,772**	—
Cash generated from operations	**21,906**	206
Income tax paid	**(12,451)**	(19,598)
Net cash generated from/(used in) operating activities	**9,455**	(19,392)
Cash flows from investing activities		
Interest received	**38**	32
Decrease/(Increase) in pledged bank deposits	**16,215**	(4)
Acquisition of property, plant and equipment	**(672)**	(4,168)
Sales proceeds from disposal of property, plant and equipment	**500**	10
Net cash generated from/(used in) investing activities	**16,081**	(4,130)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	2018 HK$'000	2017 HK$'000
Cash flows from financing activities		
Proceeds from bank borrowings *(note 31(b))*	**24,317**	33,900
Interest paid on bank borrowings *(note 31(b))*	**(336)**	(536)
Repayment of bank borrowings *(note 31(b))*	**(35,560)**	(24,451)
Proceeds from issuance of shares *(note 26)*	**—**	102,500
Payment of shares issuance expenses *(note 26)*	**—**	(9,652)
Dividends paid *(note 13)*	**(24,000)**	(20,000)
Repayment of obligations under finance lease *(note 31(b))*	**—**	(180)
Net cash (used in)/generated from financing activities	**(35,579)**	81,581
(Decrease)/Increase in cash and cash equivalents	**(10,043)**	58,059
Effect of exchange rate changes on cash and cash equivalents	**49**	73
Cash and cash equivalents at the beginning of year	**106,614**	48,482
Cash and cash equivalents at the end of year	**96,620**	106,614

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 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 2018 were approved and authorised for issue by the directors on 18 March 2019.

2. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("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 5.

3. ADOPTION OF HKFRSs

(a) Adoption of new/revised HKFRSs — effective 1 January 2018

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

Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15)
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration

Amendments to HKFRS 2 — Classification and Measurement of Share-Based Payment Transactions

The amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; share-based payment transactions with a net settlement feature for withholding tax obligations; and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

The adoption of these amendments has no impact on these financial statements as the Group does not have any cash-settled share-based payment transactions and has no share-based payment transaction with net settlement features for withholding tax.

HKFRS 9 — Financial Instruments

HKFRS 9 replaces HKAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: (1) classification and measurement; (2) impairment and (3) hedge accounting. The adoption of HKFRS 9 from 1 January 2018 has resulted in changes in accounting policies of the Group and the amounts recognised in the consolidated financial statements.

The following tables summarised the impact, net of tax, of transition to HKFRS 9 on the opening balance of retained profits as of 1 January 2018 as follows:

	HK$'000
Retained profits	
Retained profits as at 31 December 2017	119,878
Increase in expected credit losses ("ECLs") in trade receivables and contract assets (note (ii)(I) below)	(218)
Increase in ECLs in retention receivables at amortised cost (note (ii)(II) below)	(2,004)
Restated retained profits as at 1 January 2018	117,656

3. ADOPTION OF HKFRSs (Continued)

(a) Adoption of new/revised HKFRSs — effective 1 January 2018 (Continued)

HKFRS 9 — Financial Instruments (Continued)

(i) Classification and measurement of financial instruments and contract assets

HKFRS 9 retains the requirements in HKAS 39 for classification and measurements of financial liabilities. However, it eliminates the previous HKAS 39 categories for financial assets of held to maturity financial assets, loans and receivables and available-for-sale financial assets. The adoption of HKFRS 9 has no material impact on the Group's accounting policies related to financial liabilities and derivative financial instruments. The impact of HKFRS 9 on the Group's classification and measurement of financial assets is set out below.

Under HKFRS 9, except for certain trade receivables (that the trade receivables do not contain a significant financing component in accordance with HKFRS 15), an entity shall, at initial recognition, measure a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVTPL"), transaction costs. A financial asset is classified as: (i) financial assets at amortised cost ("amortised cost"); (ii) financial assets at fair value through other comprehensive income ("FVOCI"); or (iii) financial assets at FVTPL (as defined in above). The classification of financial assets under HKFRS 9 is generally based on two criteria: (i) the business model under which the financial asset is managed and (ii) its contractual cash flow characteristics (the "solely payments of principal and interest" criterion, also known as "SPPI criterion"). Under HKFRS 9, embedded derivatives is no longer required to be separated from a host financial asset. Instead, the hybrid financial instrument is assessed as a whole for the classification.

A financial asset is measured at amortised cost if it meets both of the following conditions are met and it has not been designated as financial asset at FVTPL:

- It is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

A debt investment is measured at FVOCI if it meets both of the following conditions and it has not been designated as financial asset at FVTPL:

- It is held within a business model whose objective is to achieved by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

3. ADOPTION OF HKFRSs (Continued)

(a) Adoption of new/revised HKFRSs — effective 1 January 2018 (Continued)

HKFRS 9 — Financial Instruments (Continued)

(i) Classification and measurement of financial instruments and contract assets (Continued)

On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. All other financial assets not classified financial assets at amortised cost or financial assets at FVOCI as described above are classified as financial assets at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or FVOCI at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The following accounting policy would be applied to the Group's financial assets as follows:

Amortised cost	Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

The following table summarises the original measurement categories under HKAS 39 and the new measurement categories under HKFRS 9 for each class of the Group's financial assets as at 1 January 2018:

Financial assets	**Original classification under HKAS 39**	**New classification under HKFRS 9**	**Carrying amount as at 1 January 2018 under HKAS 39** HK$'000	**Carrying amount as at 1 January 2018 under HKFRS 9** HK$'000
Trade and other receivables	Loans and receivables *(note)*	Amortised cost	65,247	63,110
Pledged bank deposits	Loans and receivables *(note)*	Amortised cost	21,215	21,215
Cash and bank balances	Loans and receivables *(note)*	Amortised cost	106,614	106,614
Contract assets/Amounts due from customers for contract works	Not applicable ("N/A")	N/A	40,599	40,514

Note: The Group's business model is to hold these financial assets in order to collect contractual cash flow and these financial assets meet the SPPI criterion.

The Group did not designate or de-designate any financial assets or financial liabilities at FVTPL as at 1 January 2018.

3. ADOPTION OF HKFRSs (Continued)

(a) Adoption of new/revised HKFRSs — effective 1 January 2018 (Continued)

HKFRS 9 — Financial Instruments (Continued)

(ii) *Impairment of financial assets and contract assets*

The adoption of HKFRS 9 has changed the Group's impairment model by replacing the HKAS 39 "incurred loss model" to the ECLs model". HKFRS 9 requires the Group to recognised ECLs for trade receivables and financial assets at amortised costs earlier than HKAS 39. Cash and bank balances and pledged bank deposits are subject to ECLs model but the impairment is immaterial for the current period.

Under HKFRS 9, the losses allowances are measured on either of the following bases: (1) 12 months ECLs: these are the ECLs that result from possible default events within the 12 months after the end of reporting period: and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

Measurement of ECLs

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group has elected to measure loss allowances for trade receivables and contract assets using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For all other financial instruments, the Group recognises a loss allowance based on the 12-months ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured based on the lifetime ECLs. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information. The Group's other financial instruments are considered to have low credit risk since there was no recent history of default.

The Group assumes that the credit risk on a financial asset has increased significantly when contractual payment are more than 30 days past due.

The Group considers a financial asset to be in default when: (1) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (2) the contractual payment are more than 90 days past due.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

3. ADOPTION OF HKFRSs (Continued)

(a) Adoption of new/revised HKFRSs — effective 1 January 2018 (Continued)

HKFRS 9 — Financial Instruments (Continued)

(ii) Impairment of financial assets and contract assets (Continued)

Presentation of ECLs

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Impact of the ECLs model

(I) Impairment of trade receivables and contract assets

As mentioned above, the Group applies the HKFRS 9 simplified approach to measure ECLs which recognises lifetime ECLs for all trade receivables and contract assets. To measure the ECLs, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets have substantially the same risk as the trade receivables. The loss allowance as at 1 January 2018 was determined for trade receivables and contract assets as follows:

1 January 2018	**Current**	**Within 30 days past due**	**31 days to 60 days past due**	**61 days to 90 days past due**	**91 days to 12 months past due**	**More than 12 months past due**	**Total**
Expected credit loss rate (%)	0.2%	0.4%	0.7%	0.7%	0.5%	2.9%	0.2%
Gross carrying amount (HK$'000)	86,340	737	743	454	1,125	35	89,434
Loss allowance (HK$'000)	200	3	5	3	6	1	218

The increase in loss allowance for trade receivables and contract assets upon the transition to HKFRS 9 as of 1 January 2018 were HK$133,000 and HK$85,000 respectively. The loss allowances further increased by HK$61,000 for trade receivables and HK$1,136,000 for contract assets during the year ended 31 December 2018.

(II) Impairment of retention receivables

Other financial assets at amortised cost of the Group include retention receivables. Applying the ECLs model result in the recognition of ECLs of HK$2,004,000 on 1 January 2018 and a reversal of ECLs of HK$94,000 for the year ended 31 December 2018.

3. ADOPTION OF HKFRSs (Continued)

(a) Adoption of new/revised HKFRSs — effective 1 January 2018 (Continued)

HKFRS 9 — Financial Instruments (Continued)

(ii) Impairment of financial assets and contract assets (Continued)

As a result of the above changes, the impact of the new HKFRS 9 impairment model results in additional impairment allowance is as follow:

	HK$'000
Loss allowances as at 31 December 2017 under HKAS 39	
— Additional impairment recognised for trade receivables	133
— Additional impairment recognised for contract assets	85
— Additional impairment recognised for retention receivables	2,004
Loss allowances as a 1 January 2018 under HKFRS 9	2,222

(iii) Hedge accounting

Hedge accounting under HKFRS 9 has no impact on the Group as the Group does not apply hedge accounting in its hedging relationships.

(iv) Transition

The Group has applied the transitional provision in HKFRS 9 such that HKFRS 9 was generally adopted without restating comparative information. The reclassifications and the adjustments arising from the new ECLs rules are therefore not reflected in the consolidated statement of financial position as at 31 December 2017, but are recognised in the consolidated statement of financial position on 1 January 2018. This mean that differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of HKFRS 9 are recognised in retained profits as at 1 January 2018. Accordingly, the information presented for 2017 does not reflect the requirements of HKFRS 9 but rather those of HKAS 39.

The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application of HKFRS 9 (the "DIA"):

- The determination of the business model within which a financial asset is held;
- The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL; and
- The designation of certain investments in equity investments not held for trading as at FVOCI.

If an investment in a debt investment had low credit risk at the DIA, then the Group has assumed that the credit risk on the asset had not increased significantly since its initial recognition.

3. ADOPTION OF HKFRSs (Continued)

(a) Adoption of new/revised HKFRSs — effective 1 January 2018 (Continued)

HKFRS 15 — Revenue from Contracts with Customers

HKFRS 15 "Revenue from Contracts with Customers" supersedes HKAS 11 "Construction Contracts", HKAS 18 "Revenue" and related interpretations. HKFRS 15 has established a five-steps model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at the amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The Group has adopted HKFRS 15 from 1 January 2018 which resulted in changes in accounting policies. In accordance with the transition provisions in HKFRS 15, the Group has adopted the new rules retrospectively. The Group assessed the impacts of adopting HKFRS 15 on its financial statements. Based on the assessment, the adoption of HKFRS 15 has no significant impact on the Group's revenue recognition.

The following tables summarised the impact of adopting HKFRS 15 on the Group's consolidated statement of financial position as at 1 January 2018:

	As at 1 January 2018 under HKAS 11	Reclassification	As at 1 January 2018 under HKFRS 15
	HK$'000	HK$'000	HK$'000
Assets			
Current assets			
Amounts due from customers for contract works	40,599	(40,599)	—
Contract assets	—	40,599	40,599
	40,599	—	40,599
Liabilities			
Current liabilities			
Amounts due to customers for contract works	8,381	(8,381)	—
Contract liabilities	—	8,381	8,381
	8,381	—	8,381

There was no material impact on the Group's consolidated statement of comprehensive income, consolidated statement of change in equity and consolidated statement of cash flows for the year ended 31 December 2018.

3. ADOPTION OF HKFRSs (Continued)

(a) Adoption of new/revised HKFRSs — effective 1 January 2018 (Continued)

HKFRS 15 — Revenue from Contracts with Customers (Continued)

Details of the new significant accounting policies and the nature of the changes to previous accounting policies in relation to the Group's various goods and services are set out below:

Product/ service	Nature of the goods or services, satisfaction of performance obligations and payment terms	Nature of change in accounting policy and impact on 1 January 2018
Rendering design and build services	The design and build services creates or enhances an asset that the customer controls as the assets is created or enhanced. Therefore, the satisfaction of performance obligation is over time by using input method, which is measured by reference to the contract costs incurred to date as a proportion to the total estimated contract costs. Payments are received in arrears or in advance of the revenue to be recognised based on the input method and recognise a contract assets or contract liabilities respectively.	As of 1 January 2018, for amount due from customers for contract works of HK$40,599,000 were classified to contract assets and for amounts due to customers for contract works of HK$8,381,000 were classified to contract liabilities.
Rendering repair and maintenance services	The performance obligation of repair and maintenance services is satisfied when the corresponding services are provided. Payments are usually received in arrears of the revenue to be recognised.	HKFRS 15 did not result in any significant change or impact on the Group's accounting policies as the recognition method has been the same under HKAS 18 and HKFRS 15.

Amendments HKFRS 15 — Revenue from Contracts with Customers (Clarifications to HKFRS 15)

The amendments to HKFRS 15 included clarifications on identification of performance obligations; application of principal versus agent; licenses of intellectual property; and transition requirements.

The adoption of these amendments has no impact on these financial statements as the Group had not previously adopted HKFRS 15 and took up the clarifications in this, its first, year.

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

3. ADOPTION OF HKFRSs (Continued)

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

The following new/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 2015–2017 Cycle	Amendments to HKFRS 3, Business Combinations[1]
Annual Improvements to HKFRSs 2015–2017 Cycle	Amendments to HKFRS 11, Joint Arrangements[1]
Annual Improvements to HKFRSs 2015–2017 Cycle	Amendments to HKAS 12, Income Taxes[1]
Annual Improvements to HKFRSs 2015–2017 Cycle	Amendments to HKAS 23, Borrowing Costs[1]
Amendments to HKAS 1 (Revised)	Presentation of Financial statements[2]
Amendments to HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors[2]
Amendments to HKAS 19	Employee Benefits[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to HKFRS 3 (Revised)	Business Combinations[2]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[3]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[1]

1 Effective for annual periods beginning on or after 1 January 2019

2 Effective for annual periods beginning on or after 1 January 2020

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 2017. The effective date has now been deferred/removed. Early application of the amendments of the amendments continue to be permitted.

3. ADOPTION OF HKFRSs (Continued)

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

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 28, total operating lease commitment of the Group in respect of lease premises and car parks as at 31 December 2018 amounted to HK$1,374,000. 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.

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/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. 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: power over the investee, exposure, or rights, to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

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

— The size of the Company's voting rights relative to both the size and dispersion of other parties who hold voting rights;

— Substantive potential voting rights held by the Company and other parties who hold voting rights;

— Other contractual arrangements; and

— Historic patterns in voting attendance.

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

(c) Property, plant and equipment

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Property, plant and equipment (Continued)

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.

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 vehicle	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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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.

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

(A) Accounting policies applied from 1 January 2018

(i) Financial assets

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not measured at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Financial instruments (Continued)

(A) Accounting policies applied from 1 January 2018 (Continued)

(i) Financial assets (Continued)

Debt instruments

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

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

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

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

Equity instruments

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Financial instruments (Continued)

(A) Accounting policies applied from 1 January 2018 (Continued)

(ii) Impairment loss on financial assets

The Group recognises loss allowances for ECLs on trade receivables, contract assets, financial assets measured at amortised cost and debt investments measured at FVOCI. The ECLs are measured on either of the following bases: (1) 12 months ECLs: these are the ECLs that result from possible default events within the 12 months after the end of reporting period: and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

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

The Group has elected to measure loss allowances for trade receivables and contract assets using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

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

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if the contractual payments are more than 30 days past due.

The Group considers a financial asset to be credit-impaired when: (1) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (2) the financial asset is more than 90 days past due.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Financial instruments (Continued)

(A) Accounting policies applied from 1 January 2018 (Continued)

(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

Financial liabilities at amortised cost, including trade and other payables and bank borrowings, are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

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

(iv) Effective interest method

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

(v) Equity instruments

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

(vi) Derecognition

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Financial instruments (Continued)

(B) Accounting policies applied until 31 December 2017

(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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Financial instruments (Continued)

(B) Accounting policies applied until 31 December 2017 (Continued)

(ii) Impairment loss on financial assets (Continued)

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 Group.

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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Financial instruments (Continued)

(B) Accounting policies applied until 31 December 2017 (Continued)

(iv) Effective interest method

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

(v) Equity instruments

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

(vi) Derecognition

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Revenue recognition and other income

(A) Accounting policies applied from 1 January 2018

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

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

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Revenue recognition and other income (Continued)

(A) Accounting policies applied from 1 January 2018 (Continued)

(i) Contracts of design and build project

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

When the outcome of a performance obligation in the contract of design and build project can be reasonably measured, contract revenue and the associated contract costs are recognised over time based on the progress of the respective contract at the end of the reporting period. The progress toward complete satisfaction of the performance obligation of a contract of design and build project is determined by reference to the contract costs incurred to date as a proportion of the total estimated contract costs.

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Revenue recognition and other income (Continued)

(A) Accounting policies applied from 1 January 2018 (Continued)

(ii) Repair and maintenance services

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

(iii) Other income

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

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

In the comparative period, the Group applied the accounting policy detailed as per note 4(i)(B) below. HKFRS 15 did not result in significant impact on the Group's accounting policies. However, upon the adoption of HKFRS 15, the Group has to made reclassification from trade and other receivables to contract assets since under HKFRS 15, if there is any satisfied performance obligation but where the entity does not have an unconditional right to consideration, an entity should recognise a contract asset.

(B) Accounting policies applied until 31 December 2017

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 4(i)(B));

(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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Construction contracts

(A) Accounting policies applied from 1 January 2018

Contract assets and liabilities

A contract asset represents the Group's right to consideration in exchange for services that the Group has transferred to a customer that is not yet unconditional. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

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

Contract asset is recognised when the Group completes the design and build works under such services contracts but yet certified by architects, surveyors or other representatives appointed by customers. Any amount previously recognised as a contract asset is reclassified to trade receivables at the point at which it is invoiced to the customer. If the considerations (including advances received from customers) exceeds the revenue recognised to date under the input method then the Group recognises a contract liability for the difference.

Contract costs

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

(a) the costs relate directly to a contract or to an anticipated contract that the entity can specifically identify;

(b) the costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and

(c) the costs are expected to be recovered.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Construction contracts (Continued)

(B) Accounting policies applied until 31 December 2017

Contract revenue comprises the agreed contract amount and appropriate amounts for variation orders, claims and incentive payments. Contract costs comprise direct materials, costs of subcontracting, direct labour 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 of 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 mainly comprise materials, direct labour and sub-contractors' fees. Costs incurred during the period in connection with future activity of a contract are recognised as amounts due from customers of 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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.

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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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.

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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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 recognised until the time of leave.

(ii) Defined contribution retirement plan

Retirement benefits to employees are provided through defined contribution plans. The Group operates a defined contribution retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for all its employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' relevant income. Contributions are recognised as an expense in profit or loss when the services are rendered by the employees.

The employees of a subsidiary of the Company which operate in the 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Share-based payments

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

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

(n) Impairment of non-financial assets

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Borrowing costs

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

(p) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which will probably result in an outflow of economic benefits that can be 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.

Onerous contracts

An onerous contract exists when the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract. Provisions for onerous contracts are measured at the present value of the lower of the expected cost of terminating the contract and the net cost of continuing with the contract.

(q) 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) 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.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Key sources of estimation uncertainty

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

(i) Construction contracts

Construction contract revenue is recognised according to the percentage of completion of individual construction contract, which is measured by reference to the contract costs incurred to date as a proportion to total estimated contract cost. Contract assets/contract liabilities are determined based on contract costs incurred, progress billings, any foreseeable losses and recognised profit which is also dependent on estimation of contract costs. The recognition of contract revenue and contract assets/contract liabilities requires significant management judgment and involves estimation uncertainty. Estimated contract costs of individual contract, which mainly comprise subcontracting charges, materials and processing charges and project staff costs, are supported by contract budget which was prepared by the directors of the Company. In order to ensure that the total estimated contract costs are accurate and up-to-date such that contract revenue can be estimated reliably, management reviews the contract budget, costs incurred to date and costs to completion regularly, in particular in the case of costs over-runs, and revises the estimated contract costs where necessary. Recognition of variations and claims also requires estimation and judgment by the management. Notwithstanding that the management regularly reviews and revises contract budgets when those construction contracts progressed, the actual contract costs and gross profit margin achieved may be higher or lower than the estimates and that will affect the revenue and gross profit recognised in the consolidated financial statements.

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

Key sources of estimation uncertainty (Continued)

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

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

(iii) Warranty provision

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

(iv) Impairment of receivables

The measurement of impairment losses on receivables requires judgment, in particular, the estimation of the amount and timing of future cash flows when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

At the end of each reporting period, the Group assesses whether there has been a significant increase in credit risk on receivables since initial recognition by comparing the risk of default occurring over the expected life. The Group considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

6. 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. 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 85% (2017: 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:

	2018 **HK$'000**	2017 HK$'000
Customer I	**164,759**	159,097
Customer II	**74,442**	106,569
Customer III	**92,015**	N/A*

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

7. REVENUE

The Group is principally engaged in the provision of one-stop design and build solutions as well as repair and maintenance services in relation to podium façade and curtain wall works in Hong Kong. Revenue derived from the principal activity comprises the following:

	2018 HK$'000	2017 HK$'000
Revenue recognised over time:		
Design and build projects		
— Podium facade and related works	**244,066**	300,691
— Curtain wall works	**113,222**	6,285
	357,288	306,976
Repair and maintenance services	**8,148**	8,775
	365,436	315,751

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

	2018 HK$'000	2017 HK$'000
Design and build projects		
— Podium facade and related works	**107,672**	279,643
— Curtain wall works	**139,203**	101,496
	246,875	381,139

The Group will recognise the expected revenue arising from its existing contracts of design and build projects in future as the project work is progressed, which is expected to occur over the next 4 to 16 months.

For repair and maintenance service, there is no unsatisfied performance obligation as at 31 December 2018 and 2017.

8. OTHER INCOME, GAINS AND LOSSES

	2018 **HK$'000**	2017 HK$'000
Bank interest income	**38**	32
(Loss)/Gain on disposal of property, plant and equipment	**(88)**	25
Others	**24**	229
	(26)	286

9. FINANCE COSTS

	2018 **HK$'000**	2017 HK$'000
Interest on bank borrowings	**336**	536
Interest element of finance lease payments	**—**	2
	336	538

10. PROFIT BEFORE INCOME TAX

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

	2018 **HK$'000**	2017 HK$'000
Auditor's remuneration	**660**	630
Cost of inventories recognised as expenses[#] *(note 16)*	**128,453**	103,807
Depreciation of property, plant and equipment*	**1,920**	2,640
Expected credit losses allowance for trade receivables	**61**	—
Expected credit losses allowance for contract assets	**1,136**	—
Reversal of expected credit losses allowance for retention receivables	**(94)**	—
Warranty expenses[#]	**26**	81
Employee benefit expenses, including directors' emoluments *(note 12(a))*		
— Salaries, allowances and other benefits	**48,452**	42,708
— Contributions to defined contribution retirement plan	**984**	817
— Equity settled share-based payment	**200**	—
	49,636	43,525
Exchange losses/(gains), net	**477**	(639)
Operating lease charges in respect of land and buildings	**2,443**	2,344

* Included in administrative and other operating expenses

[#] Included in cost of revenue

11. INCOME TAX EXPENSE

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

	2018 **HK$'000**	2017 HK$'000
Hong Kong Profits Tax		
— current tax for the year	**8,019**	11,846
— under/(over)-provision in respect of prior years	**233**	(117)
PRC Enterprise Income tax		
— current tax for the year	**4**	1
Income tax expense	**8,256**	11,730

11. INCOME TAX EXPENSE (Continued)

During the year ended 31 December 2017, Hong Kong profits tax is calculated at 16.5% on the estimated assessable profit for the year.

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the 'Bill') which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day.

Under the two-tiered profits tax rates regime, the first HK$2,000,000 of profits of qualifying corporations will be taxed at 8.25%, and profits above HK$2,000,000 will be taxed at 16.5%. The profits of corporations not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. The two-tiered profits tax rates regime was applicable to a nominated qualified entity in the Group for the year.

Enterprise income tax arising from other regions of the PRC is calculated at 25% (2017: 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:

	2018 HK$'000	2017 HK$'000
Profit before income tax	**45,195**	63,997
Tax calculated at Hong Kong profits tax rate of 16.5% (2017:16.5%)	**7,457**	10,560
Effect of different tax rates of subsidiaries operating in other jurisdictions	**77**	(54)
Tax effect of revenue not taxable for tax purposes	**(2)**	—
Tax effect of expenses not deductible for tax purposes	**337**	1,444
Tax effect of temporary differences not recognised	**154**	(103)
Under/(Over)-provision in respect of prior years	**233**	(117)
Income tax expense	**8,256**	11,730

No deferred tax has been provided in the consolidated statements of comprehensive income as no material temporary differences as at 31 December 2018 and 2017.

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 2018, 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$165,000 at 31 December 2018 (2017: HK$161,000).

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

(a) Directors' emoluments

Directors' emoluments are disclosed as follows:

	Fees HK$'000	Salaries, allowances and other benefits HK$'000	Discretionary bonuses HK$'000	Pension scheme contribution HK$'000	Equity settled share-based payment HK$'000	Total HK$'000
Year ended 31 December 2018						
Executive directors						
Mr. Lee Chi Hung *(Chairman and Chief Executive Officer)*	—	2,574	1,267	18	—	3,859
Mr. Chan Wai Yin	—	1,151	366	18	109	1,644
Non-executive director						
Mr. Leung Ping Kwan	—	780	—	4	—	784
Independent non-executive directors						
Professor Wong Roderick Sue Cheun	240	—	—	—	—	240
Mr. Tai Kwok Leung, Alexander	240	—	—	—	—	240
Mr. Kwan Cheuk Kui	240	—	—	—	—	240
	720	4,505	1,633	40	109	7,007
Year ended 31 December 2017						
Executive directors						
Mr. Lee Chi Hung *(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 Ping Kwan	—	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

During the years ended 31 December 2018 and 2017, 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.

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

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year ended 31 December 2018 include two (2017: two) directors whose emoluments are reflected in the analysis presented note (a) above. The emoluments payable to the remaining three (2017: three) highest paid individuals during the year ended 31 December 2018 are as follows:

	2018 HK$'000	2017 HK$'000
Salaries, allowances and other benefits	3,128	2,521
Discretionary bonuses	1,076	1,161
Equity settled share-based payment	91	—
Contributions to retirement benefits schemes, other social security plans and housing fund	54	54
	4,349	3,736

The emoluments fell within the following band:

	2018 Number of individuals	2017 Number of individuals
HK$1,000,001 to HK$1,500,000	2	3
HK$1,500,001 to HK$2,000,000	1	—

During the years ended 31 December 2018 and 2017, none of the five individuals with highest emoluments waived the remuneration and there were no amounts paid or payable by the Group to them 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 band:

	2018 Number of individuals	2017 Number of individuals
Nil to HK$1,000,000	1	3
HK$1,000,001 to HK$1,500,000	2	2
HK$1,500,001 to HK$2,000,000	1	—

13. DIVIDENDS

	2018 HK$'000	2017 HK$'000
Interim dividends *(note a)*	—	20,000
Final dividends *(note b)*	18,000	24,000
	18,000	44,000

Notes:

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

(b) Final dividends in respect of the year ended 31 December 2018 of HK1.8 cents per share, amounting to a total dividend of HK$18,000,000, will be proposed at the forthcoming annual general meeting. The proposed dividends are not reflected as dividend payable in these financial statements for the year ended 31 December 2018. There are no income tax consequences for the Group related to the payment of dividends by the Company to its shareholders.

Final dividends in respect of the previous financial year, approved and paid during the year of HK2.4 cents per share, amounting a total dividend of HK$24,000,000.

14. EARNINGS PER SHARE

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

	2018 HK$'000	2017 HK$'000
Earnings		
Profit for the year attributable to owners of the Company	36,939	52,267

	'000	'000
Weighted average number of ordinary shares in issue		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	1,000,000	888,356
Effect of dilutive potential ordinary shares — share options	12	—
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	1,000,012	888,356

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 23(iv)) of 138,356,000 shares, in addition to the aforementioned 750,000,000 shares in issue immediately after the capitalisation issue.

For the year ended 31 December 2018, diluted earnings per share is calculated based on the adjusted weighted average number of ordinary shares with dilutive effect arising from the share options issued during the year. For the year ended 31 December 2017, diluted earnings per share are the same as the basic earnings per shares as there were no dilutive potential ordinary shares in existence.

15. PROPERTY, PLANT AND EQUIPMENT

	Furniture and fixtures HK$'000	Office equipment HK$'000	Motor vehicles HK$'000	Plant and machinery HK$'000	Leasehold improvement HK$'000	Total HK$'000
Cost						
As at 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 realignment	—	20	—	—	—	20
As at 31 December 2017 and 1 January 2018	30	3,475	2,295	2,072	3,233	11,105
Additions	55	486	—	131	—	672
Disposal	—	—	(810)	—	—	(810)
Exchange realignment	—	(45)	—	—	—	(45)
As at 31 December 2018	**85**	**3,916**	**1,485**	**2,203**	**3,233**	**10,922**
Accumulated depreciation						
As at 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 realignment	—	1	—	—	—	1
As at 31 December 2017 and 1 January 2018	27	1,885	1,157	349	2,311	5,729
Depreciation	11	579	200	417	713	1,920
Disposal	—	—	(222)	—	—	(222)
Exchange realignment	—	(13)	—	—	—	(13)
As at 31 December 2018	**38**	**2,451**	**1,135**	**766**	**3,024**	**7,414**
Net book value						
As at 31 December 2018	**47**	**1,465**	**350**	**1,437**	**209**	**3,508**
As at 31 December 2017	3	1,590	1,138	1,723	922	5,376

16. INVENTORIES

	2018 HK$'000	2017 HK$'000
Raw materials and consumables	**986**	2,432

Cost of inventories recognised as expense in "cost of revenue" amounted to approximately HK$128,453,000 (Note 10) for the year ended 31 December 2018 (2017: HK$103,807,000).

17. CONTRACT ASSETS, CONTRACT LIABILITIES AND AMOUNTS DUE FROM/TO CUSTOMERS FOR CONTRACT WORKS

	2018 HK$'000	2017 HK$'000
Contract costs incurred to date plus recognised profits less recognised losses*	**1,162,370**	812,736
Less: Progress billings to date	**1,089,411**	780,518
Less: Expected credit losses allowance	**1,221**	—
	71,738	32,218
Contract assets	**87,891**	—
Amounts due from customers for contract works	**—**	40,599
Contract liabilities	**(16,153)**	—
Amounts due to customers for contract works	**—**	(8,381)
	71,738	32,218

* Included in the balances were warranty provision made for design and build projects amounting to HK$1,424,000 as at 31 December 2018 (2017: HK$1,710,000).

Balances are reclassified from "amounts due from customers for contract works" to "contract assets" and from "amounts due to customers for contract works" to "contract liabilities" to be consistent with the terminology used under HKFRS 15.

All contract assets/contract liabilities and amounts due from/to customers for contract works are arisen from the sales of construction services for design and build projects and expected to be recovered/settled within one year. The changes in the contract assets and contract liabilities for the year were resulted from the pace of the progress of particular projects and the timing of approval for progress billing application for certain projects.

17. CONTRACT ASSETS, CONTRACT LIABILITIES AND AMOUNTS DUE FROM/TO CUSTOMERS FOR CONTRACT WORKS (Continued)

(a) Contract assets

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

Construction services

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

The movements in the expected credit losses allowance for impairment of contract assets are as follows:

	2018 HK$'000
At beginning of year	—
Effect of adoption of HKFRS 9 *(note 3(a)(ii))*	85
At beginning of year (restated)	85
Impairment losses recognised during the year	1,136
At end of year	1,221

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

17. CONTRACT ASSETS, CONTRACT LIABILITIES AND AMOUNTS DUE FROM/TO CUSTOMERS FOR CONTRACT WORKS (Continued)

(a) Contract assets (Continued)

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

At 31 December 2018	%
Expected credit loss rate	**1.4**

	HK$'000
Gross carrying amount	**89,112**
Expected credit losses	**1,221**

(b) Contract liabilities

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

Construction services

Where discrepancies arise between the milestone payments and the Group's assessment of the stage of completion, contract liabilities can arise.

Movement in contract liabilities

	2018 HK$'000
Balance as at 1 January	**8,381**
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	**(5,855)**
Increase in contract liabilities as a result of billing in advance of construction and manufacturing activities	**13,627**
Balance at 31 December	**16,153**

18. TRADE AND OTHER RECEIVABLES

	2018 HK$'000	2017 HK$'000
Trade receivables	**77,679**	48,835
Expected credit losses allowance	**(194)**	—
	77,485	48,835
Retention receivables	**20,116**	14,780
Expected credit losses allowance	**(1,910)**	—
	18,206	14,780
Deposits and prepayments	**8,846**	34,757
	104,537	98,372

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

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

	2018 HK$'000	2017 HK$'000
0–30 days	**66,703**	20,862
31–60 days	**9,375**	25,616
61–90 days	**106**	743
Over 90 days but less than 1 year	**1,205**	1,555
Over 1 year	**96**	59
	77,485	48,835

18. TRADE AND OTHER RECEIVABLES (Continued)

The movements in the expected credit losses allowance for trade and retention receivables are as follows:

	2018 HK$'000
At beginning of year	—
Effect of adoption of HKFRS 9 *(note 3(a)(ii))*	**2,137**
At beginning of year (restated)	**2,137**
Impairment losses recognised during the year	**(33)**
At end of year	**2,104**

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 2018, based on due date, the Group's retention receivables of HK$17,253,000 (2017: HK$12,407,000) were not yet past due and the remaining balance of HK$953,000 (2017: HK$2,373,000) were past due, of which HK$386,000 (2017: HK$1,848,000) 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.

19. PLEDGED BANK DEPOSITS

Pledged bank deposits as at 31 December 2018 are interest-bearing at fixed rate of 0.1% per annum (2017: ranged from 0.01% to 0.02%) and have maturity period of three months (2017: 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 22 and 29).

20. CASH AND BANK BALANCES

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

21. TRADE AND OTHER PAYABLES

	2018 HK$'000	2017 HK$'000
Trade payables	**39,805**	20,608
Retention payables	**7,160**	6,552
Accruals and other payables	**12,114**	11,253
Receipt in advance	**14**	14
	59,093	38,427

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

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

	2018 HK$'000	2017 HK$'000
0–30 days	**20,792**	10,625
31 to 60 days	**6,657**	3,014
61 to 90 days	**1,056**	247
Over 90 days	**11,300**	6,722
	39,805	20,608

As at 31 December 2018, retention payables of HK$3,385,000 (2017: HK$3,008,000) were aged one year or below and the remaining balance of approximately HK$3,775,000 (2017: HK$3,544,000) were aged over one year.

22. BANK BORROWINGS

	2018 HK$'000	2017 HK$'000
Bank borrowings repayable within one year	**8,233**	19,476

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 2018 granted under banking facilities was ranged from 3.63% to 5.87% (2017: 3.13% to 5.25%) per annum.

As at 31 December 2018 and 2017, the banking facilities (including bank borrowings and surety bonds) granted to the Group were secured by the bank deposits as described in note 19. The corporate guarantee is provided by the Company.

23. SHARE CAPITAL

Details of the movement in the authorised, issued and fully paid share capital of the Company 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 and 2018		10,000,000,000	100,000
Issued and fully paid:			
Ordinary share of HK$0.01 each			
Issue of share upon incorporation		1	—
Issued 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 offer	*(iv) & (v)*	250,000,000	2,500
As at 31 December 2017 and 2018		1,000,000,000	10,000

23. SHARE CAPITAL (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, the parent of the Company on the same date.

(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 Group Limited ("Joint Forward"), one of the Company's subsidiaries. In addition, the Company credited the one nil paid share held by Luxury Booming referred to in note (a) 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 Group's 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 per 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.

24. SHARE OPTION SCHEME

Pursuant to resolutions passed by the shareholder of the Company on 12 May 2017, the shareholder of the Company approved the adoption of a share option scheme (the "Share Option Scheme"). The Share Option Scheme enables the Company to grant options to eligible persons as incentives or rewards for their contributions to the Group.

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

The board of directors may, at its absolute discretion, invite any eligible persons to take up options at a price determined by the board of directors which shall be the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the options, which must be a trading day; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of grant of the options; and (iii) nominal value of a share. Upon acceptance of the offer of an option, the grantee shall pay HK$1 to the Company by way of consideration for the grant.

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

The following share options were outstanding under the Share Option Scheme during the year (2017: Nil):

	Weighted average exercise price 2018 HK$	**Number of share option 2018**
Outstanding at beginning of the year	—	—
Granted during the year	0.28	5,500,000
Forfeited during the year	—	—
Exercised during the year	—	—
Outstanding at the end of the year	0.28	5,500,000

The exercise price of options outstanding at the end of the year was HK$0.28 (2017: Nil) and their weighted average remaining contractual life was ranged between 1.16 to 2.16 years (2017: Nil).

Of the total number of options outstanding at the end of the year, no share option had vested and were exercisable at the end of the year (2017: Nil).

The weighted average fair value of each option granted during the year was HK$405,000 (2017: Nil).

The share-based payments of HK$200,000 was recognised in profit or loss during the year.

24. SHARE OPTION SCHEME (Continued)

The following information is relevant in the determination of the fair value of options granted during the year under the equity- settled share based remuneration schemes operated by the Group.

	2018 HK$
Equity-settled	**405,000**
Option pricing model used	**Binomial option Price Model**
Weighted average share price at grant date	**0.28**
Exercise price	**0.28**
Weighted average contractual life	**1.16 to 2.16 years**

The volatility assumption, measured at the standard deviation of expected share price returns, is based on a statistical analysis of daily share prices over the last three years.

25. HOLDING COMPANY STATEMENT OF FINANCIAL POSITION

	Notes	2018 HK$'000	2017 HK$'000
ASSETS AND LIABILITIES			
Non-current asset			
Investments in a subsidiary		**63,185**	63,185
Current assets			
Amount due from a subsidiary		**112,630**	62,000
Prepayments and other receivables		**288**	288
Cash and cash equivalents		**12,132**	68,768
		125,050	131,056
Current liabilities			
Accrual and other payables		**11,396**	11,396
Amount due to a subsidiary		**1,649**	883
		13,045	12,279
Net current assets		**112,005**	118,777
Net assets		**175,190**	181,962
CAPITAL AND RESERVES			
Share capital	*23*	**10,000**	10,000
Reserves	*26*	**165,190**	171,962
Total equity		**175,190**	181,962

On behalf of the directors

Lee Chi Hung
Director

Chan Wai Yin
Director

26. RESERVES

The Group

Details of the movements on the Group's reserves for the years ended 31 December 2018 and 2017 are presented in the consolidated statement of changes in equity. The nature and purposes of reserves within equity are as follows:

(a) Share premium

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

(b) Merger reserve

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

(c) Share-based payments reserve

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

The Company

Details of the movements in the Company's reserves during the years ended 31 December 2018 and 2017 are as follows:

	Share premium HK$'000	**Share-based payment reserve** HK$'000	**(Accumulated losses)/ Retained profits** HK$'000	**Total reserve** HK$'000
As at 1 January 2017	—	—	(7,439)	(7,439)
Profit for the year	—	—	33,368	33,368
Arising from reorganisation	63,185	—	—	63,185
Share issued pursuant to capitalisation issue *(note 23(iv))*	(7,500)	—	—	(7,500)
Share issued under share offer *(note 23(v))*	100,000	—	—	100,000
Share issuance expenses *(note 23(vi))*	(9,652)	—	—	(9,652)
As at 31 December 2017	146,033	—	25,929	171,962

26. RESERVES (Continued)

The Company (Continued)

	Share premium HK$'000	Share-based payment reserve HK$'000	Retained profits HK$'000	Total reserve HK$'000
As at 31 December 2017 and 1 January 2018	146,033	—	25,929	171,962
Profit for the year	—	—	17,028	17,028
Dividend paid	—	—	(24,000)	(24,000)
Equity settled share-based transaction *(note 24)*	—	200	—	200
As at 31 December 2018	146,033	200	18,957	165,190

27. 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 2018	2017	Principal activities
Directly held:					
Join Forward	British Virgin Islands, limited liability company	4 shares of United States Dollars ("US$") 1 each	**100%**	100%	Investment holding
Indirectly held:					
G & M Engineering Company Limited	Hong Kong, limited liability company	1,000,000 shares of HK$1,000,000	**100%**	100%	Provision of one-shop design and build solutions for facade and curtain wall and undertaking repair and maintenance services
G & M Curtain Wall Maintenance Company Limited	Hong Kong, limited liability company	10,000 shares of HK$10,000	**100%**	100%	Provision of repair and maintenance services for podium facade and curtain wall
G & M Contracting Company Limited	Hong Kong, limited liability company	HK$1,000,000	**100%**	100%	Inactive
G & M Shenzhen Design Company Limited	The People's Republic of China ("the 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

28. 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 (2017: one to three years) and are non-cancellable.

The total future minimum lease payments are due as follows:

	2018 **HK$'000**	2017 HK$'000
Within one year	**865**	2,693
Later than one year and not more than five years	**509**	1,337
	1,374	4,030

29. GUARANTEES

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

	2018 **HK$'000**	2017 HK$'000
Aggregate value of the surety bonds issued in favour of customers *(note 19)*	**31,084**	28,555

The surety bonds are required for the entire period of the relevant construction contracts. As at 31 December 2018, the respective construction contracts are expected to be completed in year 2019 (2017: year 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.

30. LITIGATIONS

During the years ended 31 December 2018 and 2017, a number of lawsuits and claims arising from the normal course of business were lodged against the Group which remain outstanding at the end of the reporting period. Claim amounts are not specified in some of the applications of these lawsuits and claims. In the opinion of the directors, sufficient insurance coverage are maintained to cover the losses, if any, arising from most of these lawsuits and claims and therefore the ultimate liability under these lawsuits and claims would not have material adverse impact on the consolidated financial position of the Group.

31. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(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 and 1 January 2018	—	19,476
Changes from cash flows:		
— Proceeds from bank borrowings	—	24,317
— Interest incurred for the year	—	336
— Interest paid for the year	—	(336)
— Repayment for the year	—	(35,560)
At 31 December 2018	—	8,233

32. RELATED PARTY TRANSACTIONS

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

Name	Related party relationship	Type of transaction	Transaction amount 2018 HK$'000	2017 HK$'000
Kentan Co., Ltd *(note)*	A director of the Company is key management personnel of this entity	Purchase of materials	**656**	576

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

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

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

33. CAPITAL 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 leases. Equity represents total equity of the Group.

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

33. CAPITAL MANAGEMENT (Continued)

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

	2018 HK$'000	2017 HK$'000
Bank borrowings	**8,233**	19,476
Total equity	**219,019**	208,085
Gearing ratio	**3.76%**	9.36%

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.

34. 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:

	2018 HK$'000	2017 HK$'000
Financial assets		
Financial assets measured at amortised cost:		
— Trade and other receivables	**96,790**	—
— Pledged bank deposits	**5,000**	—
— Cash and bank balances	**96,620**	—
Loans and receivables		
— Trade and other receivables	**—**	65,247
— Pledged bank deposits	**—**	21,215
— Cash and bank balances	**—**	106,614
	198,410	193,076

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

	2018 HK$'000	2017 HK$'000
Financial liabilities		
At amortised cost:		
— Trade and other payables	**59,079**	38,413
— Bank borrowings	**8,233**	19,476
	67,312	57,889

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.

35. FINANCIAL RISK MANAGEMENT

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

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

(a) Credit risk

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

The Group's credit risk is primarily attributable to its trade and other receivables, pledged bank deposits and cash and bank balances. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect of trade and other receivables (note 18), it is the Group's policy to deal only with creditworthy counterparties. Normally, the Group does not obtain collateral from the counterparties. In order to minimise credit risk, the Group has credit policy to determine the credit limit and to monitor the ageing of the receivable balances. Follow-up action is taken to recover overdue debts. In addition, management reviews the recoverable amount of the receivables individually and collectively at the end of each reporting period to ensure that adequate impairment provision is made for irrecoverable amounts.

35. FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

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

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables and contract assets as at 31 December 2018:

31 December 2018	Current	Within 30 days past due	31 days to 60 days past due	61 days to 90 days past due	91 days to 12 months past due	More than 12 months past due	Total
Expected credit loss rate (%)	0.9%	—	—	1.3%	1.1%	—	0.9%
Gross carrying amount (HK$'000)	165,358	12	106	156	1,063	96	166,791
Loss allowance (HK$'000)	1,401	—	—	2	12	—	1,415

Expected loss rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

Prior to 1 January 2018, an impairment loss was recognised only when there was objective evidence of impairment. At 31 December 2017, the ageing analysis of trade debtors that were not considered to be impaired was as follows:

	2017 HK$'000
Neither past due nor impaired	45,741
1–30 days past due	737
31–60 days past due	743
61–90 days past due	454
91 days but less than 1 year past due	1,125
Over 1 year past due	35
	48,835

35. FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

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

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

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

The Group provided guarantees in respect of the surety bonds issued in favour of several customers (note 29). As at 31 December 2018, the maximum exposure to credit risk of guarantees issued by the Group was the value of the surety bonds of HK$31,084,000 (2017: HK$28,555,000), 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 76% and 99% (2017: 76% and 93%) 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 2018 and 2017 bore interest at floating rates. Details of bank borrowings is disclosed in note 22.

35. FINANCIAL RISK MANAGEMENT (Continued)

(b) Interest rate risk (Continued)

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.

Sensitivity analysis

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

	(Decrease)/Increase in profit for the year and retained profits	
Changes in interest rate	**2018 HK$'000**	2017 HK$'000
+1%	**(14)**	(43)
–1%	**14**	43

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.

35. FINANCIAL RISK MANAGEMENT (Continued)

(c) Foreign currency risk

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

The Group is exposed to currency risk primarily through cash at banks and time deposits placed with banks that are denominated in RMB and EUR.

The carrying amount of the Group's major financial assets denominated in a currency other than the functional currency of the Group as at 31 December 2018 and 2017 are as follows:

	2018 HK$'000	2017 HK$'000
Financial assets		
RMB	21	19
EUR	113	1,744
Financial liabilities		
EUR	—	2,440

Sensitivity analysis

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

	Increase in profit for the year and retained profits	
	2018 HK$'000	2017 HK$'000
Financial assets		
RMB appreciated by 3%	1	1
EUR appreciated by 3%	3	52
Financial liabilities		
EUR appreciated by 3%	—	(73)

35. FINANCIAL RISK MANAGEMENT (Continued)

(c) Foreign currency risk (Continued)

Sensitivity analysis (Continued)

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

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

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

(d) Liquidity risk

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

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

35. 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 2018				
Trade and other payables	**59,079**	**59,079**	**59,079**	**—**
Bank borrowings	**8,233**	**8,303**	**8,303**	**—**
	67,312	**67,382**	**67,382**	**—**
As at 31 December 2017				
Trade payables and accruals	38,413	38,413	38,413	—
Bank borrowings	19,476	19,845	19,845	—
	57,889	58,258	58,258	—

FIVE-YEAR FINANCIAL SUMMARY

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

	For the year ended 31 December				
	2018	2017	2016	2015	2014
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**365,436**	315,751	273,912	218,820	151,304
Gross profit	**86,995**	99,505	90,523	71,067	50,393
Profit before income tax	**45,195**	63,997	61,901	55,863	37,339
Income tax expense	**8,256**	(11,730)	(11,824)	(9,371)	(6,074)
Profit for the year	**36,939**	52,267	50,077	46,492	31,265

	As at 31 December				
	2018	2017	2016	2015	2014
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Non-current assets	**3,508**	5,376	3,814	1,762	3,434
Current assets	**298,990**	269,232	159,841	166,983	130,876
Total assets	**302,498**	274,608	163,655	168,745	134,310
Non-current liabilities	**—**	—	—	178	385
Current liabilities	**83,479**	66,523	80,708	82,725	65,835
Total liabilities	**83,479**	66,523	80,708	82,903	66,220
Total equity	**219,019**	208,085	82,947	85,842	68,090