

# G&M Holdings Limited 信越控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 6038



**INTERIM**  
**REPORT 2019**

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# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Executive Directors

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

### Non-executive Director

Mr. Leung Ping Kwan

### Independent Non-Executive Directors

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

## AUDIT COMMITTEE

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

## NOMINATION COMMITTEE

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

## REMUNERATION COMMITTEE

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

## RISK MANAGEMENT COMMITTEE

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

## JOINT COMPANY SECRETARIES

Ms. Huen Shuk Man  
Mr. Lee Baldwin

## AUTHORISED REPRESENTATIVES

Mr. Lee Chi Hung  
Mr. Chan Wai Yin

## REGISTERED OFFICE

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

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

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

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

## AUDITOR

BDO Limited  
*Certified Public Accountants*

## PRINCIPAL BANKERS

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

## COMPANY WEBSITE

[www.gm-eng.com.hk](http://www.gm-eng.com.hk)

## STOCK CODE

6038

# MANAGEMENT DISCUSSION AND ANALYSIS

The board (the “**Board**”) of directors (the “**Directors**”) of G & M Holdings Limited (the “**Company**”) is pleased to present the unaudited condensed consolidated interim financial statements of the Company and its subsidiaries (collectively the “**Group**”) for the six months ended 30 June 2019 (the “**Period**”), together with the comparative figures for the corresponding period in 2018 (the “**Corresponding Period**”). These information should be read in conjunction with the annual report of the Company for the year ended 31 December 2018 (the “**2018 Annual Report**”).

## BUSINESS REVIEW

The Group has more than 20 years history in Hong Kong and provides one-stop design and build solutions and repair and maintenance services in relation to podium facade and curtain wall works in Hong Kong.

During the Period, amidst intensified competition and raising labour cost, the Group still remained competitive in the podium facade market due to established market presence. In the curtain wall markets, the Group is benefitting from healthy levels of tendering opportunities. Furthermore, the Group continues to adopt competitive tender pricing policy together with more stringent cost control in order to capture business opportunities with reasonable profit margin.

## PROSPECTS

The Group’s major projects on hand as at 30 June 2019 can be summarised as follow:

| No. | Type of works undertaken | Location                             | Expected completion date | Estimated remaining contract value as at 30 June 2019<br>HK\$’million |
|-----|--------------------------|--------------------------------------|--------------------------|---|
| 1.  | Podium facade            | Tin Shui Wai, New Territories        | Apr 2020                 | 68.6  |
| 2.  | Curtain wall             | Jaffe Road, Hong Kong                | Jun 2020                 | 67.2  |
| 3.  | Curtain wall             | Hunghom, Kowloon                     | Dec 2019                 | 62.3  |
| 4.  | Podium facade            | Kwai Cheong Road,<br>New Territories | Mar 2020                 | 49.9  |

248.0

## MANAGEMENT DISCUSSION AND ANALYSIS

Subsequent to the end of the Period and up to the date of this report, the Group had been awarded a new podium facade contract with contract sum of approximately HK\$305.7 million. Meanwhile, the Group is in the process of bidding for or pending the results of 4 sizeable project tenders with an estimated total contract value of over HK\$396.7 million which comprised a podium facade project with an estimated total contract value of HK\$15.7 million and 3 curtain wall projects with an estimated total contract value of HK\$381.0 million.

Furthermore, the Group foresees continuous growth in the demand for construction works from both private and public sectors in the upcoming years. Revitalising industrial buildings and urban areas development provide ample growth opportunities for the Group in revenue and in customer base.

## FINANCIAL REVIEW

### Revenue

The Group's revenue decreased by approximately HK\$35.6 million or 21.3% from approximately HK\$167.0 million for the Corresponding Period to approximately HK\$131.4 million for the Period. Such decrease was mainly attributable to the substantial completed project with large contract sum recognised as revenue in the Corresponding Period.

### Gross profit and gross profit margin

The Group's gross profit decreased by approximately HK\$1.1 million or 2.9% from approximately HK\$38.0 million for the Corresponding Period to approximately HK\$36.9 million for the Period. Gross profit margin of the Group was approximately 28.1% for the Period, as compared with that of approximately 22.7% for the Corresponding Period. The increase in gross profit margin was mainly attributable to the project with larger contract sum and lower profit margin completed in the Corresponding Period.

### Administrative and other operating expenses

The Group's administrative and other operating expenses increased by approximately HK\$0.6 million or 4.3% from approximately HK\$14.0 million for the Corresponding Period to approximately HK\$14.6 million for the Period.

### Profit for the Period

The Group's profit for the Period amounted to approximately HK\$18.6 million, representing a decrease of approximately HK\$1.4 million or 7.0% as compared to that of approximately HK\$20.0 million for the Corresponding Period. Such decrease was mainly due to the drop in gross profit of approximately HK\$1.1 million as discussed above.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Receivable turnover days

The Group's receivable turnover days for the Period increased to approximately 83.4 days as compared to that of approximately 63.1 days as at 31 December 2018 because the progress payments of certain projects from customers was certified near the period end. The Group did not observe any signs of default on any of its trade receivables balance as at 30 June 2019.

### Bank borrowings

The Group's bank borrowings as at 30 June 2019 were approximately HK\$3.0 million, representing a decrease of approximately HK\$5.2 million as compared to that of approximately HK\$8.2 million as at 31 December 2018. Such decrease was mainly due to the repayment of the bank borrowings during the Period.

## LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group's gearing ratio, calculated by dividing total borrowings by total equity, as at 30 June 2019 was approximately 1.37% (31 December 2018: 3.76%). The decrease was mainly due to the decrease in the bank borrowings.

The Group's cash and cash equivalents balances as at 30 June 2019 amounted to approximately HK\$125.6 million, representing an increase of approximately HK\$29.0 million as compared to that of approximately HK\$96.6 million as at 31 December 2018. Such increase was mainly due to the receipt of account receivables.

The Group's bank borrowings as at 30 June 2019 were all denominated in Hong Kong Dollars. The interest rates were ranged from 4.48% to 5.43% per annum.

## EMPLOYEES AND REMUNERATION POLICIES

The Group had 98 staff as at 30 June 2019 (30 June 2018: 97 staff) and the total employee benefit expenses for Period amounted to approximately HK\$24.9 million (Corresponding Period: HK\$24.7 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.

## MANAGEMENT DISCUSSION AND ANALYSIS

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the Period to the date of this report.

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

As at 30 June 2019, the interests and short positions of Directors and the chief executive of the Company in the Shares of the Company (the "**Shares**"), underlying Shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the "**SFO**") as recorded in the register required to be kept under section 352 of the SFO, or as notified the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 of the Rules Governing the Listing Securities on the Stock Exchange (the "**Listing Rules**"), are as follows:

#### (i) Long Position in the Shares

| Name of Director                     | Capacity  | Number of Shares/<br>Position | Percentage of shareholding |
|--------------------------------------|---|-------------------------------|----------------------------|
| Mr. Lee Chi Hung<br>("Mr. Lee")      | Interest in a controlled corporation; interest held jointly with another person<br>(Note) | 750,000,000<br>Long Position  | 75%                        |
| Mr. Leung Ping Kwan<br>("Mr. Leung") | Interest in a controlled corporation; interest held jointly with another person<br>(Note) | 750,000,000<br>Long Position  | 75%                        |

## MANAGEMENT DISCUSSION AND ANALYSIS

### (ii) Long Position in the ordinary shares of the associated corporation of the Company

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

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

## SUBSTANTIAL SHAREHOLDERS

As at 30 June 2019, so far as the Directors are aware, the interest and short positions of the persons, other than a director or chief executive of the Company, in the Shares and underlying Shares of the Company as recorded in the register required to be kept under section 336 of the SFO are as follows:

### Substantial shareholders' interest in the Company

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



## MANAGEMENT DISCUSSION AND ANALYSIS

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.

## SHARE OPTION SCHEME

The Company granted 5,500,000 share options on 2 November 2018 under the share option scheme adopted on 12 May 2017 and no option has been exercised or cancelled since then up to the date of this report.

## PLEDGE OF ASSETS

As at 30 June 2019, the Group had approximately HK\$5.0 million of pledge bank deposits (31 December 2018: HK\$5.0 million) for a banking facility of the Group.

## MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATIONS

During the Period, the Group did not have any material acquisitions and disposals of subsidiaries and associations.

## SIGNIFICANT INVESTMENT HELD

The Group had not held any significant investments during the Period.

## CAPITAL COMMITMENT

The Group had no significant capital commitment as at 30 June 2019.

## MANAGEMENT DISCUSSION AND ANALYSIS

### CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 30 June 2019.

### EVENTS AFTER END OF THE PERIOD

No event has occurred after 30 June 2019 and up to the date of this report which would have a material effect on the Group.

### CORPORATE GOVERNANCE

The Company has adopted the code provisions of the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 14 of the Listing Rules and has complied with the CG Code throughout the Period, except in relation to provision A.2.1 of the CG Code where the roles of the Group’s Chairman and chief executive officer are both performed by Mr. Lee. The provision A.2.1 of the CG Code requires that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Please refer to the 2018 Annual Report for the nature of the non-compliance with the provision A.2.1 of CG Code.

### MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as its own code of conduct regarding securities transactions by the Directors. Upon specific enquiries being made with all Directors, each of them confirmed that they have complied with the required standards set out in the Model Code for the Period and up to the date of this report.

### INTERIM DIVIDEND

The Board takes into account the Group’s overall results of operation, financial position and capital requirements, among other factors, in considering the declaration of dividends. The Board does not recommend the payment of an interim dividend for the Period.

## MANAGEMENT DISCUSSION AND ANALYSIS

### USE OF PROCEEDS

The net proceeds raised by the Group from the date of issuance of shares upon the listing of the Company's shares on The Stock Exchange of Hong Kong Limited has been fully utilised as at 30 June 2019 in the following manner:

|  | <b>Adjusted<br/>use of<br/>proceeds</b><br>HK\$'million | <b>Utilised<br/>up to<br/>30 June<br/>2019</b><br>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  | 16.6   |
| Enhancing the Group's operational efficiency and technical capacity        | 5.2   | 5.2  |
| General working capital  | 7.7   | 7.7  |
| <b>Total</b>   | <b>77.9</b>   | <b>77.9</b>  |

### AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") currently comprises three independent non-executive Directors, namely Professor Wong Roderick Sue Cheun, Mr. Tai Kwok Leung, Alexander and Mr. Kwan Cheuk Kui, and is chaired by Mr. Tai Kwok Leung, Alexander.

The Audit Committee has reviewed the accounting standards and policies adopted by the Group and the unaudited condensed consolidated interim financial information of the Group for the Period.

# CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2019

|  | Notes | Six months ended 30 June        |                                 |
|--|-------|---------------------------------|---------------------------------|
|  |       | 2019<br>(unaudited)<br>HK\$'000 | 2018<br>(unaudited)<br>HK\$'000 |
| <b>Revenue</b>   | 5     | <b>131,411</b>                  | 166,974                         |
| Cost of revenue  |       | <b>(94,526)</b>                 | (129,003)                       |
| <b>Gross profit</b>  |       | <b>36,885</b>                   | 37,971                          |
| Other income and gains   | 6     | <b>19</b>                       | 23                              |
| Administrative and other operating expenses                          |       | <b>(14,574)</b>                 | (13,992)                        |
| Finance costs  |       | <b>(150)</b>                    | (123)                           |
| <b>Profit before income tax</b>                                      | 7     | <b>22,180</b>                   | 23,879                          |
| Income tax expense   | 8     | <b>(3,596)</b>                  | (3,850)                         |
| <b>Profit for the period</b>   |       | <b>18,584</b>                   | 20,029                          |
| <b>Other comprehensive income for the period</b>                     |       |                                 |                                 |
| <i>Item that may be subsequently reclassified to profit or loss:</i> |       |                                 |                                 |
| – Exchange difference arising from translation of foreign operation  |       | <b>1</b>                        | 5                               |
| <b>Total comprehensive income for the period</b>                     |       | <b>18,585</b>                   | 20,034                          |
|  |       | <b>HK cents</b>                 | HK cents                        |
| <b>Earnings per share</b>  |       |                                 |                                 |
| – Basic  | 11    | <b>1.9</b>                      | 2.0                             |
| – Diluted  | 11    | <b>1.9</b>                      | 2.0                             |

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

|                                | Notes | 30 June<br>2019<br>(unaudited)<br>HK\$'000 | 31 December<br>2018<br>(audited)<br>HK\$'000 |
|--------------------------------|-------|--|--|
| <b>ASSETS AND LIABILITIES</b>  |       |  |  |
| <b>Non-current assets</b>      |       |  |  |
| Property, plant and equipment  | 12    | 3,212                                      | 3,508  |
| Right-of-use assets            |       | 4,671                                      | –  |
|                                |       | <b>7,883</b>                               | 3,508  |
| <b>Current assets</b>          |       |  |  |
| Inventories                    |       | 615  | 986  |
| Contract assets                | 13    | 88,916                                     | 87,891                                       |
| Trade and other receivables    | 14    | 71,766                                     | 104,537                                      |
| Tax recoverable                |       | 363  | 3,956  |
| Pledged bank deposits          |       | 5,000                                      | 5,000  |
| Cash and bank balances         |       | 125,622                                    | 96,620                                       |
|                                |       | <b>292,282</b>                             | 298,990                                      |
| <b>Current liabilities</b>     |       |  |  |
| Contract liabilities           | 13    | 11,734                                     | 16,153                                       |
| Trade and other payables       | 15    | 43,165                                     | 59,093                                       |
| Lease liabilities              |       | 2,411                                      | –  |
| Dividend payable               |       | 18,000                                     | –  |
| Bank borrowings                | 16    | 3,000                                      | 8,233  |
|                                |       | <b>78,310</b>                              | 83,479                                       |
| <b>Net current assets</b>      |       | <b>213,972</b>                             | 215,511                                      |
| <b>Non-current liabilities</b> |       |  |  |
| Lease liabilities              |       | 2,149                                      | –  |
| <b>NET ASSETS</b>              |       | <b>219,706</b>                             | 219,019                                      |
| <b>CAPITAL AND RESERVES</b>    |       |  |  |
| Share capital                  | 17    | 10,000                                     | 10,000                                       |
| Reserves                       |       | 209,706                                    | 209,019                                      |
| <b>TOTAL EQUITY</b>            |       | <b>219,706</b>                             | 219,019                                      |

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019

|   | Equity attributable to owners of the Company |                            |                             |                                   |   |                              |                          |
|---|--|----------------------------|-----------------------------|-----------------------------------|---|------------------------------|--------------------------|
|   | Share capital<br>HK\$'000                    | Share premium*<br>HK\$'000 | Merger reserve*<br>HK\$'000 | Translation reserves*<br>HK\$'000 | Share-based payments reserve*<br>HK\$'000 | Retained profit*<br>HK\$'000 | Total equity<br>HK\$'000 |
| At 1 January 2019 (audited)   | 10,000                                       | 82,848                     | (4,592)                     | (32)                              | 200                                       | 130,595                      | 219,019                  |
| <b>Comprehensive income</b>   |  |                            |                             |                                   |   |                              |                          |
| Profit for the period   | -  | -                          | -                           | -                                 | -   | 18,584                       | 18,584                   |
| Other comprehensive income for the period                           |  |                            |                             |                                   |   |                              |                          |
| – Exchange difference arising from translation of foreign operation | -  | -                          | -                           | 1                                 | -   | -                            | 1                        |
| <b>Total comprehensive income for the period</b>                    | -  | -                          | -                           | 1                                 | -   | 18,584                       | 18,585                   |
| Dividends declared ( <i>note 10</i> )                               | -  | -                          | -                           | -                                 | -   | (18,000)                     | (18,000)                 |
| Equity settled share-based transaction                              | -  | -                          | -                           | -                                 | 102                                       | -                            | 102                      |
| At 30 June 2019 (unaudited)   | 10,000                                       | 82,848                     | (4,592)                     | (31)                              | 302                                       | 131,179                      | 219,706                  |
| At 31 December 2017 as originally presented (audited)               | 10,000                                       | 82,848                     | (4,592)                     | (49)                              | -   | 119,878                      | 208,085                  |
| Initial application of HKFRS 9                                      | -  | -                          | -                           | -                                 | -   | (2,222)                      | (2,222)                  |
| Restated balance as at 1 January 2018                               | 10,000                                       | 82,848                     | (4,592)                     | (49)                              | -   | 117,656                      | 205,863                  |
| <b>Comprehensive income</b>   |  |                            |                             |                                   |   |                              |                          |
| Profit for the period   | -  | -                          | -                           | -                                 | -   | 20,029                       | 20,029                   |
| Other comprehensive income for the period                           |  |                            |                             |                                   |   |                              |                          |
| – Exchange difference arising from translation of foreign operation | -  | -                          | -                           | 5                                 | -   | -                            | 5                        |
| <b>Total comprehensive income for the period</b>                    | -  | -                          | -                           | 5                                 | -   | 20,029                       | 20,034                   |
| Dividends declared ( <i>note 10</i> )                               | -  | -                          | -                           | -                                 | -   | (24,000)                     | (24,000)                 |
| At 30 June 2018 (unaudited)   | 10,000                                       | 82,848                     | (4,592)                     | (44)                              | -   | 113,685                      | 201,897                  |

\* The total of these equity accounts as at 30 June 2019 represent "Reserves" in the condensed consolidated statements of financial position.

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2019

|  | Six months ended 30 June        |                                 |
|--|---------------------------------|---------------------------------|
|  | 2019<br>(unaudited)<br>HK\$'000 | 2018<br>(unaudited)<br>HK\$'000 |
| Net cash generated from operating activities                 | 34,829                          | 35,507                          |
| Net cash used in investing activities                        | (451)                           | (3,282)                         |
| Net cash used in financing activities                        | (5,356)                         | (11,751)                        |
| Increase in cash and cash equivalents                        | 29,022                          | 20,474                          |
| Cash and cash equivalents at the beginning of period         | 96,620                          | 106,614                         |
| Effect of exchange rate changes on cash and cash equivalents | (20)                            | (13)                            |
| Cash and cash equivalents at the end of period               | 125,622                         | 127,075                         |

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## 1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempt company with limited liability on 29 November 2016 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of its registered office is P.O. Box 1350, Clifton House, 75 Fort Street, Grand Cayman, KY1-1108, Cayman Islands. Its principal place of business is located at Units 1709–14, 17th Floor, Manhattan Centre, 8 Kwai Cheong Road, Kwai Chung, New Territories, Hong Kong.

The Company is an investment holding company and the principal activities of the Company and its subsidiaries (collectively referred hereafter as the “**Group**”) are the provision of one-stop design and build solutions as well as repair and maintenance services in relation to podium facade and curtain wall works in Hong Kong.

The Company’s parent is Luxury Booming Limited (“**Luxury Booming**”), a limited liability company incorporated in the British Virgin Islands. In the opinion of directors, Luxury Booming is also the ultimate holding company of the Group.



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 2. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements for the six months ended 30 June 2019 have been prepared in accordance with Hong Kong Accounting Standard (“**HKASs**”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) and the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange. The unaudited condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements and should be read in conjunction with the annual financial statements for the year ended 31 December 2018 (“**Financial Statements 2018**”), which have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”, together with HKASs and Interpretations, collectively referred to as “**HKFRS**”) issued by the HKICPA.

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

The unaudited condensed consolidated interim financial statements are presented in Hong Kong dollars (“**HK\$**”), which is also the functional currency of the Company. All values are rounded to the nearest thousand except when otherwise stated.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements have been prepared on the historical cost basis. Except for the adoption of the new or amended HKFRS for annual periods beginning on 1 January 2019, the accounting policies and methods of computation used in the unaudited condensed consolidated interim financial statements are consistent with those described in the Financial Statements 2018.

#### (a) Adoption of new or revised HKFRS effective on 1 January 2019

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

|   |   |
|---|---|
| Annual Improvements to HKFRSs 2015–2017 Cycle | Amendments to HKFRS 3, Business Combinations        |
| Annual Improvements to HKFRSs 2015–2017 Cycle | Amendments to HKFRS 11, Joint Arrangements          |
| Annual Improvements to HKFRSs 2015–2017 Cycle | Amendments to HKAS 12, Income Tax                   |
| Annual Improvements to HKFRSs 2015–2017 Cycle | Amendments to HKAS 23, Borrowing Cost               |
| HKFRS 16                                      | Lease   |
| Amendments to HKFRS 9                         | Prepayment Features with Negative compensations     |
| Amendments to HKAS 19                         | Employee Benefits                                   |
| Amendments to HKAS 28                         | Long-term Interests in Associates and Joint Venture |
| HK(IFRIC) – Int 23                            | Uncertainty Over Income Tax Treatments              |

Except for described below, the adoption of the above new standards and amendments have no material impact on the Group's condensed consolidated interim financial statements.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

#### (a) Adoption of new or revised HKFRS effective on 1 January 2019 (Continued)

##### **HKFRS 16 Lease (“HKFRS 16”)**

The Group leases various offices and car park. Rental contracts are typically made for fixed periods. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

At 1 January 2019, leases are recognised as right-of-use assets and corresponding liabilities on a present value basis while the leased assets are available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset’s useful life and the lease term on a straight-line basis.

The lease payments are discounted using incremental borrowing rate of the Group which the Group would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date;
- any initial direct costs incurred by the lessee; and
- an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

#### (a) Adoption of new or revised HKFRS effective on 1 January 2019 (Continued)

##### **HKFRS 16 Lease (“HKFRS 16”) (Continued)**

Payments associated with short-term leases and leases of low value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

The Group recognised lease liabilities in relation to leases which had previously been classified as “operating leases” under HKAS 17 Leases (“**HKAS 17**”). These liabilities were measured at the present value of the remaining outstanding lease payments, discounted using the lessee’s incremental borrowing rate as of 1 January 2019 in each region where the lease assets are located. The weighted average lessee’s incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 5.07%.

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

The Group has applied HKFRS 16 using the cumulative effect approach and recognised all the cumulative effect of initially applying HKFRS 16, if any, as an adjustment to the opening balance of retained profits at the date of initial application, i.e. 1 January 2019. The comparative information presented in 2018 has not been restated and continues to be reported under HKAS 17 and related interpretations as allowed by the transition provision in HKFRS 16.

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

### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** **(Continued)**

#### **(a) Adoption of new or revised HKFRS effective on 1 January 2019** **(Continued)**

##### **HKFRS 16 Lease (“HKFRS 16”) (Continued)**

The Group has recognised the lease liabilities at the date of 1 January 2019 for leases previously classified as operating leases applying HKAS 17 and measured those lease liabilities at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate at 1 January 2019.

The Group has elected to recognise all the right-of-use assets at 1 January 2019 for leases previously classified operating leases under HKAS 17 as if HKFRS 16 had been applied since the commencement date, but discounted using the lessee’s incremental borrowing rate at the date of initial application. For all these right-of-use assets, the Group has applied HKAS 36 Impairment of Assets at 1 January 2019 to assess if there was any impairment as on that date.

The Group has also applied the follow practical expedients: (i) applied a single discount rate to a portfolio of leases with reasonably similar characteristics; (ii) applied the exemption of not to recognise right-of-use assets and lease liabilities for leases with term that will end within 12 months of the date of initial application (1 January 2019) and accounted for those leases as short-term leases; (iii) exclude the initial direct costs from the measurement of the right-of-use asset at 1 January 2019 and (iv) used hindsight in determining the lease terms if the contracts contain options to extend or terminate the leases.

In addition, the Group has also applied the practical expedients such that: (i) HKFRS 16 is applied to all of the Group’s lease contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC) – Int 4 Determining whether an Arrangement contains a Lease and (ii) not to apply HKFRS 16 to contracts that were not previously identified as containing a lease under HKAS 17 and HK(IFRIC) – Int4.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

#### (a) Adoption of new or revised HKFRS effective on 1 January 2019 (Continued)

##### **HKFRS 16 Lease (“HKFRS 16”) (Continued)**

The reconciliation of lease liabilities under HKFRS 16 as at 1 January 2019 to the operating leases commitments disclosed applying HKAS 17 as at 31 December 2018 is as following:

|   | (unaudited)<br>HK\$'000 |
|---|-------------------------|
| Operating lease commitments disclosed<br>as at 31 December 2018 | 1,374                   |
| Less: Future interest expenses                                  | 51                      |
| Lease liabilities recognised<br>as at 1 January 2019            | 1,323                   |
| Of which are:   |                         |
| Non-current liabilities   | 247                     |
| Current liabilities   | 1,076                   |
|   | 1,323                   |

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

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

The following new or revised HKFRS, potentially relevant to the Group's condensed consolidated interim financial statements, have been issued, but are not yet effective and have not been early adopted by the Group.

|                                    |  |
|------------------------------------|--|
| Amendments to HKAS 1 (Revised)     | Presentation of Financial statements <sup>1</sup>  |
| Amendments to HKAS 8               | Accounting Policies, Changes in Accounting Estimates and Errors <sup>1</sup>                         |
| Amendments to HKFRS 3 (Revised)    | Business Combinations <sup>1</sup>   |
| HKFRS 17                           | Insurance contracts <sup>2</sup>   |
| Amendments to HKFRS 10 and HKAS 28 | Sale or Contribution of Assets between an Investor and its Association or Joint Venture <sup>3</sup> |

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

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2021.

<sup>3</sup> 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 continues to be permitted.

The Directors of the Company are currently assessing the possible impact of these new or revised standards on the Group's results and financial position but is not yet in a position to determine whether they will have a significant impact on the Group's results of operations and financial position.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 4. SEGMENT REPORTING

#### (a) Segment information

The Group has only one operating segment that qualifies as reporting segment under HKFRS 8. The Group operates in Hong Kong and the PRC. All the Group's revenue are derived from Hong Kong, and more than 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, as set out below:

|              | Six months ended 30 June        |                                 |
|--------------|---------------------------------|---------------------------------|
|              | 2019<br>(unaudited)<br>HK\$'000 | 2018<br>(unaudited)<br>HK\$'000 |
| Customer I   | 93,729                          | 74,597                          |
| Customer II  | 20,439                          | 17,067                          |
| Customer III | N/A*                            | 71,230                          |

\* The corresponding revenue did not contribute 10% or more of the Group's revenue in the respective period.



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 5. REVENUE

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

|                                     | <b>Six months ended 30 June</b>          |                                 |
|-------------------------------------|--|---------------------------------|
|                                     | <b>2019<br/>(unaudited)<br/>HK\$'000</b> | 2018<br>(unaudited)<br>HK\$'000 |
| <b>Revenue recognised overtime:</b> |  |                                 |
| Design and build projects           |  |                                 |
| – Podium facade and related works   | <b>90,403</b>                            | 143,786                         |
| – Curtain wall works                | <b>33,941</b>                            | 17,678                          |
|                                     | <b>124,344</b>                           | 161,464                         |
| Repair and maintenance services     | <b>7,067</b>                             | 5,510                           |
|                                     | <b>131,411</b>                           | 166,974                         |

### 6. OTHER INCOME AND GAINS

|                      | <b>Six months ended 30 June</b>          |                                 |
|----------------------|--|---------------------------------|
|                      | <b>2019<br/>(unaudited)<br/>HK\$'000</b> | 2018<br>(unaudited)<br>HK\$'000 |
| Bank interest income | <b>19</b>                                | 2                               |
| Others               | <b>–</b>                                 | 21                              |
|                      | <b>19</b>                                | 23                              |

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 7. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after crediting:

|  | Six months ended 30 June        |                                 |
|--|---------------------------------|---------------------------------|
|  | 2019<br>(unaudited)<br>HK\$'000 | 2018<br>(unaudited)<br>HK\$'000 |
| Auditor's remuneration   | 300                             | 300                             |
| Cost of inventories recognised as expenses <sup>#</sup>        | 25,640                          | 66,829                          |
| Depreciation of property, plant and equipment                  | 769                             | 1,245                           |
| Loss on disposal of property, plant and equipment              | –                               | 87                              |
| Warranty expenses <sup>#</sup>                                 | 159                             | 19                              |
| Employee benefit expenses<br>(including directors' emoluments) |                                 |                                 |
| – Salaries, allowances and other benefits                      | 23,727                          | 23,560                          |
| – Contributions to defined contribution retirement plan        | 1,049                           | 1,109                           |
| – Equity settled share-based payments                          | 102                             | –                               |
|  | <b>24,878</b>                   | 24,669                          |
| Operating leases in respect of land and buildings              | –                               | 1,390                           |
| Amortisation of right-of-use assets                            | 1,230                           | –                               |

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

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 8. INCOME TAX EXPENSE

The amount of income tax expense in the condensed consolidated statement of profit or loss and other comprehensive income represents:

|                                   | Six months ended 30 June        |                                 |
|-----------------------------------|---------------------------------|---------------------------------|
|                                   | 2019<br>(unaudited)<br>HK\$'000 | 2018<br>(unaudited)<br>HK\$'000 |
| Hong Kong Profits Tax             |                                 |                                 |
| – Current                         | 3,593                           | 3,847                           |
| PRC Enterprise Income Tax         |                                 |                                 |
| – Current                         | 3                               | 3                               |
| Income tax expense for the period | 3,596                           | 3,850                           |

For the six months ended 30 June 2019 and 2018, under the two-tiered profits tax rates regime, the first HK\$2,000,000 of profits of qualifying corporations will be taxed at 8.25%, and profits above HK\$2,000,000 will be taxed at 16.5%. The two-tiered profit tax rates regime was only applicable to a nominated qualified entity in the Group while Hong Kong profit tax is calculated at 16.5% on the estimated assessable profit for the periods.

Enterprise Income Tax arising from other regions of the PRC is calculated at 25% (six months ended 30 June 2018: 25%) on the estimated assessable profits for the periods.

### 9. SHARE-BASED PAYMENTS

During the six months ended 30 June 2019, total share-based payment of approximately HK\$102,000 (six months ended 30 June 2018: nil) has been recognised in the profit or loss. The corresponding amount of approximately HK\$102,000 (six months ended 30 June 2018: nil) has been credited to share-based payments reserve.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 10. DIVIDENDS

The Directors do not propose any payment of interim dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: nil).

The final dividend of HK\$18,000,000 for the year ended 31 December 2018 has been approved by shareholders at the Company's annual general meeting and the payment for which has been despatched on 12 July 2019 (six months ended 30 June 2018: HK\$24,000,000 despatched on 6 July 2018).

### 11. EARNINGS PER SHARE

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

|  | Six months ended 30 June |                     |
|--|--------------------------|---------------------|
|  | 2019<br>(unaudited)      | 2018<br>(unaudited) |
| <b>Earnings</b>  |                          |                     |
| Profit for the period attributable to owners of the Company (HK\$'000)       | <b>18,584</b>            | 20,029              |
| <b>Weighted average number of ordinary shares in issue</b>                   |                          |                     |
| Weighted average number of ordinary shares in issue during the period ('000) | <b>1,000,000</b>         | 1,000,000           |
| Basic earnings per share (HK cents)  | <b>1.9</b>               | 2.0                 |

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

For the six months ended 30 June 2018, diluted earnings per share are the same as the basic earnings per share as there were no dilutive potential ordinary shares in existence.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 12. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2019, the Group acquired items of property, plant and equipment with a cost of approximately HK\$495,000 (31 December 2018: HK\$672,000). The Group did not dispose any items of property, plant and equipment (31 December 2018: net book value of approximately HK\$210,000).

### 13. CONTRACT ASSETS AND CONTRACT LIABILITIES

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

|   | <b>As at<br/>30 June<br/>2019<br/>(unaudited)<br/>HK\$'000</b> | As at<br>31 December<br>2018<br>(audited)<br>HK\$'000 |
|---|--|---|
| Contract costs incurred to date plus recognised profits less recognised losses* | <b>1,279,931</b>   | 1,162,370   |
| Less: Progress billings to date   | <b>1,201,528</b>   | 1,089,411   |
| Less: Expected credit losses allowance  | <b>1,221</b>   | 1,221   |
|   | <b>77,182</b>  | 71,738  |
| Contract assets   | <b>88,916</b>  | 87,891  |
| Contract liabilities  | <b>(11,734)</b>  | (16,153)  |
|   | <b>77,182</b>  | 71,738  |

\* Included in the balances were warranty provision made for design and build projects amounting to HK\$1,265,000 (31 December 2018: HK\$1,424,000).

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

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 14. TRADE AND OTHER RECEIVABLES

|                                  | <b>As at<br/>30 June<br/>2019<br/>(unaudited)<br/>HK\$'000</b> | As at<br>31 December<br>2018<br>(audited)<br>HK\$'000 |
|----------------------------------|--|---|
| Trade receivables                | <b>43,075</b>  | 77,679  |
| Expected credit losses allowance | <b>(194)</b>   | (194)   |
|                                  | <b>42,881</b>  | 77,485  |
| Retention receivables            | <b>20,954</b>  | 20,116  |
| Expected credit losses allowance | <b>(1,910)</b>   | (1,910)   |
|                                  | <b>19,044</b>  | 18,206  |
| Deposits and prepayment          | <b>9,841</b>   | 8,846   |
|                                  | <b>71,766</b>  | 104,537   |

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 14. TRADE AND OTHER RECEIVABLES (Continued)

Notes:

- (a) The credit period granted to trade debtors ranged from 20 to 60 days.
- (b) The aging analysis of trade receivables (net of expected credit losses allowance) at the end of each reporting period based on the invoice date is as follows:

|                                   | <b>As at<br/>30 June<br/>2019<br/>(unaudited)<br/>HK\$'000</b> | As at<br>31 December<br>2018<br>(audited)<br>HK\$'000 |
|-----------------------------------|--|---|
| 0–30 days                         | <b>27,313</b>  | 66,703  |
| 31–60 days                        | <b>14,063</b>  | 9,375   |
| 61–90 days                        | <b>335</b>   | 106   |
| Over 90 days but less than 1 year | <b>930</b>   | 1,205   |
| Over a year                       | <b>240</b>   | 96  |
|                                   | <b>42,881</b>  | 77,485  |

(c) **Retention receivables**

As at 30 June 2019, based on due date, the Group's retention receivables of approximately HK\$16,431,000 (31 December 2018: HK\$17,253,000) were not yet past due and the remaining balance of approximately HK\$2,613,000 (31 December 2018: HK\$953,000) were past due, of which HK\$268,000 (31 December 2018: HK\$386,000) 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 periods as those balances are from customers with long business relationship and there has not been a significant change in their credit quality.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 15. TRADE AND OTHER PAYABLES

|                             | <b>As at<br/>30 June<br/>2019<br/>(unaudited)<br/>HK\$'000</b> | As at<br>31 December<br>2018<br>(audited)<br>HK\$'000 |
|-----------------------------|--|---|
| Trade payables              | <b>27,872</b>  | 39,805  |
| Retention payables          | <b>8,594</b>   | 7,160   |
| Accruals and other payables | <b>6,699</b>   | 12,114  |
| Receipt in advance          | <b>–</b>   | 14  |
|                             | <b>43,165</b>  | 59,093  |

Notes:

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

|              | <b>As at<br/>30 June<br/>2019<br/>(unaudited)<br/>HK\$'000</b> | As at<br>31 December<br>2018<br>(audited)<br>HK\$'000 |
|--------------|--|---|
| 0–30 days    | <b>12,898</b>  | 20,792  |
| 31–60 days   | <b>2,180</b>   | 6,657   |
| 61–90 days   | <b>430</b>   | 1,056   |
| Over 90 days | <b>12,364</b>  | 11,300  |
|              | <b>27,872</b>  | 39,805  |

- (c) As at 30 June 2019, retention payables of approximately HK\$6,308,000 (31 December 2018: HK\$3,385,000) were aged one year or below and the remaining balance of approximately HK\$2,286,000 (31 December 2018: HK\$3,775,000) were aged over one year.



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 16. BANK BORROWINGS

|   | <b>As at<br/>30 June<br/>2019<br/>(unaudited)<br/>HK\$'000</b> | As at<br>31 December<br>2018<br>(audited)<br>HK\$'000 |
|---|--|---|
| Bank borrowings repayable within one year | <b>3,000</b>   | 8,233   |

*Note:* The bank borrowings, including trade financing, are interest bearing at the bank's prime rate or the bank's prime rate adjusted by certain basis points per annum. The interest rates of the Group's bank borrowings as at 30 June 2019 ranged from 4.48% to 5.43% (31 December 2018: 3.63% to 5.87%) per annum.

### 17. SHARE CAPITAL

The share capital balance as at 30 June 2019 and 31 December 2018 represented the issued and fully paid share capital of the Company as followings:

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

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 18. GUARANTEES

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

|  | <b>As at<br/>30 June<br/>2019<br/>(unaudited)<br/>HK\$'000</b> | As at<br>31 December<br>2018<br>(audited)<br>HK\$'000 |
|--|--|---|
| Aggregate value of the surety bonds issued<br>in favour of customers | <b>21,258</b>  | 31,084  |

### 19. LITIGATIONS

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

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 20. RELATED PARTIES TRANSACTIONS

Save as disclosed elsewhere in this condensed consolidated interim financial statements, the Group had the following transactions with its related parties:

#### (a) Transactions

| Name                            | Related party relationship   | Type of transaction   | Six months ended 30 June        |                                 |
|---------------------------------|--|-----------------------|---------------------------------|---------------------------------|
|                                 |  |                       | 2019<br>(unaudited)<br>HK\$'000 | 2018<br>(unaudited)<br>HK\$'000 |
| Kentan Co., Ltd ( <i>note</i> ) | A director of the Company is key management personnel of this entity | Purchase of materials | -                               | 656                             |

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

The transactions were conducted on the basis of mutually agreed terms.

#### (b) Compensation of key management personnel

The remuneration of directors and other members of key management during the periods were as follows:

|   | Six months ended 30 June        |                                 |
|---|---------------------------------|---------------------------------|
|   | 2019<br>(unaudited)<br>HK\$'000 | 2018<br>(unaudited)<br>HK\$'000 |
| Salaries, allowances and other benefits               | 5,100                           | 5,034                           |
| Contributions to defined contribution retirement plan | 59                              | 68                              |
| Equity settled share-based payments                   | 102                             | -                               |
|   | <b>5,261</b>                    | <b>5,102</b>                    |