

G&M Holdings Limited

信越控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 6038

2023
Interim Report

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Lee Chi Hung
(*Chairman and Chief Executive Officer*)
Ms. Lam Suk Yee, Patricia

Non-executive Director

Mr. Leung Ping Kwan

Independent Non-Executive Directors

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

AUDIT COMMITTEE

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

NOMINATION COMMITTEE

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

REMUNERATION COMMITTEE

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

RISK MANAGEMENT COMMITTEE

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

JOINT COMPANY SECRETARIES

Ms. Huen Shuk Man
Mr. Lee Baldwin

AUTHORISED REPRESENTATIVES

Mr. Lee Chi Hung
Mr. Chan Wai Yin

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

11th Floor
Magnet Place Tower 1
77-81 Container Port Road
Kwai Chung, New Territories
Hong Kong

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

AUDITOR

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

PRINCIPAL BANKERS

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

COMPANY WEBSITE

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 2023 (the “**Period**”), together with the comparative figures for the corresponding period in 2022 (the “**Corresponding Period**”). These information should be read in conjunction with the annual report of the Company for the year ended 31 December 2022 (the “**2022 Annual Report**”).

BUSINESS REVIEW

The Group has 30 years history in Hong Kong and provides one-stop design and build solutions and repair and maintenance services in relation to podium facade and curtain wall works in Hong Kong.

During the Period, the operations of the Group resumed to normal as the government released the COVID-19 control measures. The progress of certain projects was sped up to meet the tight schedule of main contractors’ requirement which led to an increase in the revenue for the Period. However, the construction market is still faced with a number of challenges, including competition for manpower, rising material cost, and unstable transportation costs, etc.

Intense market competition and pricing pressure in construction is reflected in the tendering process. Historically, the Group’s business was pertained to a single business segment and derived a relatively high proportion of revenue from one or two key customers. In view of latest market trend and condition, the Group worked to broaden its customer base with an aim to diversify risk and cultivate stable growth in the long term, which resulted in the Group’s value of contracts on hand of close to HK\$700 million as at end of the Period. Having accumulated healthy cash reserves to meet ordinary operational needs, the Group further sought to diversify its existing business to enhance its return on capital and had therefore entered into an agreement to acquire an exclusive mining rights for a coal mine in Mongolia during the Period. Details of the acquisition of mining rights and the intended new mining business were set out in the announcement of the Company dated 25 June 2023 and 12 July 2023. Having considered the demand of coals in China and the expected costs and capital requirement, management was of the view that the intended mining business will provide a steady and reasonable return to the Company, and without any significant adverse implications on the Group’s existing operations.

The management will also maintain its commitment for the operation efficiency and grasp the opportunities for both construction business and mining business.

MANAGEMENT DISCUSSION AND ANALYSIS

PROSPECTS

The Group's major projects on hand as at 30 June 2023 can be summarised as follows:

No.	Type of works undertaken	Location	Expected completion date	Estimated remaining contract value as at 30 June 2023 HK\$ million
1	Facade	West Kowloon, Kowloon	Dec-25	342.8
2	Facade	Kai Tak, Kowloon	Nov-23	128.1
3	Facade	Kai Tak, Kowloon	Feb-24	74.3
4	Facade	Shap Sze Heung, New Territories	Mar-24	41.0
5	Facade	Queensway, Hong Kong	Oct-24	40.9
6	Facade	Kai Tak, Kowloon	Jun-24	37.7
7	Facade	Pak Shek Kok, New Territories	Nov-23	28.1
				692.9

Subsequent to the end of the Period and up to the date of this report, the Group is in the process of bidding for or pending the results of three sizeable project tenders with an estimated total contract value of HK\$227.9 million, which comprised two podium facade projects with an estimated total contract value of HK\$182.7 million and a curtain wall project with an estimated total contract value of HK\$45.2 million.

FINANCIAL REVIEW

Revenue

The Group's revenue increased by approximately HK\$65.7 million or 36.7% from approximately HK\$179.2 million for the Corresponding Period to approximately HK\$244.9 million for the Period, which was mainly because the progress of certain key projects has resumed and generated more revenue during the Period.

Gross profit and gross profit margin

The Group's gross profit increased by approximately HK\$1.3 million or 2.9% from approximately HK\$45.5 million for the Corresponding Period to approximately HK\$46.8 million for the Period. Gross profit margin of the Group was approximately 19.1% for the Period, which was relatively lower as compared to approximately 25.4% for the Corresponding Period. The gross profit decreased is mainly due to low gross profit of two major projects recognised during the Period.

Administrative and other operating expenses

The Group's administrative and other operating expenses decreased by approximately HK\$1.7 million or 7.9% from approximately HK\$21.6 million for the Corresponding Period to approximately HK\$19.9 million for the Period, mainly due to the decrease in depreciation.

Profit for the Period

The Group's profit for the Period amounted to approximately HK\$23.6 million, representing an increase of approximately HK\$3.0 million or 14.6% as compared to approximately HK\$20.6 million for the Corresponding Period. The increase in profit is the combined effect of the rise in revenue and other income.

Receivable turnover days

The Group's receivable turnover days for the Period decreased to approximately 44.4 days as compared to that of approximately 103.6 days as at 31 December 2022 because there was a decrease in average trade receivable balance. The Group did not observe any signs of default on any of its trade receivables balance as at 30 June 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

Bank borrowings

The Group had no bank borrowings as at 30 June 2023.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group's gearing ratio, calculated by dividing total debts by total equity, as at 30 June 2023 was zero (31 December 2022: Nil) as there was no bank borrowings as at 30 June 2023.

The Group's cash and cash equivalents balances as at 30 June 2023 amounted to approximately HK\$53.4 million, representing an increase of approximately HK\$14.6 million as compared to that of approximately HK\$38.8 million as at 31 December 2022.

The Group had no banking borrowings at 30 June 2023.

EMPLOYEES AND REMUNERATION POLICIES

The Group had 112 staff as at 30 June 2023 (30 June 2022: 109 staff) and the total employee benefit expenses for the Period amounted to approximately HK\$34.9 million (Corresponding Period: HK\$34.0 million). The employee benefit expense was relatively stable as compared to the Corresponding Period. 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.

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 date of the report.

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

As at 30 June 2023, 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 to 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) Directors' interests in the Company

Name of Directors	Capacity	Number of Shares/ Position	Percentage of shareholding
Mr. Lee Chi Hung (“ Mr. Lee ”)	Interest in a controlled corporation; interest held jointly with another person <i>(Note 1)</i>	750,000,000 Long Position	75%
Mr. Leung Ping Kwan (“ Mr. Leung ”)	Interest in a controlled corporation; interest held jointly with another person <i>(Note 1)</i>	750,000,000 Long Position	75%
Ms. Lam Suk Yee, Patricia (“ Ms. Lam ”)	Interest of spouse <i>(Note 2)</i>	750,000,000 Long Position	75%

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

Notes:

1. Luxury Booming is the registered and the 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 SFO.
2. Ms. Lam is the spouse of Mr. Lee and is deemed or taken to be interested in all Shares in which Mr. Lee has interest under the SFO.

MANAGEMENT DISCUSSION AND ANALYSIS

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2023, 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 shareholders	Capacity	Number of Shares held/ Position	Percentage of shareholding
Luxury Booming (<i>Note 1</i>)	Beneficial owner	750,000,000 Long Position	75%
Ms. Ku Nga Ping (<i>Note 2</i>)	Interest of spouse	750,000,000 Long Position	75%

Notes:

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

SHARE OPTION SCHEME

The Company granted 3,000,000 share options on 16 April 2021 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.

MANAGEMENT DISCUSSION AND ANALYSIS

PLEDGE OF ASSETS

As at 30 June 2023, the Group had approximately HK\$5.0 million of pledged bank deposits (31 December 2022: HK\$5.0 million) for a banking facility of the Group.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

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

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 2023.

CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 30 June 2023.

EVENTS AFTER END OF THE PERIOD

No event has occurred after 30 June 2023 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 annual report for year ended 31 December 2022 for the nature of the non-compliance with the provision A.2.1 of the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules 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 Directors recommended the payment of an interim dividend of HK1.5 cents per share, amounting to a total of HK\$15,000,000 for the Period and representing a dividend ratio of approximately 63.6%, to shareholders whose names appear on the register of members of the Company at the close of business on 13 September 2023, which is expected to be paid on or about 25 September 2023.

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 statements of the Group for the Period.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2023

	Notes	Six months ended 30 June	
		2023 (unaudited) HK\$'000	2022 (unaudited) HK\$'000
Revenue	5	244,882	179,232
Cost of revenue		(198,040)	(133,734)
Gross profit		46,842	45,498
Other income, gains and losses	6	2,010	1,489
Administrative and other operating expenses		(19,900)	(21,644)
Fair value loss on financial assets at fair value through profit or loss		(126)	(211)
Finance costs		(485)	(533)
Profit before income tax	7	28,341	24,599
Income tax expense	8	(4,754)	(3,978)
Profit for the period		23,587	20,621
Other comprehensive income			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
– Exchange difference arising from translation of foreign operation		41	33
Total comprehensive income for the period		23,628	20,654
		HK cents	HK cents
Earnings per share			
– Basic	11	2.4	2.1
– Diluted	11	2.4	2.1

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

	<i>Notes</i>	30 June 2023 (unaudited) HK\$'000	31 December 2022 (audited) HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	12	2,440	2,914
Deposits and prepayments	14	1,345	1,345
Right-of-use assets		6,030	7,480
		9,815	11,739
Current assets			
Inventories		1,040	887
Contract assets	13	176,196	125,143
Trade and other receivables, deposits and prepayments	14	123,421	81,070
Financial assets at fair value through profit or loss		886	1,012
Pledged bank deposits		5,000	5,000
Time deposit with original maturity over three months		86,971	140,000
Cash and bank balances		53,436	38,826
		446,950	391,938
Current liabilities			
Contract liabilities	13	76,874	50,753
Trade and other payables	15	53,161	52,185
Lease liabilities		2,861	2,756
Dividend payable	10	18,000	–
Tax payable		6,498	2,807
		157,394	108,501
Net current assets		289,556	283,437
Total assets less current liabilities		299,371	295,176

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

	<i>Note</i>	30 June 2023 (unaudited) HK\$'000	31 December 2022 (audited) HK\$'000
Non-current liabilities			
Lease liabilities		4,129	5,567
NET ASSETS		295,242	289,609
CAPITAL AND RESERVES			
Share capital	17	10,000	10,000
Reserves		285,237	279,609
Equity attributable to owners of the Company		295,237	289,609
Non-controlling interest		5	–
TOTAL EQUITY		295,242	289,609

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2023

	Equity attributable to owners of the Company							
	Share capital HK\$'000	Share premium* HK\$'000	Merger reserve* HK\$'000	Translation reserves* HK\$'000	Share-based payment reserve* HK\$'000	Retained profits* HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
At 1 January 2023	10,000	82,848	(4,592)	(138)	123	201,368	-	289,609
Profit for the period	-	-	-	-	-	23,587	-	23,587
Other comprehensive income for the period								
- Exchange difference arising from translation of foreign operation	-	-	-	41	-	-	-	41
Total comprehensive income for the period	-	-	-	41	-	23,587	-	23,628
Arising from non-controlling interest	-	-	-	-	-	-	5	5
Dividends declared (<i>note 10</i>)	-	-	-	-	-	(18,000)	-	(18,000)
At 30 June 2023 (unaudited)	10,000	82,848	(4,592)	(97)	123	206,955	5	295,242
At 1 January 2022	10,000	82,848	(4,592)	(30)	123	168,964	-	257,313
Profit for the period	-	-	-	-	-	20,621	-	20,621
Other comprehensive income for the period								
- Exchange difference arising from translation of foreign operation	-	-	-	33	-	-	-	33
Total comprehensive income for the period	-	-	-	33	-	20,621	-	20,654
Dividends declared (<i>note 10</i>)	-	-	-	-	-	(11,000)	-	(11,000)
At 30 June 2022 (unaudited)	10,000	82,848	(4,592)	3	123	178,585	-	266,967

* The total of these equity accounts as at 30 June 2023 represent "Reserves" in the condensed consolidated statements of financial position.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2023

	Six months ended 30 June	
	2023 (unaudited) HK\$'000	2022 (unaudited) HK\$'000
Net cash (used in)/generated from operating activities	(37,717)	81,965
Net cash generated from/(used in) investing activities	53,913	(115)
Net cash used in financing activities	(1,582)	(16,320)
Increase in cash and cash equivalents	14,614	65,530
Cash and cash equivalents at the beginning of period	38,826	88,319
Effect of exchange rate changes on cash and cash equivalents	(4)	11
Cash and cash equivalents at the end of period	53,436	153,860

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. GENERAL INFORMATION

G & M Holdings Limited (The “**Company**”) was incorporated in the Cayman Islands as an exempted company with limited liability on 29 November 2016 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 Windward 3, Regatta Office Park, P.O. Box 1350, Grand Cayman, KY1-1108, Cayman Islands. Its principal place of business is located at 11th Floor, Magnet Place Tower 1, 77-81 Container Port 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 the directors, Luxury Booming is also the ultimate holding company of the Company.

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 2023 have been prepared in accordance with Hong Kong Accounting Standard 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 2022 (“**Financial Statements 2022**”), which have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the HKICPA.

The condensed consolidated interim financial statements have not been audited or reviewed by the Company’s external auditor, but have been reviewed by the audit committee of the Company and approved by the Board of the Company on 28 August 2023.

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 certain financial instruments, which are measured at fair value. Except for the adoption of the new and amended HKFRSs for annual periods beginning on 1 January 2023, 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 2022.

(a) Adoption of new or revised HKFRSs effective on 1 January 2023

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

Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Disclosure of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities Arising from a Single Transaction

The adoption of these new standards and amendments to existing standards does not have any significant impact to the results and financial position of the Group and/or Group's unaudited condensed consolidated interim financial statements.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

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

The following new or revised HKFRSs, 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	Classification of Liabilities as Current or Non-Current ¹
Amendments to HKAS 1 HK Interpretation 5 (2022)	Non-current Liabilities with Covenants ¹ Presentation of Financial Statements – Classification by the Borrower of the Term Loan that Contains a Repayment on Demand Clause ¹
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback ¹
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture ²

¹ Effective for annual periods beginning on or after 1 January 2024.

² Effective for annual periods beginning on or after a date to be determined.

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 “Operating Segments”. The Group operates in Hong Kong and the People’s Republic of China (the “**PRC**”). All the Group’s revenue are derived from Hong Kong, and more than 98% 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, is set out below:

	Six months ended 30 June	
	2023 (unaudited) HK\$'000	2022 (unaudited) HK\$'000
Customer I	165,383	81,278
Customer II	72,141	72,807

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

	Six months ended 30 June	
	2023 (unaudited) HK\$'000	2022 (unaudited) HK\$'000
Revenue recognised over time:		
Design and build projects		
– Podium facade and related works	238,620	165,130
– Curtain wall works	184	5,615
	238,804	170,745
Repair and maintenance services	6,078	8,487
	244,882	179,232

6. OTHER INCOME, GAINS AND LOSSES

	Six months ended 30 June	
	2023 (unaudited) HK\$'000	2022 (unaudited) HK\$'000
Bank interest income	2,010	3
Dividend income from financial assets at fair value through profit or loss (“FVTPL”)	11	13
Other (loss)/income	(11)	1,393
Government subsidies	–	80
	2,010	1,489

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

7. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging the following:

	Six months ended 30 June	
	2023 (unaudited) HK\$'000	2022 (unaudited) HK\$'000
Auditor's remuneration	350	300
Cost of inventories recognised as expenses [#]	96,243	57,125
Depreciation charge:		
– Property, plant and equipment*	727	1,769
– Right-of-use assets*		
Properties and machinery leased for own use	1,214	1,317
Employee benefit expenses (including directors' emoluments)		
– Salaries, allowances and other benefits	33,672	32,790
– Contributions to defined contribution retirement plan	1,215	1,201
	34,887	33,991

[#] Included in cost of revenue

* Included in administrative and other operating expense

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

8. INCOME TAX EXPENSE

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

	Six months ended 30 June	
	2023 (unaudited) HK\$'000	2022 (unaudited) HK\$'000
Hong Kong Profits Tax		
– Current tax for the period	4,752	3,976
PRC Enterprise Income Tax		
– Current tax for the period	2	2
Tax for the period	4,754	3,978

The Company and its Hong Kong incorporated subsidiaries are subject to Hong Kong Profits Tax which is calculated at tax rate of 16.5% on the estimated assessable profits arising in Hong Kong during the year, except for one subsidiary of the Company which is a qualifying entity under the two-tiered profits tax rates regime. The first HK\$2,000,000 of assessable profits of this subsidiary are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%.

The Company's PRC subsidiary was eligible to be classified as small enterprise by local bureau and the corresponding assessable profits are taxed at progressive rate. The first RMB1,000,000 assessable profit is taxed at 5% and assessable profit above RMB1,000,000 but less than RMB3,000,000 is taxed at 10%. PRC Enterprise Income Tax for each of the six months ended 30 June 2023 and 2022 is calculated by applying the applicable progressive tax rate on the estimated assessable profit for the period.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

9. SHARE-BASED PAYMENT

During the six months ended 30 June 2023, no share-based payment expense (six months ended 30 June 2022: HK\$nil) was recognised in profit or loss and no corresponding amount (six months ended 30 June 2022: HK\$nil) was credited to share option reserve.

10. DIVIDENDS

The Directors propose the payment of an interim dividend of HK1.5 cents per share, amounting to HK\$15,000,000 for the six months ended 30 June 2023 (six months ended 30 June 2022: nil).

The final dividend of HK\$18,000,000 for the year ended 31 December 2022 has been approved by shareholders at the Company's annual general meeting and the payment for which has been despatched on 14 July 2023 (six months ended 30 June 2022: HK\$11,000,000 despatched on 8 July 2022).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

11. EARNING PER SHARE

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

	Six months ended 30 June	
	2023 (unaudited) HK\$'000	2022 (unaudited) HK\$'000
Earnings		
Profit for the period attributable to owners of the Company	23,587	20,621
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	1,000,000	1,000,000
Effect of dilutive potential ordinary shares – share options	184	184
Weighted average number of ordinary shares for the purposes of diluted earnings per share	1,000,184	1,000,184

For the purposes of calculating diluted earnings per share for the six months ended 30 June 2023 and 2022, the weighted average number of ordinary shares has been adjusted for the dilutive effect arising from the share options.

12. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2023, the Group acquired items of property, plant and equipment with a cost of approximately HK\$217,000 (six months ended 30 June 2022: HK\$118,000). No property, plant and equipment were disposed during the six months ended 30 June 2023 (six months ended 30 June 2022: nil).

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

13. CONTRACT ASSETS AND CONTRACT LIABILITIES

(a) Contract assets

	As at 30 June 2023 (unaudited) HK\$'000	As at 31 December 2022 (audited) HK\$'000
Contract assets are arising from:		
– Design and build contracts	175,719	124,750
– Repair and maintenance services	1,237	1,153
Contract assets (gross)	176,956	125,903
Less: Loss allowance	(760)	(760)
	176,196	125,143
Unbilled revenue	130,239	87,796
Retention receivables	46,717	38,107
Contract assets (gross)	176,956	125,903

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

	As at 30 June 2023 (unaudited) HK\$'000	As at 31 December 2022 (audited) HK\$'000
Within one year	146,496	103,869
More than one year	30,460	22,034
	176,956	125,903

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

13. CONTRACT ASSETS AND CONTRACT LIABILITIES

(Continued)

(b) Contract liabilities

	As at 30 June 2023 (unaudited) HK\$'000	As at 31 December 2022 (audited) HK\$'000
Contract liabilities are arising from:		
– Design and build contracts*	74,942	50,753
– Repair and maintenance services	1,932	–
	76,874	50,753

* Included warranty provision made for design and build projects amounting to HK\$1,523,000 as at 30 June 2023 (31 December 2022: HK\$1,523,000). During the six months ended 30 June 2023, no warranty cost (year ended 31 December 2022: HK\$nil) was incurred and charged against the warranty provision.

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

**14. TRADE AND OTHER RECEIVABLES, DEPOSITS AND
PREPAYMENTS**

	As at 30 June 2023 (unaudited) HK\$'000	As at 31 December 2022 (audited) HK\$'000
Non-current		
Refundable rental deposits	1,345	1,345
Current		
Trade receivables	74,463	44,363
Less: Loss allowance	(79)	(79)
Trade receivables, net	74,384	44,284
Retention receivables	1,021	605
Less: Loss allowance	(22)	(22)
Retention receivables, net	999	583
Deposits and prepayments	48,038	36,203
	123,421	81,070

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

**14. TRADE AND OTHER RECEIVABLES, DEPOSITS AND
PREPAYMENTS (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 loss allowance) based on the invoice date, as at the end of the reporting period is as follows:

	As at 30 June 2023 (unaudited) HK\$'000	As at 31 December 2022 (audited) HK\$'000
0 – 30 days	61,701	37,245
31 – 60 days	6,868	2,552
61 – 90 days	1,165	401
Over 90 days but less than 1 year	1,338	3,022
Over 1 year	3,312	1,064
	74,384	44,284

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

15. TRADE AND OTHER PAYABLES

	As at 30 June 2023 (unaudited) HK\$'000	As at 31 December 2022 (audited) HK\$'000
Trade payables	28,777	25,200
Retention payables	11,529	9,144
Accruals and other payables	12,855	17,841
	53,161	52,185

Notes:

(a) Trade payables

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

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

	As at 30 June 2023 (unaudited) HK\$'000	As at 31 December 2022 (audited) HK\$'000
0 – 30 days	24,620	10,233
31 – 60 days	1,579	7,440
61 – 90 days	924	687
Over 90 days	1,654	6,840
	28,777	25,200

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

15. TRADE AND OTHER PAYABLES (Continued)

Notes: (Continued)

(b) Retention payables

Based on the terms and conditions agreed in relation to the release of retention monies to subcontractors and taking into account the status of rectification work, the retention payables as at the end of the reporting period are to be settled as follows:

	As at 30 June 2023 (unaudited) HK\$'000	As at 31 December 2022 (audited) HK\$'000
On demand or within one year	7,810	7,863
More than one year	3,719	1,181
	11,529	9,144

16. BANK BORROWINGS

As at 30 June 2023 and 31 December 2022, the banking facilities (including bank borrowings and surety bonds/letters of guarantee) granted to the Group were secured by the bank deposits, the proceeds of a design and build project and the corporate guarantee provided by the Company.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

17. SHARE CAPITAL

The share capital balance as at 30 June 2023 and 31 December 2022 represents the issued and fully paid share capital of the Company as follows:

Ordinary share of HK\$0.01 each	Number of shares	Amount HK\$'000
Authorised:	10,000,000,000	100,000
Issued and fully paid:	1,000,000,000	10,000

18. GUARANTEES

The Group provided guarantee in respect of the surety bonds issued by the banks, in favour of the customers of certain construction contracts. In addition, the Group also provided guarantee in respect of the irrevocable letters of guarantee issued by a bank in favour of a supplier in relation to certain machineries by the supplier. Details of these guarantees are as follows:

	As at 30 June 2023 (unaudited) HK\$'000	As at 31 December 2022 (audited) HK\$'000
Aggregate value of surety bonds issued in favour of customers	101,579	74,460

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

19. LITIGATIONS

During the period ended 30 June 2023 and the year ended 31 December 2022, certain lawsuits and claims arising from the normal course of business were lodged against the Group. Claim amounts are not specified in some of the applications of these lawsuits and claims. All the claims were settled. Having considered the nature of these claims and the underlying insurance coverage, the directors assessed that outflow of significant resources in settling the claims was remote and thus no provision was made for these claims.

20. RELATED PARTIES TRANSACTIONS

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

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	
	2023 (unaudited) HK\$'000	2022 (unaudited) HK\$'000
Salaries, allowances and other benefits	5,612	5,951
Contributions to defined contribution retirement plan	54	45
	5,666	5,996