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# **G&M** Holdings Limited 信越控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 6038)

## ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

### FINANCIAL HIGHLIGHTS

	Year ended 31 December		Increase/ (decrease)
	2018 HK\$'000	2017 HK\$'000	
Revenue	<b>365,436</b>	315,751	15.7%
Gross profit	<b>86,995</b>	99,505	(12.6)%
Profit before income tax expense	<b>45,195</b>	63,997	(29.4)%
Profit before income tax expense (excluding listing expenses)	<b>45,195</b>	70,360	(35.8)%
Profit for the year	<b>36,939</b>	52,267	(29.3)%
Basic earnings per share (HK cents)	<b>3.7</b>	5.9	(37.3)%
Diluted earnings per share (HK cents)	<b>3.7</b>	5.9	(37.3)%

The Board recommended the payment of a final dividend of HK1.8 cents per share for the year ended 31 December 2018.

### ANNUAL RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of G & M Holdings Limited (the “**Company**”) is pleased to present the consolidated results of the Company and its subsidiaries (collectively the “**Group**”) for the year ended 31 December 2018 (“**Year 2018**”), together with the comparative figures for the corresponding year ended 31 December 2017 (“**Year 2017**”).

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2018

		2018	2017
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Revenue</b>	4	<b>365,436</b>	315,751
Cost of revenue		<u>(278,441)</u>	<u>(216,246)</u>
Gross profit		<b>86,995</b>	99,505
Other income, gains and losses		(26)	286
Administrative and other operating expenses		(41,438)	(28,893)
Listing expenses		—	(6,363)
Finance costs		<u>(336)</u>	<u>(538)</u>
<b>Profit before income tax</b>	5	<b>45,195</b>	63,997
Income tax expense	6	<u>(8,256)</u>	<u>(11,730)</u>
<b>Profit for the year</b>		<b>36,939</b>	52,267
<b>Other comprehensive income for the year</b>			
<i>Item that may be subsequently reclassified to profit or loss:</i>			
Exchange difference arising from translation of foreign operation		<u>17</u>	<u>23</u>
<b>Total comprehensive income for the year</b>		<u><b>36,956</b></u>	<u>52,290</u>
<b>Profit for the year attributable to owners of the Company</b>		<u><b>36,939</b></u>	<u>52,267</u>
<b>Total comprehensive income for the year attributable to owners of the Company</b>		<u><b>36,956</b></u>	<u>52,290</u>
		<i>HK cents</i>	<i>HK cents</i>
<b>Earnings per share</b>	8		
— Basic		<u><b>3.7</b></u>	<u>5.9</u>
— Diluted		<u><b>3.7</b></u>	<u>5.9</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	<i>Notes</i>	<b>2018</b> <i>HK\$'000</i>	2017 <i>HK\$'000</i>
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment		<u>3,508</u>	<u>5,376</u>
<b>Current assets</b>			
Inventories		986	2,432
Amounts due from customers for contract works		—	40,599
Contract assets		87,891	—
Trade and other receivables	9	104,537	98,372
Tax recoverable		3,956	—
Pledged bank deposits		5,000	21,215
Cash and bank balances		<u>96,620</u>	<u>106,614</u>
		<u>298,990</u>	<u>269,232</u>
<b>Current liabilities</b>			
Amounts due to customers for contract works		—	8,381
Contract liabilities		16,153	—
Trade and other payables	10	59,093	38,427
Tax payable		—	239
Bank borrowings	11	<u>8,233</u>	<u>19,476</u>
		<u>83,479</u>	<u>66,523</u>
<b>Net current assets</b>		<u>215,511</u>	<u>202,709</u>
<b>Total assets less current liabilities</b>		<u>219,019</u>	<u>208,085</u>
<b>Net assets</b>		<u>219,019</u>	<u>208,085</u>
<b>CAPITAL AND RESERVES</b>			
Share capital	12	10,000	10,000
Reserves		<u>209,019</u>	<u>198,085</u>
<b>Total equity</b>		<u>219,019</u>	<u>208,085</u>

## NOTES TO THE FINANCIAL STATEMENTS

### 1. GENERAL

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 29 November 2016. Its shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) since 13 June 2017 (the “**Listing**”). The address of its registered office is P.O. Box 1350, Clifton House, 75 Fort Street, Grand Cayman, KY1-1108, Cayman Islands. Its principal place of business is located at Units 1709–14, 17th Floor, Manhattan Centre, 8 Kwai Cheong Road, Kwai Chung, New Territories, Hong Kong.

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

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

The consolidated financial statements for the year ended 31 December 2018 were approved and authorised for issue by the directors on 18 March 2019.

### 2. BASIS OF PREPARATION AND ADOPTION OF NEW/REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“**HKFRSs**”)

#### Basis of preparation

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

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

The consolidated financial statements are presented in Hong Kong dollars (“**HK\$**”), which is the same as the functional currency of the Group.

#### Adoption of new/revised HKFRS — effective 1 January 2018

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

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

Except as described below, the application of the new/revised to HKFRS in the current year has had no material impact on the Group’s consolidated performance and consolidated financial positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

## HKFRS 9 — Financial Instruments

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

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment under expected credit losses (“ECLs”) model) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening retained profits, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39.

### Classification and measurement of financial instruments and contract assets

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

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

The Group did not designate or de-designate any financial assets or financial liabilities at fair value through profit or loss as at 1 January 2018.

## Impairment under ECLs model

The Group applies the HKFRS 9 simplified approach to measure ECLs which uses a lifetime ECLs for all contract assets and trade receivables. Contract assets and trade receivables have been assessed individually for debtors with significant balances and/or collectively using a provision matrix with appropriate groupings based on their historical default rates which are adjusted for forward-looking estimates. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore estimated the expected credit loss rates for the trade receivables and the contract assets on the same basis.

ECLs for other financial assets at amortised cost, including retention receivables, pledged bank deposits and cash and bank balances, are assessed on 12-months ECLs basis as there had been no significant increase in credit risk since initial recognition.

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

	<i>HK\$'000</i>
Retained profits	
Retained profits as at 31 December 2017	119,878
Increase in ECLs in trade receivables and contract assets	(218)
Increase in ECLs in retention receivables at amortised cost	<u>(2,004)</u>
Restated retained profits as at 1 January 2018	<u><u>117,656</u></u>

## Hedge accounting

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

## HKFRS 15 — Revenue from Contracts with Customers

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

The Group has adopted HKFRS 15 from 1 January 2018 which resulted in changes in accounting policies. In accordance with the transition provisions in HKFRS 15, the Group has adopted the new rules retrospectively. The Group assessed the impacts of adopting HKFRS 15 on its consolidated financial statements. Based on the assessment, the adoption of HKFRS 15 has no significant impact on the Group's revenue recognition. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18, HKAS 11 and the related interpretations.

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

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

As of 1 January 2018, amounts due from customers for contract works, HK\$40,599,000 were reclassified to contract assets and amounts due to customers for contract works, HK\$8,381,000 were reclassified to contract liabilities.

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

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

### 3. SEGMENT INFORMATION

#### (a) Operating segment information

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

During the year, the directors assess the operating performance and allocate the resources of the Group as a whole as the Group is primarily engaged in provision of one-stop design and build solutions as well as repair and maintenance services in relation to podium facade and curtain wall works in Hong Kong. Therefore, the Group has only one operating segment that qualifies as reporting segment under HKFRS 8. The Group operates in Hong Kong and the PRC. All of the Group's revenue are derived from Hong Kong, and approximately 85% of the Group's non-current assets are located in Hong Kong. Accordingly, no separate segmental analysis is presented.

#### (b) Information about major customers

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

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Customer I	164,759	159,097
Customer II	74,442	106,035
Customer III	<u>92,015</u>	<u>N/A*</u>

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

### 4. 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:

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

## 5. PROFIT BEFORE INCOME TAX

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

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

\* Included in administrative and other operating expenses

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

## 6. INCOME TAX EXPENSE

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

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

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

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

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

Enterprise income tax arising from other regions of the PRC is calculated at 25% (2017: 25%) on the estimated assessable profit for the year.

## 7. DIVIDENDS

	<b>2018</b> <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Interim dividends ( <i>note a</i> )	—	20,000
Final dividends ( <i>note b</i> )	<u>18,000</u>	<u>24,000</u>
	<u><b>18,000</b></u>	<u><b>44,000</b></u>

### *Notes:*

- (a) The interim dividend for the years ended 31 December 2017 of HK\$20,000,000 represented dividends declared by certain group entities to their then shareholders.
- (b) Final dividend in respect of the year ended 31 December 2018 of HK1.8 cents per share, amounting to a total dividend of HK\$18,000,000, proposed at the forthcoming annual general meeting. The proposed dividend are not reflected as a dividend payable in these consolidated financial statements for the year ended 31 December 2018. There are no income tax consequences for the Group related to the payment of dividends by the Company to its shareholders.

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

## 8. EARNINGS PER SHARE

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

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
<b>Earnings</b>		
Profit for the year attributable to owners of the Company	<u>36,939</u>	<u>52,267</u>
	<i>'000</i>	<i>'000</i>
<b>Weighted average number of ordinary shares in issue</b>		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	1,000,000	888,356
Effect of dilutive potential ordinary shares — share options	<u>12</u>	<u>—</u>
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	<u>1,000,012</u>	<u>888,356</u>

The weighted average number of ordinary shares used for the purposes of calculating the basic earnings per share for the year ended 31 December 2017 of 888,356,000 includes the weighted average number of shares issued pursuant to the share offer (note 12(a)(iv)) of 138,356,000 shares, in addition to the aforementioned 750,000,000 shares in issue immediately after the capitalisation issue.

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

## 9. TRADE AND OTHER RECEIVABLES

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

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

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

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

As at 31 December 2018, based on due date, the Group's retention receivables of HK\$17,253,000 (2017: HK\$12,407,000) were not yet past due and the remaining balance of HK\$953,000 (2017: HK\$2,373,000) were past due, of which HK\$386,000 (2017: HK\$1,848,000) were past due for over one year. Based on the assessment of the directors, no impairment allowance is necessary for the net retention receivables outstanding at the end of the reporting period as those balances due are from customers with long business relationship and there has not been a significant change in their credit quality.

#### 10. TRADE AND OTHER PAYABLES

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

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

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

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

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

## 11. BANK BORROWINGS

	<b>2018</b> <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Bank borrowings repayable within one year	<b>8,233</b>	19,476

The bank borrowings, including trade financing, are interest bearing at the bank's prime rate or the bank's prime rate adjusted by certain basis points per annum. The interest rates of the Group's bank borrowings as at 31 December 2018 granted under banking facilities was ranged from 3.63% to 5.87% (2017: 3.13% to 5.25%) per annum.

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

## 12. SHARE CAPITAL

Details of the movement in the authorised, issued and fully paid share capital of the Company are summarised as follows:

	<i>Notes</i>	<b>Number of shares</b>	<i>Amount HK\$'000</i>
<b>Authorised:</b>			
<i>Ordinary share of HK\$0.01 each</i>			
Upon incorporation	<i>(i)</i>	38,000,000	380
Increase in authorised share capital	<i>(ii)</i>	<u>9,962,000,000</u>	<u>99,620</u>
As at 31 December 2017 and 2018		<u><u>10,000,000,000</u></u>	<u><u>100,000</u></u>
<b>Issued and fully paid:</b>			
<i>Ordinary share of HK\$0.01 each</i>			
Issue of share upon incorporation		1	—
Issued of shares for acquisition of a subsidiary	<i>(iii)</i>	3	—
Shares issued pursuant to the capitalisation issue	<i>(iv)</i>	749,999,996	7,500
Shares issued under share offer	<i>(iv) &amp; (v)</i>	<u>250,000,000</u>	<u>2,500</u>
As at 31 December 2017 and 2018		<u><u>1,000,000,000</u></u>	<u><u>10,000</u></u>

### *Notes:*

- (i) The Company was incorporated on 29 November 2016 with authorised share capital of HK\$380,000 divided in 38,000,000 ordinary shares of HK\$0.01 each. Upon incorporation, one nil paid subscriber share was allotted and issued to subscriber, which was then transferred to Luxury Booming, the parent of the Company on the same date.
- (ii) On 12 May 2017, the authorised share capital of the Company was increased from HK\$380,000 to HK\$100,000,000 divided into 10,000,000,000 shares of HK\$0.01 each by the creation of an additional 9,962,000,000 shares of HK\$0.01 each.
- (iii) On 12 May 2017, the Company allotted and issued three shares in aggregate to Luxury Booming which were credited as fully paid as consideration for the transfer of its shareholding of entire issued share capital of Join Forward Group Limited (“**Join Forward**”), one of the subsidiaries. In addition, the Company credited the one nil paid share held by Luxury Booming referred to in note (i) as fully paid. Upon completion of the transfer, Join Forward which is the holding company of the operating subsidiaries becomes a wholly-owned subsidiary of the Company.

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

- (iv) The Company's shares were listed on the Main Board of the Stock Exchange on 13 June 2017 and the issue of 250,000,000 new shares by the Company becomes unconditional. In connection to this, (i) the Company issued a total of 250,000,000 ordinary shares at HK\$0.41 per share for subscription (the "Share Offer"); and (ii) the Company issued a total of 749,999,996 ordinary shares by way of capitalising an amount of HK\$7,500,000 from the share premium account of the Company (the "**Capitalisation Issue**") arising from the Share Offer. The Company's total number of issued shares upon completion of the Share Offer and the Capitalisation issue was increased to 1,000,000,000 ordinary shares.
- (v) Among the gross proceeds from the Share Offer of HK\$102,500,000, HK\$2,500,000 representing the aggregate par value of share issued was credited to the Company's share capital whereas the remaining amount of HK\$100,000,000 was credited to share premium account.
- (vi) The share issuance expenses, which amounted to approximately HK\$9,652,000 were deducted from the share premium account.

### 13. GUARANTEES

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

	<b>2018</b>	2017
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Aggregate value of the surety bonds issued in favour of customers	<b><u>31,084</u></b>	<u>28,555</u>

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

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

## MANAGEMENT DISCUSSION AND ANALYSIS

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

The capital raised in the Listing enables the Group to undertake more curtain wall projects. During the Year 2018, the Group was awarded three curtain wall projects out of 11 tenders of curtain wall projects submitted. As a result, the revenue generated from curtain wall projects increased from HK\$6.3 million in the Year 2017 to HK\$113.2 million in the Year 2018. However, the progress certification from curtain wall projects are relatively slower than that of podium facade projects which led to a significant increase in the contract assets as at 31 December 2018 as compared to that as at 31 December 2017.

## FINANCIAL REVIEW

### Revenue

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

### Outlook and prospects

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

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

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

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

### **Gross profit and gross profit margin**

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

### **Administrative and other operating expenses**

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

### **Listing expenses**

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

### **Income tax expenses**

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

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

## **Profit for the Year**

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

Such decrease was mainly due to the drop in gross profit of approximately HK\$ 12.5 million as discussed above and an increase in the administrative expenses of HK\$12.5 million and partly offset by the serving in the non-recurring professional fees of approximately HK\$6.4 million incurred for the Listing during Year 2017.

## **Receivable turnover days**

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

## **Bank borrowings**

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

## **LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE**

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

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

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

## **Foreign exchange**

The Group mainly operates in Hong Kong and majority of the operating transactions such as revenue, expenses, monetary assets and liabilities are denominated in Hong Kong Dollars. As such, the Directors are of the view that the Group's risk in foreign exchange is insignificant and that we should have

sufficient resources to meet foreign exchange requirements as and if they arise. Therefore, the Group did not engage in any derivatives contracts to hedge its exposure to foreign exchange risk during the Year 2018.

### Capital expenditures and commitments

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

### Significant investments held

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

### Material acquisitions and disposals

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

### Pledge of assets

As at 31 December 2018, pledged deposits in the sum of approximately HK\$5.0 million (31 December 2017: HK\$21.2 million) were placed with banks as securities for certain banking facilities of the Group.

### Contingent liabilities

The Group had no material contingent liabilities as at 31 December 2018.

### USE OF PROCEEDS

The utilisation of net proceeds raised by the Group as at 31 December 2018 is as below:

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

The remaining unused net proceeds as at 31 December 2018 were placed as bank balances with licensed bank in Hong Kong and will be applied in the manner consistent with the proposed allocations as stated in the Company's prospectus dated 25 May 2017.

## **EVENTS AFTER THE FINANCIAL YEAR**

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

## **CORPORATE GOVERNANCE PRACTICES**

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

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

## **DIRECTORS' SECURITIES TRANSACTIONS**

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

## **FINAL DIVIDEND AND ANNUAL GENERAL MEETING**

The Directors recommended the payment of a final dividend of HK1.8 cents per share, amounting to a total of HK\$18.0 million for the Year 2018, representing a dividend ratio of approximately 48.8%. The proposed final dividend is subject to the approval of shareholders at the forthcoming annual general meeting of the Company to be held on Thursday, 13 June 2019 (the “AGM”) and is expected to be paid on or about 12 July 2019.

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

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from Monday, 10 June 2019 to Thursday, 13 June 2019 (both days inclusive), during which period no transfer of Shares will be registered, for purpose of determining the right to attend and vote at the AGM. All transfer of the Company’s shares together with the relevant share certificates must be lodged with the Company’s branch share registrar and transfer office in Hong Kong no later than 4:30 p.m. on Thursday, 6 June 2019 in order for the holders of the shares to qualify to attend and vote at the AGM or any adjournment thereof.

To ascertain entitlement to the proposed final dividend, the register of members of the Company will also be closed from Thursday, 20 June 2019 to Monday, 24 June 2019 (both days inclusive). In order to qualify for the proposed final dividend, which is subject to approval of shareholders at the AGM, holders of shares of the Company must ensure that all transfers of shares be lodged with the Company’s branch share registrar and transfer office in Hong Kong for registration no later than 4:30 p.m. on Wednesday, 19 June 2019.

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

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

## **MANAGEMENT CONTRACTS**

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the Year 2018.

## **SUFFICIENCY OF PUBLIC FLOAT**

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

## **AUDIT COMMITTEE AND REVIEW OF ANNUAL RESULTS**

The audit committee of the Company has reviewed the consolidated financial statements of the Group for Year 2018 and this results announcement. The figures in respect of the Group's consolidated statement of comprehensive income, consolidated statement of financial position and the related notes thereto for Year 2018 as set out in this announcement have been agreed by the Group's auditor, BDO Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by BDO Limited on this announcement.

By order of the Board of  
**G & M Holdings Limited**  
**LEE Chi Hung**  
*Chairman and Executive Director*

Hong Kong, 18 March 2019

*As at the date of this announcement, the Board comprises Mr. Lee Chi Hung and Mr. Chan Wai Yin as executive Directors; Mr. Leung Ping Kwan as non-executive Director; and Professor Wong Roderick Sue Cheun, Mr. Tai Kwok Leung Alexander and Mr. Kwan Cheuk Kui as independent non-executive Directors.*