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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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2020

FINANCIAL HIGHLIGHTS

	Six months ended 30 June	
	2020	2019
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Revenue	135,524	131,411
Gross profit	35,827	36,885
Profit before income tax	19,560	22,180
Profit for the period	16,498	18,584
Basic earnings per share <i>(HK cents)</i>	1.6	1.9
Diluted earnings per share <i>(HK cents)</i>	1.6	1.9

The board (the “**Board**”) of directors (the “**Directors**”) of G & M Holdings Limited (the “**Company**”) is pleased to present the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively the “**Group**”) for the six months ended 30 June 2020 (the “**Period**”), together with the comparative figures for the corresponding period in 2019 (the “**Corresponding Period**”).

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2020

	Notes	Six months ended 30 June	
		2020 (unaudited) HK\$'000	2019 (unaudited) HK\$'000
Revenue	5	135,524	131,411
Cost of revenue		<u>(99,697)</u>	<u>(94,526)</u>
Gross profit		35,827	36,885
Other income and gains		2,055	19
Administrative and other operating expenses		(18,232)	(14,574)
Finance costs		<u>(90)</u>	<u>(150)</u>
Profit before income tax	6	19,560	22,180
Income tax expense	7	<u>(3,062)</u>	<u>(3,596)</u>
Profit for the period		<u>16,498</u>	<u>18,584</u>
Other comprehensive income			
<i>Item that may be subsequently classified to profit or loss:</i>			
– Exchange difference arising from translation of foreign operation		<u>(6)</u>	<u>1</u>
Total comprehensive income for the period		<u>16,492</u>	<u>18,585</u>
		<i>HK cents</i>	<i>HK cents</i>
Earnings per share			
– Basic	10	1.6	1.9
– Diluted	10	<u>1.6</u>	<u>1.9</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

		30 June 2020 (unaudited) <i>HK\$'000</i>	31 December 2019 (audited) <i>HK\$'000</i>
	<i>Notes</i>		
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		1,811	2,211
Right-of-use assets		<u>3,220</u>	<u>3,489</u>
		5,031	5,700
Current assets			
Inventories		435	805
Contract assets		81,106	74,661
Trade and other receivables	11	81,360	77,314
Pledged bank deposits		5,000	5,000
Cash and bank balance		<u>120,792</u>	<u>128,467</u>
		288,693	286,247
Current liabilities			
Contract liabilities		2,623	3,357
Trade and other payables	12	35,045	55,576
Tax payable		910	878
Bank borrowings	13	7,786	1,000
Lease liabilities		2,171	2,377
Dividend payables		<u>14,000</u>	<u>–</u>
		62,535	63,188
Net current assets		<u>226,158</u>	<u>223,059</u>
Total assets less current liabilities		<u>231,189</u>	<u>228,759</u>
Non-current liabilities			
Lease liabilities		<u>1,118</u>	<u>1,180</u>
NET ASSETS		<u>230,071</u>	<u>227,579</u>
CAPITAL AND RESERVES			
Share capital	14	10,000	10,000
Reserves		<u>220,071</u>	<u>217,579</u>
Total equity		<u>230,071</u>	<u>227,579</u>

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 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.

The condensed consolidated financial statements of the Group for the six months ended 30 June 2020 are unaudited, but have been reviewed by the audit committee of the Company (the “**Audit Committee**”) and approved by the Board of the Company on 26 August 2020.

2. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements for the six months ended 30 June 2020 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 2019 (“**Financial Statements 2019**”), which have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the HKICPA.

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.

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 HKFRSs for annual periods beginning on 1 January 2020, 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 2019.

Adoption of new or revised HKFRSs effective on 1 January 2020

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

Amendments to HKFRS 3	Definition of a Business
Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

The adoption of these new standards or amendments to existing standards does not have any significant impact on the results and financial position of the Group's unaudited 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 72% 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	
	2020 (unaudited) <i>HK\$'000</i>	2019 (unaudited) <i>HK\$'000</i>
Customer I	77,088	93,729
Customer II	29,421	20,439
Customer III	<u>23,854</u>	<u>N/A*</u>

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

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.

	Six months ended 30 June	
	2020	2019
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Revenue recognised overtime:		
Design and build projects		
– Podium facade and related works	87,378	90,403
– Curtain wall works	41,730	33,941
	129,108	124,344
Repair and maintenance services	6,416	7,067
	135,524	131,411

6. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after crediting:

	Six months ended 30 June	
	2020	2019
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Auditor's remuneration	300	300
Cost of inventories recognised as expenses [#]	46,570	25,640
Depreciation charge:		
Property, plant and equipment*	590	769
Right-of-use assets*		
– building, car parks and machinery	1,340	1,230
Warranty expenses [#]	–	159
Employee benefit expenses (including directors' emoluments)		
– Salaries, allowances and other benefits	25,729	23,727
– Contributions to defined contribution retirement plan	1,014	1,049
– Equity settled share-based payment	–	102
	26,743	24,878

[#] Included in cost of revenue

* Included in administrative and other operating expense

7. INCOME TAX EXPENSE

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

	Six months ended 30 June	
	2020 (unaudited) HK\$'000	2019 (unaudited) HK\$'000
Hong Kong Profits Tax		
– Current	3,059	3,593
PRC Enterprise Income Tax		
– Current	<u>3</u>	<u>3</u>
Tax for the period	<u>3,062</u>	<u>3,596</u>

For the six months ended 30 June 2020 and 2019, 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 2019: 25%) on the estimated assessable profits for the period.

8. SHARE-BASED PAYMENT

During the six months ended 30 June 2020, no share-based payment (six months ended 30 June 2019: HK\$102,000) has been recognised in the profit or loss. No corresponding amount (six months ended 30 June 2019: HK\$102,000) has been credited to share option reserve.

9. DIVIDENDS

The Directors do not propose any payment of interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: nil).

The final dividend of HK\$14,000,000 for the year ended 31 December 2019 has been approved by shareholders at the Company's annual general meeting and the payment for which has been despatched on 17 July 2020 (six months ended 30 June 2019: HK\$18,000,000 despatched on 12 July 2019).

10. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2020 (unaudited)	2019 (unaudited)
Earnings		
Profit for the period attributable to owners of the Company (HK\$'000)	<u>16,498</u>	<u>18,584</u>
Weighted average number of ordinary shares in issue		
Weighted average number of ordinary shares in issue during the period ('000)	<u>1,000,000</u>	<u>1,000,000</u>
Basic earnings per share (HK cents)	<u>1.6</u>	<u>1.9</u>

For the six months ended 30 June 2020 and 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.

11. TRADE AND OTHER RECEIVABLES

	As at 30 June 2020 (unaudited) HK\$'000	As at 31 December 2019 (audited) HK\$'000
	Trade receivables	40,675
Expected credit losses allowance	(78)	(78)
	40,597	46,088
Retention Receivables	20,702	17,503
Expected credit losses allowance	(1,868)	(1,868)
	18,834	15,635
Deposits and prepayment	<u>21,929</u>	<u>15,591</u>
	<u>81,360</u>	<u>77,314</u>

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 as follows:

	As at 30 June 2020 (unaudited) HK\$'000	As at 31 December 2019 (audited) HK\$'000
0 to 30 days	19,471	38,528
31 to 60 days	14,983	3,239
61 to 90 days	3,426	1,479
Over 90 days but less than 1 year	400	859
Over a year	<u>2,317</u>	<u>1,983</u>
	<u>40,597</u>	<u>46,088</u>

(c) **Retention receivables**

As at 30 June 2020, based on due date, the Group's retention receivables of approximately HK\$18,587,000 (31 December 2019: HK\$15,588,000) were not yet past due and the remaining balance of approximately HK\$247,000 (31 December 2019: HK\$47,000) were past due less than a 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.

12. TRADE AND OTHER PAYABLES

	As at 30 June 2020 (unaudited) HK\$'000	As at 31 December 2019 (audited) HK\$'000
Trade Payables	20,696	37,586
Retention Payables	8,057	7,806
Accruals and other payables	<u>6,292</u>	<u>10,184</u>
	<u>35,045</u>	<u>55,576</u>

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:

	As at 30 June 2020 <i>HK\$'000</i> (unaudited)	As at 31 December 2019 <i>HK\$'000</i> (audited)
0 to 30 days	10,107	23,756
31 to 60 days	194	7,612
61 to 90 days	4,429	1,691
Over 90 days	<u>5,966</u>	<u>4,527</u>
	<u><u>20,696</u></u>	<u><u>37,586</u></u>

- (c) As at 30 June 2020, retention payables of approximately HK\$4,801,000 (31 December 2019: HK\$5,867,000) were aged one year or below and the remaining balance of approximately HK\$3,256,000 (31 December 2019: HK\$1,939,000) were aged over one year.

13. BANK BORROWINGS

	As at 30 June 2020 (unaudited) <i>HK\$'000</i>	As at 31 December 2019 (audited) <i>HK\$'000</i>
Bank borrowings repayable within one year	<u><u>7,786</u></u>	<u><u>1,000</u></u>

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 2020 was 3.34% (31 December 2019: 4.78%) per annum.

14. SHARE CAPITAL

The share capital balance as at 30 June 2020 and 31 December 2019 represented the issued and fully paid share capital of the Company as followings:

Ordinary share of HK\$0.01 each	Number of shares	Carrying values HK\$'000
Authorised:	<u>10,000,000,000</u>	<u>100,000</u>
Issued and fully paid	<u>1,000,000,000</u>	<u>10,000</u>

15. 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:

	As at 30 June 2020 (unaudited) HK\$'000	As at 31 December 2019 (audited) HK\$'000
Aggregate value of the surety bonds issued in favour of customers	<u>47,660</u>	<u>58,518</u>

MANAGEMENT DISCUSSION AND ANALYSIS

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.

The outbreak of COVID-19 since early 2020 has posed obstacles to the transportation of construction material from mainland China to Hong Kong, which led to various levels of delay in the progress for some projects. As a result of progress delay and the consequential extra costs incurred, revenue for the Period was below expectation and, despite a slight revenue growth of approximately HK\$4.1 million, the gross profit for the Period reduced by approximately HK\$1.1 million or 2.9% as compared to the Corresponding Period. Furthermore, amidst uncertainties brought on by the US-China trade war and the outbreak of COVID-19, property developers adopted more stringent cost control with tight control in project progress, which also hampered profit margin of the awarded projects. The Group continues to devise efficient and effective podium and curtain wall building solutions in order to capture business opportunities while maintaining a reasonable profit margin.

However, the Group maintains a healthy liquidity position with net cash of over HK\$100 million and minimal bank borrowings, and is confident to withstand the present challenging global economic conditions.

PROSPECTS

The Group's major projects on hand as at 30 June 2020 can be summarised as follow:

No.	Type of works undertaken	Location	Expected completion date	Estimated remaining contract value as at 30 June 2020 <i>HK\$'million</i>
1.	Podium facade	KwunTong, Kowloon	Dec 2021	238.9
2.	Podium facade	TaiKoo, Hong Kong	Dec 2021	226.6
3.	Curtain wall	Jaffe Road, Hong Kong	Dec 2020	<u>31.5</u>
				<u><u>497.0</u></u>

Subsequent to the end of the Period and up to the date of this announcement, the Group had been awarded two podium facade and a maintenance contracts with contract sum of approximately of HK\$378.5 million. Meanwhile, the Group is in the process of bidding for or pending the results of a sizeable podium facade project tender with an estimated total contract value of over HK\$122.1 million.

FINANCIAL REVIEW

Revenue

The Group's revenue slightly increased by approximately HK\$4.1 million or 3.1% from approximately HK\$131.4 million for the Corresponding Period to approximately HK\$135.5 million for the Period.

Gross profit and gross profit margin

The Group's gross profit decreased by approximately HK\$1.1 million or 3.1% from approximately HK\$36.9 million for the Corresponding Period to approximately HK\$35.8 million for the Period. Gross profit margin of the Group was approximately 26.4% for the Period, representing a slight decrease as compared with that of approximately 28.1% for the Corresponding Period. The decrease in gross profit margin was mainly attributable to the project with lower profit margin recognised during the Period.

Administrative and other operating expenses

The Group's administrative and other operating expenses increased by approximately HK\$3.6 million or 24.6% from approximately HK\$14.6 million for the Corresponding Period to approximately HK\$18.2 million for the Period. The increase was mainly due to the increase in salaries, allowances and other benefits and legal and professional expenses.

Profit for the Period

The Group's profit for the Period amounted to approximately HK\$16.5 million, representing a decrease of approximately HK\$2.1 million or 11.3% as compared to that of approximately HK\$18.6 million for the Corresponding Period. Such decrease was mainly due to the drop in gross profit of approximately HK\$1.1 million and increase in administrative expense of approximately HK\$3.6 million as discussed above while net off with the increase in other income of approximately of HK\$2.0 million.

Receivable turnover days

The Group's receivable turnover days for the Period decreased to approximately 58.2 days as compared to that of approximately 75.2 days as at 31 December 2019 because the progress certified as at the period end decreased. The Group did not observe any signs of default on any of its trade receivables balance as at 30 June 2020.

Bank borrowings

The Group's bank borrowings as at 30 June 2020 were approximately HK\$7.8 million, representing an increase of approximately HK\$6.8 million as compared to that of approximately HK\$1.0 million as at 31 December 2019.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group's gearing ratio, calculated by dividing total debts by total equity, as at 30 June 2020 was approximately 3.4% (31 December 2019: 0.4%). The increase was mainly due to the increase in the bank borrowings.

The Group's cash and cash equivalents balances as at 30 June 2020 amounted to approximately HK\$120.8 million, representing a decrease of approximately HK\$7.7 million as compared to that of approximately HK\$128.5 million as at 31 December 2019.

The Group's bank borrowings as at 30 June 2020 were all denominated in Hong Kong Dollars. The interest rates were 3.34% per annum.

EMPLOYEES AND REMUNERATION POLICIES

The Group had 103 staff as at 30 June 2020 (30 June 2019: 98 staff) and the total employee benefit expenses for Period amounted to approximately HK\$26.7 million (Corresponding Period: HK\$24.9 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.

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 announcement.

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 announcement.

PLEDGE OF ASSETS

As at 30 June 2020, the Group had approximately HK\$5.0 million of pledge bank deposits (31 December 2019: 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 2020.

CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 30 June 2020.

EVENTS AFTER END OF THE PERIOD

No event has occurred after 30 June 2020 and up to the date of this announcement 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 Rules Governing the Listing of Securities on the Stock Exchange (“**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 Chi Hung. 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 2019 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 for securities transactions by Directors of Listed Issuers (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 announcement.

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.

AUDIT COMMITTEE

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.

By order of the Board
G & M Holdings Limited
Chan Wai Yin
Executive Director

Hong Kong, 26 August 2020

As at the date of this announcement, the Board comprises Mr. Lee Chi Hung, Mr. Chan Wai Yin and Ms. Lam Suk Yee, Patricia 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.