GME

GME Group Holdings Limited

駿傑集團控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 8188)

2019

ANNUAL REPORT

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Chuang Chun Ngok Boris *(Chairman)*
Mr. Chuang Wei Chu

Independent non-executive Directors

Mr. Lam Man Bun Alan
Mr. Lau Chun Fai Douglas
Ir Ng Wai Ming Patrick

AUDIT COMMITTEE

Mr. Lau Chun Fai Douglas *(Chairman)*
Mr. Lam Man Bun Alan
Ir Ng Wai Ming Patrick

REMUNERATION COMMITTEE

Mr. Lam Man Bun Alan *(Chairman)*
Mr. Chuang Chun Ngok Boris
Mr. Lau Chun Fai Douglas
Ir Ng Wai Ming Patrick

NOMINATION COMMITTEE

Ir Ng Wai Ming Patrick *(Chairman)*
Mr. Chuang Chun Ngok Boris
Mr. Lam Man Bun Alan
Mr. Lau Chun Fai Douglas

COMPLIANCE OFFICER

Mr. Chuang Chun Ngok Boris

COMPANY SECRETARY

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Mr. Sze Chun Kit

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DBS Bank (Hong Kong) Limited

Dah Sing Bank, Limited

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STOCK CODE

8188

INVESTOR RELATIONS

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FINANCIAL CALENDAR

Date for the closure of register of members for the annual general meeting of the Company:
Tuesday, 23 June 2020
to Monday, 29 June 2020 (both days inclusive)

Date for the annual general meeting of the Company:
Monday, 29 June 2020

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board of Directors (the "**Board**") of the Company, I present this annual report (the "**Annual Report**") and the audited consolidated financial statements of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2019 (the "**Reporting Period**").

BUSINESS REVIEW

The Group is an established subcontractor engaged in civil engineering works and operating solely in Hong Kong. The Group is principally engaged in the provision of underground construction services and mainly serves main contractors in public sector infrastructure projects. The Group's revenue was primarily generated from public sector projects for the provision of (i) tunnel construction services; and (ii) utility construction services and others.

During the year ended 31 December 2019, the Group had secured 16 public construction projects (2018: eight) and four private sector projects (2018: seven) with the total contract revenue and variation orders amounts awarded in 2019 (the "**Secured Projects Sum**") of approximately HK$307,026,000 and the estimated revenue to be recognised (the "**Backlog**") from the Secured Projects Sum after the Reporting Period is approximately HK$278,151,000. Seven out of these 20 newly secured projects in 2019 are the provision of the construction of the Central Kowloon Route while three out of 20 are the provision of construction of Tseung Kwan O-Lam Tin Tunnel with the total Secured Projects Sum of approximately HK$173,291,000 and approximately HK$106,559,000, respectively. The Backlog from the projects carried over from 2018 was approximately HK$5,028,000. The total Backlog to be recognised as revenue after 31 December 2019 was approximately HK$283,179,000.

Due to the delay of the funding approvals from the Legislative Council of the Hong Kong Special Administrative Region ("**Legco**") in late 2017, the tendering schedules of certain major infrastructure projects, including Tseung Kwan O-Lam Tin Tunnel and Central Kowloon Route, were delayed. As a result, the tunnel construction works for these projects were also delayed. At the same time, the existing major infrastructure projects in Hong Kong such as Hong Kong-Zhuhai-Macao Bridge and the Hong Kong section of the Guangzhou-Shenzhen-Hong Kong Express Rail Link were substantially completed in 2018. As a result, the limited supply of new construction works for subcontractors in the market and the increasing competition in the construction industry during the year ended 31 December 2019 gradually affected the revenue and gross profit margin of the Group.

On 11 December 2019, the Group entered into an agreement with an independent third party to acquire a short film and feature length motion picture. The Group has the intention to form a working team and to further develop the short film to a feature length motion picture.

FINANCIAL PERFORMANCE

For the year ended 31 December 2019, the revenue of the Group was approximately HK$80,793,000 (2018: approximately HK$140,631,000), representing a decrease of approximately HK$59,838,000 or 42.5% from the previous year.

The decrease in revenue generated from public sector projects – tunnel construction services, which was mainly resulted from the substantial completion of the tunnel construction works of several major infrastructure projects in Hong Kong as mentioned in the business review section above. However, the Group has carried out mitigating measures, including but not limited to, actively submitting tenders for and participating in other public non-tunnel construction projects available in the market during the year ended 31 December 2019. Therefore, the Secured Projects Sum was significantly increased.

CHAIRMAN'S STATEMENT

The gross loss and gross loss margin of the Group for the year ended 31 December 2019 was approximately HK$5,779,000 and 7.2%, respectively (the gross profit and gross profit margin of the Group for the year ended 31 December 2018: approximately HK$13,050,000 and 9.3%, respectively). The reported gross loss and gross loss margin of the Group for the Reporting Period was due to the generally lower profit margins of work performed on non-tunnel construction projects during the Reporting Period. The aforementioned delay in sites handover and substantial design changes and increasing competition in the construction market was due to the limited supply of construction works for subcontractors in 2019, which resulted in lower profit margins for the projects in 2019 and delays in certification of variation orders and claims by main contractors.

The Group's loss and total comprehensive expenses attributable to the owners of the company ("**Net Loss**") increased from approximately HK$9,859,000 for the year ended 31 December 2018 to approximately HK$28,217,000 for the year ended 31 December 2019, representing an increase of approximately HK$18,358,000. Such increase was mainly due to the decrease in revenue and gross profit during the Reporting Period and the increasing competition in the construction market which resulted in lower profit margins for the projects in 2019 as discussed above.

OUTLOOK OF TUNNEL AND CONSTRUCTION INDUSTRY IN HONG KONG

It is expected that there will be continuous demand for tunnel construction services in Hong Kong given that the construction works at Central Kowloon Route and Tseung Kwan O-Lam Tin Tunnel are gearing up. As a result, the Group will continue to focus on growing its tunnel construction services business and expects this to be its major growth driver and long term, sustainable source of revenue. The growth in tunnel construction industry will mainly be supported by several major infrastructure projects including Tseung Kwan O-Lam Tin Tunnel, Central Kowloon Route, Sha Tin Cavern Tunnel, Cha Kwo Ling Tunnel and Airport Third Runway.

Due to the recent social incidents in Hong Kong since June 2019, the funding process for the infrastructure spending by the Hong Kong Government is expected to be affected. The delay of certain public infrastructure projects in prior years has had an impact on the revenue source of the Group during the Reporting Period. The coronavirus outbreak since January 2020 may affect the construction progress of the major infrastructure projects in Hong Kong. Therefore, the financial performance of the Group may also be affected in 2020. The Group remains hopeful that these public infrastructure projects will come on stream in the foreseeable future. The Group is one of the selected few subcontractors experienced in tunnel construction in Hong Kong and is well prepared to capitalise on the opportunities from these public infrastructure projects.

APPRECIATION

On behalf of the Board, I would like to extend my sincere appreciation to the Group's management and staff for their commitment, contribution and dedication. I would also like to express my deep gratitude to all of our business partners, customers, suppliers, bank enterprises and the shareholders of the Company (the "**Shareholders**") for their continuous support.

Chuang Chun Ngok Boris
Chairman

Hong Kong, 23 March 2020

FINANCIAL HIGHLIGHTS

A summary of the results and the total assets, total liabilities and net assets of the Group for the last five financial years, as extracted from the audited financial statements of this Annual Report and the financial statements of prior years are as follows:

	For the year ended 31 December				
	2019	2018	2017	2016	2015
Results	**HK$'000**	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**80,793**	140,631	157,121	159,127	80,560
Gross (loss)/profit	**(5,779)**	13,050	27,907	42,777	26,398
Profit/(loss) before income tax expense	**(28,486)**	(10,800)	(298)	22,750	18,406
(Net Loss)/Net Profit	**(28,217)**	(9,859)	(1,662)	17,708	15,170
Adjusted (Net Loss)/Net Profit	**(28,217)**	(9,859)	6,279	25,374	15,830

	As at 31 December				
	2019	2018	2017	2016	2015
Assets and Liabilities	**HK$'000**	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**70,678**	88,760	114,519	67,310	44,974
Total liabilities	**18,337**	7,125	16,723	27,354	22,726
Net assets	**52,341**	81,635	97,796	39,956	22,248

Notes:

The summary of the results of the Group for the year ended 31 December 2015 and the total assets, total liabilities and net assets of the Group as at 31 December 2015 have been extracted from the prospectus of the Company dated 14 February 2017 (the "**Prospectus**").

The summary of the results of the Group for the years ended 31 December 2016 and 2017 and the total assets, total liabilities and net assets of the Group as at 31 December 2016 and 2017 have been extracted from the annual report of the Company in 2017 dated 23 March 2018.

The results of the Group for the years ended 31 December 2015 and 2016 had been prepared using the principles of merger accounting as if the current group structure had been in existence throughout those year, or since their respective dates of incorporation or establishment of the combining companies, whichever was shorter.

Net Profit represents the profit and total comprehensive income attributable to owners of the Company ("**Net Profit**") in the respective years.

Adjusted Net Profit/(Net Loss) represents the Net Profit/(Net Loss) excluding the listing expenses of approximately HK$6,338,000 for the year ended 31 December 2017 (2016: approximately HK$7,666,000; and 2015: approximately HK$660,000) and other expenses in relation to the listing and resumption of trading in the shares of the Company (the "**Shares**") of approximately HK$1,603,000 for the year ended 31 December 2017 (2016: nil; and 2015: nil). No such expenses were incurred during the Reporting Period.

The total assets, total liabilities and net assets of the Group as at 31 December 2015 and 2016 have been prepared to present the total assets, total liabilities and net assets of the companies now comprising the Group at that date, as if the current group structure had been in existence as at that date.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is an established subcontractor engaged in civil engineering works and operating solely in Hong Kong. The Group is principally engaged in the provision of underground construction services and mainly serves main contractors in public sector infrastructure projects. Public sector projects refer to the projects in which the main contractors are employed by the Government of the Hong Kong Special Administrative Region (the "**Hong Kong Government**"), its statutory bodies or statutory corporations. The Group has also been involved in some private sector projects, which has covered all other types of engagements.

The Group provides underground construction services, in particular, tunnel construction services (including excavation, shotcreting, shutter design and fabrication, tunnel lining services, advanced and structural works) and utility construction and others (mainly structural works). The Group also provides programme design, costing and management for underground construction services. As a result, the Group works routinely with its key clients in pre-tenders.

Since 2014, the Group has been focusing on the development of a complete suite of tunnel construction services, which has laid a solid foundation for the Group's growth and a strong advantage in securing contracts. The Group is constantly evaluating opportunities within the underground construction industry and seeking profitable areas in which it can develop, broaden or commence operation. Other than tunnel works, the Group has also participated in earthworks and bridge works during the Reporting Period. The Group considers that diversification is necessary under the current market condition, and continues to explore opportunity in other fields of the construction industry. As at the date of this Annual Report, the Group has submitted certain number of tenders to main contractors, the results of which are still pending.

During the year ended 31 December 2019, the Group had secured 16 public construction projects (2018: eight) and four private sector projects (2018: seven) with the Secured Projects Sum of approximately HK$307,026,000 and the Backlog from the Secured Projects Sum after the Reporting Period is approximately HK$278,151,000. Seven out of these 20 newly secured projects in 2019 are the provision of the construction of the Central Kowloon Route while three out of 20 are the provision of construction of Tseung Kwan O-Lam Tin Tunnel with the total Secured Projects Sum of approximately HK$173,291,000 and approximately HK$106,559,000, respectively. The Backlog from the projects carried over from 2018 was approximately HK$5,028,000. The total Backlog to be recognised as revenue after 31 December 2019 was approximately HK$283,179,000.

The Group's revenue was primarily generated from public sector projects for the provision of (i) tunnel construction services; and (ii) utility construction services and others for the years ended 31 December 2019 and 2018. The following table sets out the breakdown of the Group's revenue by project types:

	Year ended 31 December			
	2019	**2019**	2018	2018
		% of total		% of total
	HK$'000	**revenue**	HK$'000	revenue
Public sector projects				
– Tunnel construction services	**29,035**	**35.9**	61,075	43.4
– Utility construction services and others	**41,420**	**51.3**	78,896	56.1
Sub-total	**70,455**	**87.2**	139,971	99.5
Private sector projects	**10,338**	**12.8**	660	0.5
Total	**80,793**	**100.0**	140,631	100.0

During the year ended 31 December 2019, the Group had been engaged in 22 public sector projects (2018: 19) and 11 private sector projects (2018: six). 15 public sector projects (2018: 10) and four private sector projects (2018: six) were newly commenced in 2019. The estimated remaining contract value of these projects to be recognised as revenue after 31 December 2019 was approximately HK$283,179,000.

For the year ended 31 December 2019, the revenue of the Group was approximately HK$80,793,000 (2018: approximately HK$140,631,000), representing a decrease of approximately HK$59,838,000 or 42.5% from the previous year.

Please refer to the subsection headed "Financial Review" below for the analysis on the Group's revenue.

MANAGEMENT DISCUSSION AND ANALYSIS

To maintain consistent quality services for all customers, the Group has established a formal quality management system which is certified to be in compliance with the requirements of ISO 9001:2015. The Group has in-house quality assurance requirements specifying, amongst other things, specific work procedures for performing various types of works, responsibilities of personnel of different levels, and accident reporting. Compliance with these quality assurance requirements is mandatory for all workers of the Group.

On 11 December 2019, the Group entered into an agreement with an independent third party to acquire a short film and feature-length motion picture. The Group has the intention to form a working team and to further develop the short film to a feature-length motion picture.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group is reliant on the availability of public sector civil engineering projects in Hong Kong which by their nature are procured by a limited number of main contractors. Due to the fact that the civil engineering projects are non-recurring in nature, there is no guarantee that the Group will be able to secure new business from past or existing customers on a recurring basis. Accordingly, the number and scale of projects, and the amount of revenue from the public sector projects may vary from period to period, therefore it may be difficult to forecast the volume of future businesses and the amount of revenue.

The Group operates solely in Hong Kong and derived all its income in Hong Kong during the Reporting Period. Accordingly, the Group's business, financial results and prospects are affected by policies of the Hong Kong Government, political environment, economic and legal development in Hong Kong. In particular, events such as demonstrations and protests may affect the budgeting process for public infrastructure and construction projects of the Hong Kong Government and the funding approval from the Legco. The budgeting process on public infrastructure and construction projects may be lengthened and the expected timetable of projects may be delayed. As a result, the availability of construction projects may decrease due to the delay in funding approvals for public sector projects in Hong Kong. The Hong Kong Government's policy and public spending patterns on the civil engineering construction industry may also affect the availability of construction projects in Hong Kong.

The Group's historical results may not be indicative of its future performance, which may vary from period to period in response to a variety of factors beyond the Group's control, including general economic conditions, regulations pertaining to the underground construction industry in Hong Kong and the ability to secure new business in the future. Besides, adverse weather conditions, natural disasters, potential wars, terrorist attacks, riots and other disasters which are beyond the Group's control may reduce the number of workdays and therefore hinder the Group's operations and may incur additional operational costs. These events may also materially and adversely affect the economic condition in Hong Kong and in turn the Group's business and financial results. Potential wars, riots or terrorist attacks may also cause uncertainties to the economic condition of Hong Kong. Therefore, the profit margin may also vary from project to project due to the aforementioned factors.

OUTLOOK OF TUNNEL AND CONSTRUCTION INDUSTRY IN HONG KONG

It is expected that there will be continuous demand for tunnel construction services in Hong Kong given that the construction works at Central Kowloon Route and Tseung Kwan O-Lam Tin Tunnel are gearing up. As a result, the Group will continue to focus on growing its tunnel construction services business and expects this to be its major growth driver and long term, sustainable source of revenue. The growth in tunnel construction industry will mainly be supported by several major infrastructure projects including Tseung Kwan O-Lam Tin Tunnel, Central Kowloon Route, Sha Tin Cavern Tunnel, Cha Kwo Ling Tunnel and Airport Third Runway. The 2020-21 budget speech by the financial secretary of the Hong Kong Government on 26 February 2020 has mentioned that the annual capital works expenditure for infrastructure projects by the Hong Kong Government is expected to reach HK$100 billion on average and the annual total construction output will increase to around HK$300 billion in the next few years.

In respect of the contribution of the Central Kowloon Route, Legco had approved the funding of approximately HK$42.3 billion on 20 October 2017. As at the date of this report, the Highways Department of the Hong Kong Government has awarded six construction contracts of Central Kowloon Route to the main contractors with a total value of approximately HK$23.2 billion, which included the construction works of (i) the shaft at Ho Man Tin; (ii) the tunnels at Kai Tak East and West; (iii) the tunnels at Yau Ma Tei East and West; and (iv) the Central Tunnel.

The finance committee of Legco approved the funding of HK$16.0 billion for the construction of Trunk Road T2 and Cha Kwo Ling Tunnel on 25 October 2019. This construction will connect the Central Kowloon Route and Tseung Kwan O-Lam Tin Tunnel to form Route 6 as an East-west Express Link between West Kowloon and Tseung Kwan O. The Civil Engineering and Development Department of the Hong Kong Government signed a works contract with a main contractor on 6 November 2019 for the design and construction of the trunk road with 3.1 kilometres in the form of tunnels, two ventilation buildings at the two ends of the trunk road, and associated works. The total cost of the contract is about HK$10.9 billion. The whole project is scheduled for completion in 2026.

Pursuant to the Chief Executive's 2019 Policy Address dated 16 October 2019 published by the Hong Kong Government, the proposals of the new railway projects under the "Railway Development Strategy 2014", viz. Tuen Mun South Extension, Northern Link (and Kwu Tung Station), East Kowloon Line, Tung Chung Line Extension (comprising Tung Chung West Extension and Tung Chung East Station) and North Island Line, have been submitted to the Hong Kong Government. The detailed planning and design for the Tuen Mun South Extension, Northern Link and Tung Chung Line Extension will commence in the coming year.

Due to the recent social incidents in Hong Kong since June 2019, the funding process for the infrastructure spending by the Hong Kong Government is expected to be affected. The delay of certain public infrastructure projects in prior years has had an impact on the revenue source of the Group during the Reporting Period. The coronavirus outbreak since January 2020 may affect the construction progress of the major infrastructure projects in Hong Kong. Therefore, the financial performance of the Group may also be affected in 2020. The Group remains hopeful that these public infrastructure projects will come on stream in the foreseeable future. The Group is one of the selected few subcontractors experienced in tunnel construction in Hong Kong and is well prepared to capitalise on the opportunities from these public infrastructure projects.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2019, the revenue of the Group was approximately HK$80,793,000 (2018: approximately HK$140,631,000), representing a decrease of approximately HK$59,838,000 or 42.5% from the previous year.

The decrease in the revenue was mainly attributable to the combined effects of (i) a decrease in revenue generated from public sector projects – tunnel construction services from approximately HK$61,075,000 for the year ended 31 December 2018 to approximately HK$29,035,000 for the year ended 31 December 2019; and (ii) a decrease in revenue generated from public sector projects – utility construction services and others from approximately HK$78,896,000 for the year ended 31 December 2018 to approximately HK$41,420,000 for the year ended 31 December 2019. The revenue generated from private sector projects was increased to approximately HK$10,338,000 for the year ended 31 December 2019 (2018: approximately HK$660,000). The decrease in revenue generated from public sector projects – tunnel construction services was mainly resulted from the substantial completion of the tunnel construction works of several major infrastructure projects in Hong Kong. However, the Group has carried out mitigating measures, including but not limited to, actively submitting tenders for and participating in other public non-tunnel construction projects available in the market during the year ended 31 December 2019. Therefore, the Secured Projects Sum was significantly increased to approximately HK$278,151,000.

Due to the delay in sites handover and substantial design changes of several projects, the Group submitted claims to the main contractors and certain variation orders are yet to be certified as at 31 December 2019, which further affected the Group's revenue during the Reporting Period.

Cost of services

The Group's cost of services mainly consisted of (i) staff costs; (ii) rental of plant and machinery; (iii) construction materials and supplies; (iv) depreciation charges; (v) subcontracting charges; and (vi) other expenses.

The Group's cost of services decreased from approximately HK$127,581,000 for the year ended 31 December 2018 to approximately HK$86,572,000 for the year ended 31 December 2019, representing a decrease of approximately HK$41,009,000 or 32.1%. Such decrease was mainly due to (i) a decrease in the construction materials and supplies to approximately HK$23,745,000 (2018: approximately HK$37,694,000); (ii) a decrease in staff costs to approximately HK$39,180,000 for the year ended 31 December 2019 (2018: approximately HK$60,006,000); and (iii) a decrease in the subcontracting charges to approximately HK$11,679,000 (2018: approximately HK$17,698,000).

During the Reporting Period, the Group participated in more structural works and road and drainage projects, which relied heavily on the Group's site labour and construction materials and supplies.

Gross loss and gross loss margin/gross profit and gross profit margin

The gross loss and gross loss margin of the Group for the year ended 31 December 2019 was approximately HK$5,779,000 and 7.2%, respectively (the gross profit and gross profit margin of the Group for the year ended 31 December 2018: approximately HK$13,050,000 and 9.3%, respectively). The reported gross loss and gross loss margin of the Group for the Reporting Period was due to the generally lower profit margins of work performed on non-tunnel construction projects during the Reporting Period. The aforementioned delay in sites handover and substantial design changes and increasing competition in the construction market was due to the limited supply of construction works for subcontractors in 2019 which resulted in lower profit margins for the projects in 2019 delays in certification of variation orders and claims by main contractors.

Other income

The Group's other income was approximately HK$969,000 for the year ended 31 December 2019 (2018: approximately HK$132,000), which mainly consisted of the sales of surplus materials and the reimbursement from a main contractor.

Administrative expenses

The Group's administrative expenses mainly comprised (i) staff costs and benefits; (ii) Directors' remuneration; (iii) motor vehicles expenses; (iv) rent and rates; and (v) professional fees.

The Group's administrative and other expenses decreased from approximately HK$23,893,000 for the year ended 31 December 2018 to approximately HK$23,549,000 for the year ended 31 December 2019, representing a decrease of approximately HK$344,000 or 1.4%. The staff costs and benefits for the year ended 31 December 2019 was approximately HK$7,067,000 (2018: approximately HK$8,069,000), representing a decrease of approximately HK$1,002,000 or 12.4%. The decrease in staff costs and benefits was mainly attributable to the decrease in the Group's administrative headcounts and the staff quarters expenses being classified as the depreciation of the right-of-use assets under HKFRS 16 at 1 January 2019. The Directors' remuneration increased from approximately HK$3,310,000 for the year ended 31 December 2018 to approximately HK$3,414,000 for the year ended 31 December 2019, representing an increase of approximately HK$104,000 or 3.1%. Such increase was due to an increase in the salaries payable to the executive Directors during the Reporting Period. The office expenses decreased from approximately HK$1,717,000 for the year ended 31 December 2018 to approximately HK$631,000 for the year ended 31 December 2019, representing a decrease of approximately HK$1,086,000 or 63.2%. Such decrease was mainly due to the rental of the office premise being classified as the depreciation of the right-of-use assets under HKFRS 16 at 1 January 2019. The professional fees decreased from approximately HK$2,458,000 for the year ended 31 December 2018 to approximately HK$2,017,000 for the year ended 31 December 2019, representing a decrease of approximately HK$441,000 or 17.9%.

Due to the adoption of HKFRS 16, the Group recognised the depreciation of the right-of-use assets of approximately HK$2,331,000 for the year ended 31 December 2019 (2018: nil). Such expenses were previously classified respectively as the rental expense under office expenses, the staff quarters expenses under staff costs and benefits and the depreciation of the office equipment and motor vehicles under the depreciation of property, plant and equipment for the year ended 31 December 2018.

Finance costs

The Group's finance costs increased from approximately HK$89,000 for the year ended 31 December 2018 to approximately HK$127,000 for the year ended 31 December 2019 due to the increase in the interest on the lease liabilities as a result of adoption of HKFRS 16 during the Reporting Period.

Income tax

The Group generated income only in Hong Kong and was subject only to Hong Kong profits tax.

The income tax credit for the year ended 31 December 2019 resulted from the movement of deferred tax during the Reporting Period.

Net Loss

The Group's Net Loss increased from approximately HK$9,859,000 for the year ended 31 December 2018 to approximately HK$28,217,000 for the year ended 31 December 2019, representing an increase of approximately HK$18,358,000. Such increase was mainly due to the decrease in revenue and gross profit during the Reporting Period and the increasing competition in the construction market which resulted in lower profit margins for the projects in 2019 as discussed above.

Dividends

The Board does not recommend the payment of any dividend for the year ended 31 December 2019.

Liquidity, financial resources and funding

As at 31 December 2019, the Group's cash and cash equivalents and pledged bank deposits amounted to approximately HK$17,375,000 (2018: approximately HK$20,089,000) and nil (2018: approximately HK$8,097,000), respectively, which were denominated in Hong Kong dollar. Such decrease was mainly due to the cash outflow for the operating activities during the Reporting Period.

As at 31 December 2019, the Group had the banking facility of a revolving term loan granted by a licensed bank in Hong Kong of HK$3,000,000 at the interest rate of 1.25% per annum below the Hong Kong Prime Rate, which was secured by a corporate guarantee provided by the Company. The bank borrowing of approximately HK$3,000,000 as at 31 December 2019 was subsequently repaid in January 2020.

As at 31 December 2019, due to the adoption of HKFRS 16, the lease liabilities represented the leases arrangement of the Group's office equipment, leased buildings and motor vehicles amounted to approximately HK$2,052,000.

The Group's gearing ratio, which is calculated by total debts divided by total equity, increased from approximately 7.0% as at 31 December 2018 to approximately 31.3% as at 31 December 2019 due to a decrease in total equity and an increase in total debts during the Reporting Period.

Capital structure

As at 31 December 2018 and 2019, the capital structure of the Company comprised issued share capital and reserves.

Commitments

Save as disclosed in note 36 to the consolidated financial statements, there were no other capital comments as at 31 December 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

Significant investments, material acquisitions or disposal of subsidiaries and associated companies

There was no significant investments, material acquisitions or disposal of subsidiaries and associated companies by the Company for the year ended 31 December 2019.

Future plans for material investments and capital assets

Save as disclosed in the section headed "Future plans and use of proceeds" in the Prospectus and the section headed "Directors' Report – Use of net proceeds from the IPO Placing" in this Annual Report, the Group did not have other plans for material investment or capital assets as at 31 December 2019.

Contingent liabilities

As at 31 December 2019, there were a number of labour claims lodged against the Group arising from the ordinary course of its civil engineering construction business. No specific claim amount has been specified in the applications of these claims. The Group anticipates that the outflow of resources required in settling these claims, if any, was remote as these claims are usually covered by insurance maintained by relevant main contractors. Therefore, the ultimate liability under these claims would not have a material adverse impact on the financial position or performance of the Group and no provision for the contingent liabilities in respect of the litigations is necessary.

As at 31 December 2019, the Group has given guarantee to insurance companies in respect of surety bonds issued by such insurance companies in favour of the Group's customers at an amount of approximately HK$12,767,000 (2018: approximately HK$5,647,000) in relation to three public construction contracts of the Group (2018: two) in the ordinary course of business. The surety bonds as at 31 December 2019 are expected to be released in accordance with the terms of the respective construction contracts. Save for the guarantee given on the surety bonds, the Group has no other material contingent liabilities.

Please refer to the note 29 to the consolidated financial statements for details.

Foreign currency exposure

The Group's reporting currency is Hong Kong dollar. During the years ended 31 December 2018 and 2019, the Group's transactions were mainly denominated in Hong Kong dollar.

Charges on the Group's assets

The Group had placed cash collateral of approximately HK$4,260,000 (2018: approximately HK$560,000) to insurance companies in Hong Kong for the provision of the surety bonds for three of the public construction projects (2018: two). For details of the surety bonds, please refer to the paragraph headed "Contingent liabilities" above. Saved for the foregoing, the Group did not have any charges on its assets.

Information on employees

As at 31 December 2019, the Group had 322 employees which comprises management, technical staff, administration, accounting and human resources staff and workers (2018: 149 employees) in Hong Kong.

Employee remuneration package is based on previous working experience and actual performance of each individual employee. Apart from the basic salary, discretionary bonus and allowance will be granted to employees based on their individual performance subject to the executive Directors' approval. The total staff costs (included in cost of services and administrative and other expenses) and Directors' remuneration amounted to approximately HK$49,661,000 for the year ended 31 December 2019 (2018: approximately HK$71,385,000). Such decrease was mainly resulted from (i) the decrease in staff costs and benefits in the administrative expenses due to the decrease in the Group's administrative headcounts; and (ii) a decrease in staff costs in the cost of services which was in line with the decrease in revenue during the Reporting Period. Increase in headcounts was due to the increase in the number of workers in the fourth quarter in 2019.

Depending on the nature of works and the need of the projects, the Group will provide training to our employees from time to time. The Group's customers sometimes require the employees to attend their own on-site occupational safety trainings.

Events after the Reporting Period

Save as disclosed in note 37 to the consolidated financial statement, no other event has occurred after 31 December 2019 and up to the date of this Annual Report which would have material effect on the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

Comparison of business objectives with actual business progress

The following table is a comparison between the Group's business objectives as set out in the Prospectus and the Group's actual business progress up to 31 December 2019.

Business objectives	Actual business progress up to 31 December 2019
To further develop the Group's reputation as a quality provider of integrated tunnel construction services.	The Group has hired one engineer, two experienced foremen and 10 trained tunnel construction workers for its project team. During the Reporting Period, the Group has the Secured Project Sum of approximately HK$307,026,000 and its related Backlog to be recognised as the revenue after 31 December 2019 was approximately HK$278,151,000, which included the provisions of construction of Central Kowloon Route and Tseung Kwan O-Lam Tin Tunnel with the Secured Contract Sum of approximately HK$173,291,000 and approximately HK$106,559,000, respectively.
To expand the Group's services into other high-value construction services.	As discussed above, one of the awarded Central Kowloon Route projects in 2019 is the provision of excavation lateral support works. Besides, the Group also participated in the marine construction works in prior years. Moving forward, the Group will continue to explore other business opportunities in high-value construction and other related services.
To enhance the efficiency of the Group's operations in order to better serve its customers and improve its financial results.	The Group has utilised part of the net proceeds from the placing of new Shares on GEM of the Stock Exchange on 22 February 2017 ("**IPO Placing**") for the rental expenses of the newly leased office. The office space refurbishment work was completed in the third quarter of 2017 to accommodate the Group's business expansion. The unused net proceeds from IPO Placing (the "**Net Proceeds**") of approximately HK$1.1 million originally intended for new office space refurbishment and decoration were redesignated for surety bond cash collaterals on 23 March 2018 (the "**First Change**"). Due to the delay of the funding approvals from the Legco in late 2017, the tendering schedules of certain major infrastructure projects, including Tseung Kwan O-Lam Tin Tunnel and Central Kowloon Route, were delayed. As a result, the tunnel construction works for these projects were also delayed. For this reason, the unused Net Proceeds of approximately HK$5.0 million originally allocated for machinery purchase were redesignated for surety bond cash collaterals on 3 June 2019 (the "**Second Change**"). After the First Change and Second Change, the Group had four public construction projects which required the purchase of the surety bonds. In the third quarter of 2019, the Group was awarded a contract of underground construction services which requires the procurement of machinery and equipment, including excavators, vibrators, sheet piles and structural steels (the "**Underground Machinery and Equipment Purchase**"). Therefore, approximately HK$7.0 million of the Net Proceeds originally allocated for the tunnel machinery purchase had been changed to the Underground Machinery and Equipment Purchase (the "**Third Change**"). The Group replaced the computer system for the preparation of management system upgrade in the third quarter of 2017. In order to improve the efficiency of the Group's operation by optimising the use of the information technology for the Group's existing projects mix, the project management system upgrade will be conducted in 2020 in order to cope with the latest business expansion.

EXECUTIVE DIRECTORS

Mr. CHUANG Chun Ngok Boris (莊峻岳), aged 44, is the chairman, an executive Director and the compliance officer of the Company. He is also a member of the remuneration committee (the "**Remuneration Committee**") and the nomination committee (the "**Nomination Committee**") of the Board. Mr. Chuang Chun Ngok Boris's primary responsibilities include the overall management and administration of the business and daily operations of the Group. He joined the Group in May 2002 and had participated in the business of the Group since 2004.

Mr. Chuang Chun Ngok Boris has been an associate of the Chartered Institute of Arbitrators since December 2002, a member of The Chartered Institute of Building in the United Kingdom since December 2002, and a chartered building professional in Australia since November 2002. He has also become an associate of the Hong Kong Institute of Arbitrators since December 2002 and a member of The Institution of Highways and Transportation since April 2003 respectively.

Mr. Chuang Chun Ngok Boris graduated from the University of Melbourne, Australia in December 1998 with a degree of Bachelor of Planning and Design and from Monash University, Australia in September 1998 with a degree of Bachelor of General Studies. He has also completed the Postgraduate Diploma in Construction Project Management provided by the University of Greenwich in the United Kingdom in August 2005 through distance learning. Before joining the Group, Mr. Chuang Chun Ngok Boris worked at Ove Arup & Partners Hong Kong Limited, a wholly-owned subsidiary of Arup Group Limited.

Mr. Chuang Chun Ngok Boris is the son of Mr. Chuang Wei Chu.

Mr. CHUANG Wei Chu (莊偉駒), aged 72, is an executive Director of the Company. Mr. Chuang Wei Chu's primary responsibilities include the overall development, strategic planning and major business decisions of the Group. He is the founder of GMEHK in September 1994, and has over 40 years of experience in the civil engineering industry.

Mr. Chuang Wei Chu became a member of American Society of Civil Engineers in 1973 and a fellow member of American Society of Civil Engineers in 2001.

Prior to establishing the Group, Mr. Chuang Wei Chu had worked for Hsin Chong Construction Company Limited, Kwan On Building Contractors Limited and Lam Construction Company Limited.

Mr. Chuang Wei Chu is the father of Mr. Chuang Chun Ngok Boris.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. LAM Man Bun Alan（林文彬）, aged 67, is an independent non-executive Director of the Company. Mr. Lam is currently a practising solicitor in Hong Kong and the sole proprietor of Alan Lam, Yam & Pe. He has been practising law in Hong Kong for over 40 years. Mr. Lam was respectively admitted to practice as a solicitor of the High Court of Hong Kong in June 1979, the Supreme Court of England and Wales in May 1983, the Supreme Court of the Australian Capital Territory in April 1989 and the Supreme Court of Republic of Singapore in May 1990. He has been an accredited general mediator of the Law Society of Hong Kong since June 2011 and an accredited general mediator of Hong Kong Mediation Accreditation Association Limited from July 2015 to June 2017. Mr. Lam has also been a part-time risk management lecturer for The Law Society of Hong Kong and has delivered hundreds of lectures on different risk management courses.

Mr. Lam was not a director in other listed companies for the last three preceding years.

Mr. LAU Chun Fai Douglas（劉俊輝）, aged 47, is an independent non-executive Director of the Company. Mr. Lau has over 18 years of experience in auditing and accounting.

Mr. Lau is a certified practising accountant of the Australian Society of Certified Practising Accountants (now known as CPA Australia), a fellow member of the Hong Kong Institute of Certified Public Accountants, a member of the Institute of Chartered Accountants in Australia (now known as Chartered Accountants Australia and New Zealand) and a member of the Institute of Chartered Accountants in England and Wales. Mr. Lau is also the founding member of the Institute of Accountants Exchange in Hong Kong since May 2006.

Mr. Lau has been an independent non-executive director of Chanjet Information Technology Company Limited (stock code: 1588) since September 2011 and Ausnutria Dairy Corporation Ltd (stock code: 1717) since January 2015.

Ir NG Wai Ming Patrick（吳惠明）, aged 60, is an independent non-executive Director of the Company. Ir Patrick Ng has over 30 years of experience in building, civil, environmental and geotechnical engineering projects.

Ir Patrick Ng had served on the Contractors Registration Committee Panel and Contractors Registration Committee of the Buildings Department in Hong Kong. He was the academic adviser of the Department of Civil Engineering of Chu Hai College of Higher Education. He was a member of the Election Committee of the National People's Congress, the People's Republic of China for the year 2012. He is currently the member of the 11th Nanning Committee of the Chinese People's Political Consultative Conference（中國人民政治協商會議廣西省南寧市第十一屆委員會）.

Ir Patrick Ng is currently a Registered Professional Engineer (Building, Civil, Environmental, Geotechnical) under the Engineers Registration Board and a Registered Geotechnical Engineer and Registered Structural Engineer under the Buildings Ordinance. He is a member and a fellow of the Hong Kong Institution of Engineers since May 1988 and February 1998 respectively, a member of the Hong Kong Institute of Construction Managers (formerly known as Hong Kong Institute of Builders) since November 2015, and is currently an Authorised Signatory on the Register of General Building Contractors and the Register of Specialist Contractors (Sub-register of Foundation Works Category, Sub-register of Demolition Works Category, Sub-register of Site Formation Works Category and Sub-register of Ground Investigation Field Works Category).

Ir Patrick Ng was not a director in other listed companies for the last three preceding years.

SENIOR MANAGEMENT

Mr. HO John Kwun Fung（何冠鋒）, aged 43, is the project engineer of the Group. Mr. Ho joined the Group in March 2011 and is primarily responsible for the overall management and supervision of the projects of the Group and overseeing the progress of various projects undertaken by the Group, making recommendations to the Directors in relation to allocation of resources and purchase and/or rental of machinery necessary for its business.

Mr. Ho graduated from The University of Melbourne, Australia in April 1998 with a degree of Bachelor of Planning and Design and in March 2000 with a degree of Bachelor of Property and Construction.

COMPANY SECRETARY

Mr. SZE Chun Kit（施俊傑）, aged 33, is the finance director of the Group and the company secretary of the Company (the "**Company Secretary**"). Mr. Sze joined the Group in March 2016 and is primarily responsible for accounting, financial management and company secretarial affairs. Mr. Sze has over 10 years of experiences in accounting. Mr. Sze is a member of the Hong Kong Institute of Certified Public Accountants since March 2013, a member of the Institute of Chartered Accountants in England and Wales since August 2019 and a member of the Chartered Accountants in Australia and New Zealand since November 2019.

Mr. Sze graduated from Monash University, Australia in July 2009 with a degree of Bachelor of Commerce (Accounting and Finance) and Macquarie Graduate School of Management (MGSM) at Macquarie University, Australia in November 2018 with a degree of Master of Business Administration.

CORPORATE GOVERNANCE REPORT

INTRODUCTION

The Board recognises the importance of good corporate governance increasing corporate transparency and accountability. Therefore, the Company aims to establish and maintain good corporate governance practices and is committed to achieving high standard of corporate governance to maximise the shareholders' interests while taking into account the interests of other stakeholders as a whole.

CORPORATE GOVERNANCE PRACTICES

The Company considers the maintenance of a high standard of corporate governance important to the continuous growth of the Group. The Company's corporate governance practices are based on the code provisions as set out in the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") as contained in Appendix 15 to the GEM Listing Rules. The Shares were listed on GEM of the Stock Exchange on 22 February 2017 (the "**Listing Date**"). The Company has since then adopted and complied with, where applicable, the CG Code from the Listing Date up to the date of this Annual Report to ensure that the Group's business activities and decision making processes are regulated in a proper and prudent manner.

The Company will continue to review and enhance its corporate governance practices from time to time to comply with statutory requirements and regulations.

During the year ended 31 December 2019, the Directors considered that the Company has complied with the CG Code.

CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct regarding securities transactions by the Directors in respect of the Shares (the "**Code of Conduct**").

The Company had made specific enquiry with the Directors and all Directors confirmed that they had fully complied with the required standard of dealings set out in the Code of Conduct and there was no event of non-compliance during the year ended 31 December 2019.

BOARD OF DIRECTORS

As at the date of this Annual Report, the Board comprises two executive Directors and three independent non-executive Directors. Details of their composition by category are as follows:

Executive Directors
Mr. Chuang Chun Ngok Boris *(Chairman)*
Mr. Chuang Wei Chu

Independent non-executive Directors
Mr. Lam Man Bun Alan
Mr. Lau Chun Fai Douglas
Ir Ng Wai Ming Patrick

CORPORATE GOVERNANCE REPORT

Mr. Chuang Chun Ngok Boris is the son of Mr. Chuang Wei Chu. They are executive Directors and the controlling shareholders of the Company (the "**Controlling Shareholders**"). Save as disclosed in the Prospectus and in this Annual Report, there is no financial, business, family or other material/relevant relationships among the members of the Board as of the date of this Annual Report. Biographical details of the Directors are set out in the section headed "Biographical details of Directors, senior management and Company Secretary" in this Annual Report.

RESPONSIBILITIES OF THE BOARD

The Board supervises the overall management and administration of the business of the Group and ensures that it acts in the best interests of the Shareholders while taking into account the interests of other stakeholders as a whole. The Board is primarily responsible for overall development, strategic planning, reviewing and monitoring the business performance, approving the financial statements and annual budgets, internal controls and risk management as well as supervising the management of the Group. Execution of operational matters and the powers thereof are delegated to the senior management by the Board. The Board is regularly provided with the management update report to give a balanced and understandable assessment of the performance, position, recent development and prospects of the Group.

According to code provision of C.1.2 of the CG Code, the management shall provide all members of the Board with monthly updates. During the year ended 31 December 2019 and up to the date of this Annual Report the ("**Relevant Period**"), the management of the Company have provided, and will continue to provide, to all members of the Board (including all independent non-executive Directors, where applicable) updates on any material changes to the position and prospects of the Group, which are considered to be sufficient to provide general updates of the Group's performance, position and prospects to the Board and allow them to give a balanced and understandable assessment of the same for the purposes of code provision C.1.2 of the CG Code.

The Board is of the view that the various experience and professional qualifications of both executive Directors and the independent non-executive Directors maintain a balance of skills, experience and expertise for the business of the Group.

The Company has taken out directors and officers liability insurance to cover liabilities arising from any legal action against the Directors.

CHAIRMAN AND CHIEF EXECUTIVE

Code provision A.2.1 of the CG Code states that the roles of chairman and chief executive should be separate and should not be performed by the same individual. The Company currently has not appointed any chief executive.

The Board currently comprises two executive Directors and three independent non-executive Directors with diversified qualifications and experiences which ensures that the Board has a strong independence element in its compositions for decision making. The Board also considers the day-to-day management of business has been properly delegated to different individuals.

Mr. Chuang Chun Ngok Boris is the chairman of the Company, who is responsible for the overall management and administration of the business and daily operations of the Group. Mr. Chuang Wei Chu, the executive Director, is responsible for the overall development, strategic planning and major business decisions of the Group. The Board is regularly provided with the management updates to allow its members to give a balanced and understandable assessment of the performance, position, recent development and prospects of the Group. Therefore, the Board considers that there is a balance of power and authority, and that the power is not concentrated in any one individual.

The Board will continue to review the Group's corporate governance structure and consider whether the appointment of chief executive is necessary to be in line with the Group's business objectives.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The independent non-executive Directors are mainly responsible for advising on issues such as corporate governance, audit, remuneration and nomination of Directors and senior management. In compliance with the Rules 5.05A, 5.05(1) and (2) of the GEM Listing Rules, the Company has appointed three independent non-executive Directors, representing more than one-third of the Board. The Group has received from each independent non-executive Directors an annual confirmation of independence pursuant to the requirements under Rule 5.09 of the GEM Listing Rules.

BOARD COMMITTEES

The Board has established three committees, namely the audit committee of the Board ("**Audit Committee**"), Remuneration Committee and Nomination Committee on 10 February 2017, to oversee the particular aspects of the Group's affairs. Each of the three committees has sufficient resources and its specific terms of reference that are approved by the Board, relating to its responsibilities, duties, powers and functions, are posted on the Stock Exchange's website at www.hkexnews.hk and the Company's website at www.gmehk.com.

All Board committees are provided with sufficient resources to perform their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstance at the Company's expenses. The Board committees will regularly report back to the Board on decisions or recommendations made.

CORPORATE GOVERNANCE FUNCTION

The Board is responsible for the corporate governance functions under code provision D.3.1 of the CG Code. The Board has reviewed and discussed the corporate governance policy of the Group and is satisfied with the effectiveness of the corporate governance policy, such responsibilities include:

(i) developing and reviewing the Group's policies and practices on corporate governance;

(ii) reviewing and monitoring the training and continuous professional development of Directors and senior management;

(iii) reviewing and monitoring the Group's policies and practices on compliance with legal and regulatory requirements;

(iv) developing, reviewing and monitoring the code of conduct and compliance manual applicable to employees and directors; and

(v) reviewing the Group's compliance with the CG Code and relevant disclosure in the Corporate Governance Report.

During the year ended 31 December 2019, the Board has reviewed, and will continue to review the Group's corporate governance manual at least annually, and considered the corporate governance function of the Group to be effective.

AUDIT COMMITTEE

The Group has established the Audit Committee pursuant to a resolution of the Board passed on 10 February 2017 in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules and with written terms of reference in compliance with the CG Code. The written terms of reference was revised pursuant to a resolution of the Board passed on 25 March 2019. The primary duties of the Audit Committee include (i) making recommendations to the Board on the appointment, reappointment and removal of the external auditor; (ii) reviewing and supervising the financial statements and material advice in respect of financial reporting; (iii) overseeing internal control procedures and corporate governance of the Company; (iv) supervising internal control and risk management systems of the Group; and (v) monitoring continuing connected transactions (if any).

The Audit Committee currently consists of all three of our independent non-executive Directors, namely Mr. Lau Chun Fai Douglas, Ir Ng Wai Ming Patrick and Mr. Lam Man Bun Alan and the chairman is Mr. Lau Chun Fai Douglas, who holds the appropriate professional qualifications as required under Rules 5.05(2) and 5.28 of the GEM Listing Rules.

The following is a summary of the work during the year ended 31 December 2019:

(a) made recommendations to the Board about BDO Limited's reappointment as the auditor of the Company and discussed the corresponding audit plans, auditor's remuneration, terms of engagement and non-audit services;

(b) reviewed the audited consolidated financial statements and annual results announcement of the Group for the year ended 31 December 2018;

(c) reviewed the unaudited consolidated financial statements of the Group for the three months ended 31 March 2019, six months ended 30 June 2019 and nine months ended 30 September 2019;

(d) reviewed the first quarterly results announcement of the Group for the three months ended 31 March 2019, interim results announcement for the six months ended 30 June 2019 and third quarterly results announcement of the Group for the nine months ended 30 September 2019; and

(e) reviewed and monitored the effectiveness of the Group's financial control, internal control and risk management functions and performed other duties under the CG Code.

During the year ended 31 December 2019, the Audit Committee held five meetings. Please refer to the subsection headed "Number of meetings and attendance records" below for the attendance details.

REMUNERATION COMMITTEE

The Group has established the Remuneration Committee pursuant to a resolution of the Directors passed on 10 February 2017 in compliance with Rules 5.34 to 5.36 of the GEM Listing Rules and with written terms of reference in compliance with the CG Code. The primary duties of the Remuneration Committee include (i) reviewing and making recommendations to the Board on the overall remuneration policy and structure relating to all Directors and senior management; (ii) reviewing other remuneration-related matters, including benefits in-kind and other compensation payable to the Directors and senior management; (iii) making recommendations to the Board on the remuneration packages of individual executive Directors and senior management; and (iv) reviewing performance based remunerations and establishing a formal and transparent procedure for developing policy in relation to remuneration.

The Remuneration Committee currently consists of one executive Director, Mr. Chuang Chun Ngok Boris, and all three independent non-executive Directors, namely Mr. Lam Man Bun Alan, Mr. Lau Chun Fai Douglas and Ir Ng Wai Ming Patrick. It is currently chaired by Mr. Lam Man Bun Alan.

During the year ended 31 December 2019, the Remuneration Committee held one meeting to review the remuneration policy and structure and the remuneration package of the Directors and senior management of the Group. Please refer to the subsection headed "Number of meetings and attendance records" below for the attendance details.

NOMINATION COMMITTEE

The Group has established the Nomination Committee pursuant to a resolution of the Directors passed on 10 February 2017 with written terms of reference in compliance with the CG Code. The written terms of reference was revised pursuant to a resolution of the Board passed on 25 March 2019. The primary duties of the Nomination Committee are to (i) review the structure, size, composition and diversity of the Board on a regular basis; (ii) identify individuals suitably qualified to become Board members; (iii) assess the independence of independent non-executive Directors; (iv) make recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors; and (v) make recommendations to the Board regarding the candidates to fill vacancies on the Board.

The Nomination Committee currently consists of one executive Director, Mr. Chuang Chun Ngok Boris, and all three independent non-executive Directors, namely Mr. Lam Man Bun Alan, Mr. Lau Chun Fai Douglas and Ir Ng Wai Ming Patrick. It is currently chaired by Ir Ng Wai Ming Patrick.

NOMINATION POLICY

The Company recognises the benefits of a Board that possesses a balance of skills, expertise, experience and diversity of perspectives appropriate for the businesses of the Group. Therefore, the Company has adopted a nomination policy for making recommendations regarding the appointment of proposed candidate(s) to the Board or re-appointment of any existing member(s) of the Board.

a) Nomination procedures and process

The Nomination Committee shall review the structure, size, composition and diversity of the Board and assess whether any vacancy of the Board has been created or is expected on a regular basis. The Nomination Committee may identify potential candidate(s) to the Board by using various methods but not limited to, considering recommendations from the Board or senior management.

b) Selection criteria

All potential candidates will then be assessed by the Nomination Committee based on various selection criteria, including but not limited to the followings:

(i) reputation for integrity;

(ii) commitment in respect of sufficient time and relevant interest to the Company; and

(iii) diversity in all aspects, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service.

BOARD DIVERSITY POLICY

The Company has adopted a Board diversity policy on 10 February 2017 to achieve diversity within the Board.

The Board diversity policy aimed to set out the approach to achieve diversity of the Board. The Company considers that diversity of the Board can be achieved through the consideration of a number of factors, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service.

The following measurable objectives were adopted by the Board:

(i) at least one-third of the members of the Board shall be independent non–executive Directors; and

(ii) at least two of the members of the Board shall have obtained accounting or other professional qualifications.

During the year ended 31 December 2019, the Nomination Committee held one meeting to assess the structure, size, composition and diversity of the Board, the independence of independent non-executive Directors and make recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors. The Board has also achieved the measurable objectives set out in the Board diversity policy.

Please refer to the subsection headed “Number of meetings and attendance records” below for the attendance details.

TERMS OF APPOINTMENT AND RE-ELECTION OF DIRECTORS

Each of our executive Directors has renewed the service agreement with the Company on 10 February 2020 for an initial term of three years. Either party may terminate the service agreement by giving to the other not less than three months’ prior notice in writing at any time.

Each of the independent non-executive Directors has renewed the letter of appointment on 10 February 2020 for a term of three years. The independent non-executive Directors may terminate their letter of appointment by giving a minimum of three months’ notice in writing to the Company.

According to the Article 25 of the Company’s articles of association (the “**Articles**”), one-third of the Directors for the time being (or, if the number of Directors is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation, provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. In the upcoming annual general meeting, one executive Director, being Mr. Chuang Chun Ngok Boris, and one independent non-executive Director, being Mr. Lau Chun Fai Douglas, would retire and be subjected to re-election.

BOARD MEETINGS

Code provision A.1.1 of the CG Code states that Board meeting should be held at least four times each year at approximately quarterly intervals with active participation, either in person or through electronic means of communication by the majority of the Directors entitled to be present. The Board delegates necessary powers and authorities to the executive Directors to facilitate the efficient day to day management of the Group's business. Directors who are considered having conflict of interests or material interests in the proposed transactions or issues to be discussed would not be counted in the quorum of meeting and would abstain from voting on the relevant resolutions subject to certain exceptions set out in the Articles. The Company Secretary maintains minutes of the Board meetings for inspection by Directors. All Directors have access to the services of the Company Secretary who regularly updates the Board on corporate governance and regulatory matters. Any Director, Audit Committee members, Remuneration Committee members and Nomination Committee members may take independent professional advice at the expense of the Company should they so wish. The Board will schedule to have at least four regular meetings per year.

During the year ended 31 December 2019, 10 Board meetings were held.

NUMBER OF MEETINGS AND ATTENDANCE RECORDS

The attendance of Directors at the Board meetings and the Board's committees' meetings during the year ended 31 December 2019 is set out in the table below:

	Meetings attended/Eligible to attend				
Name of Directors	**Board**	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**	**Annual General Meeting**
Mr. Chuang Chun Ngok Boris	10/10	–	1/1	1/1	1/1
Mr. Chuang Wei Chu	8/10	–	–	–	1/1
Mr. Lam Man Bun Alan	10/10	4/5	1/1	1/1	1/1
Mr. Lau Chun Fai Douglas	10/10	5/5	1/1	1/1	1/1
Ir Ng Wai Ming Patrick	10/10	5/5	1/1	1/1	1/1

As stated in code provision A.1.3 of the CG Code, notice of regular Board meetings will be given to all Directors at least 14 days prior to the scheduled Board meeting. For all other Board meetings, reasonable notice will be given.

Pursuant to code provision A.6.7 of the CG Code, independent non-executive Directors and other non-executive Directors should attend general meeting(s) of the Company. During the year ended 31 December 2019, all of the independent non-executive Directors attended the general meeting of the Company in person.

Pursuant to code provision A.2.7 of the CG Code, the chairman of the Board should hold meetings with independent non-executive Directors without the presence of other Directors at least annually. The Group has followed and will continue to follow the CG Code and ensure such meetings to be held in accordance with the CG Code.

TRAINING FOR DIRECTORS AND COMPANY SECRETARY AND CONTINUING PROFESSIONAL DEVELOPMENT

According to code provision A.6.5 of the CG Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant. During the Reporting Period, each of the Directors have from time to time reviewed updates on laws, rules and regulations and attended seminars which might be relevant to their roles, duties and functions as a director of a listed company. The Directors confirmed that they have complied with code provision A.6.5 of the CG Code and provided a record of training to the Company.

According to the training records maintained by the Company, the training received by each of the Directors during the Reporting Period is summarised as follows:

Name of Directors	Attended seminars and/or read materials
Mr. Chuang Chun Ngok Boris	✓
Mr. Chuang Wei Chu	✓
Mr. Lam Man Bun Alan	✓
Mr. Lau Chun Fai Douglas	✓
Ir Ng Wai Ming Patrick	✓

Mr. Sze Chun Kit, the Company Secretary, complied with the relevant professional training under Rule 5.15 of the GEM Listing Rules for the year ended 31 December 2019.

AUDITOR'S REMUNERATION

The auditor's remuneration paid/payable to the auditor of the Company for the year ended 31 December 2019 is set out as follows:

Services rendered	HK$
Audit service	700,000
Non-audit service (tax service)	29,000
Total	729,000

COMPANY SECRETARY

Please refer to the section headed "Biographical details of Directors, senior management and Company Secretary" in this Annual Report for biographical details of the Company Secretary.

CORPORATE GOVERNANCE REPORT

COMPLIANCE OFFICER

Mr. Chuang Chun Ngok Boris, the chairman and an executive Director of the Company was appointed as the compliance officer of the Company on 10 February 2017. Please refer to the section headed "Biographical details of Directors, senior management and Company Secretary" in this Annual Report for biographical details of the compliance officer of the Company.

DIRECTORS' RESPONSIBILITY IN PREPARING THE FINANCIAL STATEMENTS

The Directors acknowledge that it is their responsibility to prepare the financial statements for the year ended 31 December 2019 which give a true and fair view of the state of affairs of the Group. In preparing the consolidated financial statements for the year ended 31 December 2019, the Board has selected suitable accounting policies and applied them consistently, made judgments and estimates that are fair and reasonable.

As at 31 December 2019, the Board was not aware of any material uncertainties relating to events or conditions that might cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the Directors continue to adopt the going concern approach in preparing the consolidated financial statements.

The responsibility of the external auditor is to form an independent opinion, based on their audit, on those consolidated financial statements prepared by the Board and to report their opinion to the Shareholders. The independent auditor's report by the external auditor, BDO Limited, about his reporting responsibility on the consolidated financial statements of the Group is set out in the independent auditor's report of this Annual Report.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Details of the Directors' remuneration, five highest paid individual and senior management's emoluments are set out in note 12 to the consolidated financial statements.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT ("ESG REPORT")

The Company will issue a separate ESG Report no later than three months after the date of this Annual Report in compliance with the Appendix 20 of the GEM Listing Rules.

SHAREHOLDERS' RIGHTS AND INVESTOR RELATIONS

An annual general meeting of the Company shall be held each year and at the place as may be determined by the Board. Each general meeting, other than an annual general meeting, shall be called an extraordinary general meeting. The annual general meeting of the Company will provide a forum between the Board and the Shareholders for communication. The Board will answer questions raised by Shareholders at the annual general meeting.

There are no provisions in the Articles for members to put forward new resolutions at general meetings. However, members of the Company who wish to propose resolutions are requested to follow Article 17 of the Articles to requisition an extraordinary general meeting. According to Article 17 of the Articles, any one or more members of the Company holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or Company Secretary, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition.

The requisition must be deposited for the attention of the Board or Company Secretary via mail to the principal place of business of the Company in Hong Kong at Room 1001-2, 10/F, 148 Electric Road, Hong Kong or via E-mail (companysecretary@gmehk.com), requiring an extraordinary general meeting to be called by the Board and specifying business that the shareholder(s) of the Company wish to discuss.

If within twenty-one days of such deposit the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

The Company discloses information in compliance with the GEM Listing Rules. The Company believes that information disclosures in timely, accurate and complete manners can enhance the corporate transparency. For the purpose of effective communication, the Company also includes the latest information relating to the Group on its website at www.gmehk.com. Enquires to the Board or the Company may be sent by post to the principal place of business in Hong Kong or via E-mail (ir@gmehk.com).

Pursuant to code provision E.1.5 of the CG Code, the Company should have a policy on payment of dividends. Please refer to the section headed "Directors' Report – Adoption of dividend policy" in this Annual Report for details.

CONSTITUTIONAL DOCUMENTS

The Company adopted the amended and restated Memorandum of Association and Articles of Association of the Company on 10 February 2017, which took effect on the Listing Date, to comply with the GEM Listing Rules in Hong Kong.

A copy of the amended and restated Memorandum of Association and Articles of Association of the Company is posted on the Stock Exchange's website at www.hkexnews.hk and the Company's website at www.gmehk.com.

During the year ended 31 December 2019, there has been no change in the Company's Memorandum of Association and Articles of Association.

The procedures for proposing a person for election as a director of the Company is available on the website of the Company.

RISK MANAGEMENT AND INTERNAL CONTROLS

It is the responsibility of the Board to ensure that a sound and effective risk management and internal control system is in place for safeguarding the interests of the Shareholders. The Board has overall responsibility for the risk management and internal control system of the Group. However, such systems are designed to manage the Group's risk within an acceptable risk profile, rather than to eliminate the risk of failure to achieve business objectives of the Group, and can only provide reasonable assurance and not absolute assurance against material misstatement or loss.

The Group has adopted certain internal control policies, which cover various operational processes including financial reporting, project progress monitoring and cost control measures. The Group has also established a set of risk management policies and measures. The Group's risk management process starts with identifying the major risks associated with its business, industry and market in the ordinary course of business. The Board and senior management are responsible for identifying and analysing the risk associated with their respective function, preparing and measuring risk mitigation plans and reporting the status of risk management.

In addition, the Group has adopted and implemented its own disclosure policy for the purpose of providing guidelines in handling confidential information and/or monitoring information disclosure pursuant to applicable laws and regulations in compliance with the GEM Listing Rules and Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("**SFO**"). The disclosure policy provides the procedures and internal controls for the handling and dissemination of inside information by publication of the announcement on a timely basis for the public to access the latest information of the Group, save for information that falls within the safe harbours as stated in the relevant Ordinance. The management of the Group also monitors the implementation of the procedures for dissemination of inside information.

As at the date of this Annual Report, the Board has conducted a review of the effectiveness of the risk management and internal control system, which covered the financial, operational, compliance and risk management for the year ended 31 December 2019. The Board considered that the system of the Group to be adequate and effective for the year ended 31 December 2019. The Company did not have an internal audit function. During the year, the Group has engaged SHINGWING Risk Services Limited as an independent internal audit consultant to review the effectiveness of the Group's internal control system and risk management system. The internal audit consultant directly reports to the Audit Committee. Going forward, the Directors will work with the internal audit consultant annually to assess and review the effectiveness of the Group's risk management and internal control system.

PROCEDURES FOR RAISING ENQUIRIES

Written enquiries may be sent to the Company or the Board through the Company Secretary whose contact details are as follows:

Address: Room 1001-2, 10/F, 148 Electric Road, Hong Kong
Fax: +852 3105 1881
E-mail: companysecretary@gmehk.com

DIRECTORS' REPORT

The Directors are pleased to present their report and the consolidated financial statements for the year ended 31 December 2019.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The Group is principally engaged in the provision of underground construction services. Details of the principal activities of its subsidiaries are set out in note 28 to the consolidated financial statements of this Annual Report. There were no significant changes in the nature of our Group's principal activities during the Reporting Period.

PRINCIPAL PLACE OF BUSINESS

The Company is a limited liability company incorporated in the Cayman Islands and its principal place of business in Hong Kong is Room 1001-2, 10/F, 148 Electric Road, Hong Kong.

BUSINESS REVIEW

Discussion and analysis of the business of the Group, principal risks and uncertainties, outlook of the business and the analysis of the Group's performance for the year ended 31 December 2019 can be found out in the sections headed "Chairman's statement" and "Management discussion and analysis" in this Annual Report.

ADOPTION OF DIVIDEND POLICY

The Company has adopted a dividend policy on 25 March 2019.

The Group intends to strike a balance between maintaining sufficient capital to grow the business and rewarding the Shareholders. The Board will determine or recommend the dividend distribution ratio, as appropriate, at its absolute discretion after taking into account, inter alia, the following factors: –

1. the Group's earnings and its general financial conditions;

2. the future cash requirements and availability of the Group;

3. the future prospect and general market condition; and

4. any other factors that the Board deems appropriate, subject to the Articles of Association and any applicable laws of the Cayman Islands.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2019 are set out in the section headed "Consolidated statement of comprehensive income" in this Annual Report.

The Board did not recommend the payment of a final dividend for the year ended 31 December 2019.

DIRECTORS' REPORT

ANNUAL GENERAL MEETING AND CLOSURE OF THE REGISTER OF MEMBERS

The annual general meeting of the Company will be held on Monday, 29 June 2020 ("**AGM**"). The register of members of the Company will be closed from Tuesday, 23 June 2020 to Monday, 29 June 2020 (the "**closure period**"), both days inclusive, for the purposes of determining the entitlements of the Shareholders to attend and vote at the forthcoming AGM. During this closure period, no transfer of the Shares will be registered. In order to qualify for attending and voting at the AGM, all transfers, accompanied by the relevant Share certificates must be lodged with the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration no later than 4:30 p.m. on Monday, 22 June 2020.

SUMMARY OF FINANCIAL INFORMATION

A summary of the results, total assets, total liabilities and net assets of the Group for the last five years is set out in the section headed "Financial highlights" in this Annual Report. This summary does not form part of the audited consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group during the year ended 31 December 2019 are set out in note 16 to the consolidated financial statements of this Annual Report.

SHARE CAPITAL

Details of the movements in the Company's share capital for the year ended 31 December 2019 are set out in note 25 to the consolidated financial statements of this Annual Report.

RESERVES

Details of the movements in the reserves of the Company and the Group during the year are set out in note 27 to the consolidated financial statements and in the consolidated statement of changes in equity of this Annual Report, respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2019, the Company's reserves available for distribution, calculated in accordance with the Companies Law, Chapter 22 of the Cayman Islands, amounted to approximately HK$66,545,000.

PURCHASE, SALES OR REDEMPTION OF THE COMPANY'S LISTED SHARES

During the Reporting Period, the Company cancelled 5,172,000 Shares and 5,252,000 Shares on 30 January 2019 and 22 July 2019, respectively (the "**Shares Cancellation**"). 368,000 Shares and 10,056,000 Shares in the Shares Cancellation were repurchased on the Stock Exchange during the years ended 31 December 2018 and 2019, respectively (the "**Shares Repurchase**").

Shares Cancellation on 30 January 2019:

Month of Share Repurchase	Number of Shares repurchased	Price per Share		Total price paid (excluding the brokerage fees and other expenses)
		Highest	Lowest	
		HK$	HK$	HK$
December 2018	368,000	0.142	0.140	51,856
January 2019	4,804,000	0.149	0.139	687,480
	5,172,000			739,336

Shares Cancellation on 22 July 2019:

Month of Share Repurchase	Number of Shares repurchased	Price per Share		Total price paid (excluding the brokerage fees and other expenses)
		Highest	Lowest	
		HK$	HK$	HK$
May 2019	2,800,000	0.139	0.121	378,000
June 2019	1,752,000	0.174	0.141	274,952
July 2019	700,000	0.190	0.188	132,200
	5,252,000			785,152

The Share Repurchase was effected by the Directors, pursuant to the general mandates from the Shareholders granted at the annual general meeting of the Company held on 2 May 2019 and the annual general meeting of the Company held on 3 May 2018, with a view to benefit the Shareholders as a whole by enhancing the net asset value per Share of the Group.

Except as disclosed above, neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the Reporting Period.

DIRECTORS' REPORT

DIRECTORS

The Directors of the Company during the Relevant Period were:

Executive Directors
Mr. Chuang Chun Ngok Boris *(Chairman)*
Mr. Chuang Wei Chu

Independent non-executive Directors
Mr. Lam Man Bun Alan
Mr. Lau Chun Fai Douglas
Ir Ng Wai Ming Patrick

The Company has received, from each of the independent non-executive Directors, an annual confirmation of his independence pursuant to Rule 5.09 of the GEM Listing Rules.

DIRECTORS' AND SENIOR MANAGEMENT BIOGRAPHIES

Biographical details of the Directors and the senior management are set out in the section headed "Biographical details of Directors, senior management and Company Secretary" in this Annual Report.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors renewed the service agreement with the Company on 10 February 2020 for an initial term of three years. Either party may terminate the service agreement by giving to the other not less than three months' prior notice in writing.

Each of the independent non-executive Directors renewed the letter of appointment with the Company on 10 February 2020 for a term of three years and may terminate their letter of appointment by giving a minimum of three months' notice in writing to the Company.

Save as disclosed aforesaid, none of the Directors has entered into a service agreement or agreement for appointment with the Company or any of its subsidiaries other than the agreement expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation).

According to Article 25 of the Articles, one-third of the Directors for the time being (or, if the number of Directors is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation, provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. Any Director appointed to fill a casual vacancy shall, subject to Article 26, hold office only until the next following general meeting of the Company and such Director shall then be eligible for re-election at the relevant general meeting by the shareholders of the Company. In the upcoming annual general meeting, one executive Director and one independent non-executive Director would retire and subject to re-election.

PERMITTED INDEMNITY PROVISION

According to Article 50 of the Articles, the Directors shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty; provided that this indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to any of the Directors.

The Company has taken out insurance against the liability and costs associated with defending any proceedings which may be brought against the Directors since the Listing Date and such permitted indemnity provision for the benefits of the Directors is currently in force.

DIRECTORS' INTERESTS IN SIGNIFICANT TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as those disclosed in note 30 to the consolidated financial statements of this Annual Report, there were no transactions, arrangements or contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a Director or an entity connected with him has or had a material interest, whether direct or indirect, subsisting at any time during or at the end of the year 2019.

CONTRACT OF SIGNIFICANCE

Save as those disclosed in note 30 to the consolidated financial statements of this Annual Report, no contract of significance in relation to the Group's business has been entered into between the Company, or one of its subsidiaries, and a Controlling Shareholder or any entity connected with him/her; and (2) has been entered into for the provision of services to the Company or any of its subsidiaries by a Controlling Shareholder or any entity connected with him/her.

DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS AND REMUNERATION POLICY

Details of the Directors' remuneration and five highest paid individuals of the Group are set out in note 12 to the consolidated financial statements of this Annual Report. The remuneration policy of the Company can be found in the section headed "Management discussion and analysis – Information on employees" in this Annual Report. The Remuneration Committee has reviewed overall remuneration policy and structure relating to all Directors and senior management in reference to the Group's operating results and individual performance.

MANAGEMENT CONTRACTS

During the Relevant Period, other than the service contracts of the Directors, the Company did not enter into or have any management and administrative contracts in respect of the whole or any substantial part of the principal business of the Company.

DIRECTORS' REPORT

RELATED PARTIES TRANSACTIONS

Details of the related party transactions undertaken by the Group during the year ended 31 December 2019 are set out in note 30 to the consolidated financial statements of this Annual Report. None of the related party transactions constitutes disclosable connected transaction under the GEM Listing Rules.

COMPETING INTEREST

The Directors are not aware that any Controlling Shareholders or Directors or their close associates (as defined in the GEM Listing Rules) are interested in any business apart from the business operated by our Group which competes or is likely to compete, directly or indirectly with our Group's business during the Relevant Period.

PENSION SCHEME ARRANGEMENTS

A Mandatory Provident Fund (the "**MPF Scheme**") has been set up for employees in Hong Kong, in accordance to the Mandatory Provident Fund Ordinance. All employees in Hong Kong are required to join the MPF Scheme and the employees and its employer are each required to contribute 5% of their gross earnings with a current ceiling of HK$1,500 per month to the MPF scheme. The only obligation of the Group with respect to the MPF scheme is to make required contribution under the scheme. No forfeited contribution is available to reduce the contribution payable in the future. The contribution charged to the consolidated statement of comprehensive income represents the contribution payable to the funds by the Group.

SHARE OPTION SCHEME

The Company has not granted or issued any option or adopted any share option scheme up to 31 December 2019.

DIRECTORS' AND CHIEF EXECUTIVES' INTEREST AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2019, the interests or short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions in which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein or which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

Long Position in Shares

Name of Directors	Notes	Directly beneficially owned	Through spouse	Acting in concert	Total	Percentage of Company's issued share capital
Mr. Chuang Chun Ngok Boris	(a)/(c)	103,000,000	–	172,000,000	275,000,000	56.4%
Mr. Chuang Wei Chu	(b)/(c)	103,000,000	34,500,000	137,500,000	275,000,000	56.4%

Notes

(a) Mr. Chuang Chun Ngok Boris (i) personally holds 103,000,000 Shares; and (ii) is a party to the acting in concert deed dated 21 March 2016 entered into by the Controlling Shareholders (the "**Acting in Concert Deed**") pursuant to which each of Mr. Chuang Wei Chu, Mr. Chuang Chun Ngok Boris, Ms. To Yin Ping and Ms. Chuang Yau Ka has agreed to consolidate their respective interests in the Company and to vote on any resolution to be passed at any Shareholders' meeting of the Company in a unanimous manner. Mr. Chuang Chun Ngok Boris is therefore deemed to be interested in the Shares held by Mr. Chuang Wei Chu, Ms. To Yin Ping and Ms. Chuang Yau Ka respectively under the SFO. Each of Mr. Chuang Chun Ngok Boris, Mr. Chuang Wei Chu, Ms. To Yin Ping and Ms. Chuang Yau Ka is deemed to be interested in all the Shares held by them in aggregate by virtue of the SFO. Mr. Chuang Chun Ngok Boris is the son of Mr. Chuang Wei Chu and Ms. To Yin Ping and the brother of Ms. Chuang Yau Ka.

(b) Mr. Chuang Wei Chu (i) personally holds 103,000,000 Shares; (ii) is the spouse of Ms. To Yin Ping, who personally holds 34,500,000 Shares and is deemed to be interested in the Shares personally interested by Ms. To Yin Ping; and (iii) is a party to the Acting in Concert Deed pursuant to which each of Mr. Chuang Wei Chu, Mr. Chuang Chun Ngok Boris, Ms. To Yin Ping and Ms. Chuang Yau Ka has agreed to consolidate their respective interests in the Company and to vote on any resolution to be passed at any Shareholders' meeting of the Company in a unanimous manner. Mr. Chuang Wei Chu is therefore deemed to be interested in the Shares held by Mr. Chuang Chun Ngok Boris, Ms. To Yin Ping and Ms. Chuang Yau Ka respectively under the SFO. Each of Mr. Chuang Chun Ngok Boris, Mr. Chuang Wei Chu, Ms. To Yin Ping and Ms. Chuang Yau Ka is deemed to be interested in all the Shares held by them in aggregate by virtue of the SFO. Mr. Chuang Wei Chu is the father of Mr. Chuang Chun Ngok Boris and Ms. Chuang Yau Ka.

(c) The percentage of Company's issued share capital of each of the Directors for his long position in Shares is calculated based on the total number of Shares in issue after the Share Repurchase.

As at 31 December 2019, none of the Directors and chief executives of the Company have any interests in the underlying shares in respect of physically settled, cash settled or other equity derivatives of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

Saved as disclosed above, as at 31 December 2019, none of the Directors and chief executives of the Company had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions in which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES OR UNDERLYING SHARES

As at 31 December 2019, so far as is known to the Directors, the following persons' interests and short positions of the share capital and underlying shares of the Company, other than a Director or chief executive of the Company, were recorded in the register of interests required to be kept by the Company pursuant to section 336 of the SFO:

Long Position in Shares

Name of Shareholders	Notes	Nature of interest	Total	Percentage of Company's issued share capital
Ms. To Yin Ping	(a)/(c)	Beneficial owner, interest held jointly with another person and interest of spouse	275,000,000	56.4%
Ms. Chuang Yau Ka	(b)/(c)	Beneficial owner and interest held jointly with another person	275,000,000	56.4%
Mr. Ng Kwok Lun	(c)	Beneficial owner	37,500,000	7.7%

Notes

(a) Ms. To Yin Ping (i) personally holds 34,500,000 Shares; (ii) is the spouse of Mr. Chuang Wei Chu and is deemed to be interested in the Shares which are deemed to be interested by Mr. Chuang Wei Chu under the SFO; and (iii) is a party to the Acting in Concert Deed pursuant to which each of Mr. Chuang Chun Ngok Boris, Mr. Chuang Wei Chu, Ms. To Yin Ping and Ms. Chuang Yau Ka has agreed to consolidate their respective interests in the Company and to vote on any resolution to be passed at any Shareholders' meeting in an unanimous manner. Ms. To Yin Ping is therefore deemed to be interested in the Shares held by Mr. Chuang Wei Chu, Mr. Chuang Chun Ngok Boris and Ms. Chuang Yau Ka respectively under the SFO. Each of Mr. Chuang Wei Chu, Mr. Chuang Chun Ngok Boris, Ms. To Yin Ping and Ms. Chuang Yau Ka deemed to be interested in all the Shares held by them in aggregate by virtue of the SFO. Ms. To Yin Ping is the mother of Mr. Chuang Chun Ngok Boris and Ms. Chuang Yau Ka.

(b) Ms. Chuang Yau Ka (i) personally holds 34,500,000 Shares; and (ii) is a party to the Acting in Concert Deed pursuant to which each of Mr. Chuang Chun Ngok Boris, Mr. Chuang Wei Chu, Ms. To Yin Ping and Ms. Chuang Yau Ka has agreed to consolidate their respective interests in the Company and to vote on any resolution to be passed at any Shareholders' meeting in an unanimous manner. Ms. Chuang Yau Ka is therefore deemed to be interested in the Shares held by Mr. Chuang Wei Chu, Ms. To Yin Ping and Mr. Chuang Chun Ngok Boris respectively under the SFO. Each of Mr. Chuang Wei Chu, Mr. Chuang Chun Ngok Boris, Ms. To Yin Ping and Ms. Chuang Yau Ka is deemed to be interested in all the Shares held by them in aggregate by virtue of the SFO. Ms. Chuang Yau Ka is the daughter of Mr. Chuang Wei Chu and Ms. To Yin Ping and the sister of Mr. Chuang Chun Ngok Boris.

(c) The percentage of Company's issued share capital of each of the substantial shareholders of the Company for their long position in Shares is calculated based on the total number of Shares in issue after the Share Repurchase.

DEED OF NON-COMPETITION

The Controlling Shareholders, namely Mr. Chuang Chun Ngok Boris, Mr. Chuang Wei Chu, Ms. To Yin Ping and Ms. Chuang Yau Ka, had entered into a deed of non-competition dated 10 February 2017 in favour of the Company (for itself and as trustee for each of its subsidiaries). The Controlling Shareholders have also confirmed that none of them nor any of his/her close associates is engaged in, involved in or interested in any Group's business (other than being a director or shareholder of our Group) which, directly or indirectly, competes or may compete with our Group's business. For details of the deed of non-competition, please refer to the section headed "Relationship with our Controlling Shareholders" in the Prospectus.

The independent non-executive Directors have reviewed the status of compliance and confirmed that all the undertakings under the abovementioned deed of non-competition have been complied with by the Controlling Shareholders up to the date of this Annual Report.

MAJOR CUSTOMERS AND SUPPLIERS

The revenue of the Group's top five customers accounted for approximately HK$59,136,000 for the year ended 31 December 2019 (2018: approximately HK$138,694,000), representing approximately 73.2% (2018: approximately 98.6%) of the Group's total revenue. The Group's largest customer accounted for approximately HK$24,376,000 (2018: approximately HK$38,550,000) or approximately 30.2% (2018: approximately 27.4%) of total revenue for the year ended 31 December 2019.

The total purchase from the Group's top five suppliers amounted to approximately HK$8,356,000 for the year ended 31 December 2019 (2018: approximately HK$20,231,000), representing approximately 19.4% (2018: approximately 31.8%) of the Group's total purchase. The Group's largest supplier accounted for approximately HK$2,287,000 (2018: approximately HK$9,660,000) or approximately 5.3% (2018: approximately 15.2%) of total purchase for the year ended 31 December 2019.

As at the date of this Annual Report, as far as the Company is aware, none of the Directors, their close associates or any shareholder owning more than 5% of the Company's share capital had any interest in the Group's customers and suppliers as mentioned above.

SUFFICIENCY OF PUBLIC FLOAT

Based on the public information available to the Company and within the best knowledge of Directors as the date of this Annual Report, the Company has maintained the public float as required under GEM Listing Rules since the Listing Date.

INTEREST OF THE COMPLIANCE ADVISER

As at the date of this Annual Report, except for (i) the participation of Altus Capital Limited ("**Altus**") as the sponsor in relation to the listing of the Company on GEM; (ii) the compliance adviser agreement entered into between the Company and Altus dated 26 April 2016; and (iii) the financial advisory mandate entered into between the Company and Altus dated 6 March 2017, neither Altus nor any of its directors, employees or associates had any interests in relation to the Group which requires to be notified to the Company pursuant to Rule 6A.32 of GEM Listing Rules.

EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in note 37 to the consolidated financial statement, the Directors are not aware of any significant event requiring disclosure that has taken place subsequent to 31 December 2019 and up to the date of this Annual Report.

PRE-EMPTIVE RIGHTS

There are no provisions for the pre-emptive rights under the Articles or the laws of the Cayman Islands which would oblige the Company to offer new Shares on a pro-rata basis to existing Shareholders.

DONATIONS

During the Reporting Period, the Company has made charitable donations totalling HK$3,800.

USE OF NET PROCEEDS FROM THE IPO PLACING

The Net Proceeds received by the Company from the IPO Placing, after deducting underwriting fees and other expenses, were approximately HK$45.9 million, which has been/will be deployed as to:

(i) HK$4.9 million for tunnel machinery purchase;

(ii) HK$7.0 million for Underground Machinery and Equipment Purchase;

(iii) HK$12.7 million for additional prospective and/or experienced employees recruitment for the projects;

(iv) HK$9.5 million for repayment of overdraft facilities from a bank;

(v) HK$1.3 million for the Group's newly rented office rental expense;

(vi) HK$0.1 million for the new office space refurbishment and decoration;

(vii) HK$1.3 million for information technology and project management systems upgrade;

(viii) HK$6.1 million for the surety bonds cash collaterals; and

(ix) HK$3.0 million for the funding of the working capital and general corporate purposes of the Group.

Details of the original use of the Net Proceeds mentioned in the Prospectus, movement of the First Change of the Net Proceeds, the Second Change of the Net Proceeds and the Third Change of the Net Proceeds (collectively, the "**Changes**"), revised use of the Net Proceeds ("**Revised Net Proceeds**"), the utilisation and the balance of the Revised Net Proceeds as at 31 December 2019 are summarised as follows:

	Original use of the Net Proceeds HK$ million	Movement of the First Change of the Net Proceeds HK$ million	Movement of the Second Change of the Net Proceeds HK$ million	Movement of the Third Change of the Net Proceeds HK$ million	Revised use of the Net Proceeds HK$ million	Utilised amount of the Net Proceeds as at the date of this Annual Report HK$ million	Balance of the Net Proceeds HK$ million
Tunnel machinery purchase	16.9	–	(5.0)	(7.0)	4.9	–	4.9
Underground Machinery and Equipment Purchase	–	–	–	7.0	7.0	1.1	5.9
Additional prospective and/or experienced employees recruitment for our projects	12.7	–	–	–	12.7	12.7	–
Repayment of overdraft facilities from a bank	9.5	–	–	–	9.5	9.5	–
Newly rented office rental expense	1.3	–	–	–	1.3	1.3	–
New office space refurbishment and decoration	1.2	(1.1)	–	–	0.1	0.1	–
Information technology and project management systems upgrade	1.3	–	–	–	1.3	0.1	1.2
Surety bonds cash collaterals	–	1.1	5.0	–	6.1	4.0	2.1
Working capital and general corporate purposes	3.0	–	–	–	3.0	3.0	–
Total	45.9	–	–	–	45.9	31.8	14.1

Save for the aforesaid Changes, there is no other change in the use of the Net Proceeds from the IPO Placing allocated for other purposes. The balance of the Revised Net Proceeds were deposited in banks in Hong Kong.

AUDITOR

The consolidated financial statements for the year ended 31 December 2019 has been audited by BDO Limited. BDO Limited will retire and a resolution for their reappointment as auditor of the Company will be proposed at the AGM.

Since the incorporation of the Company up to the date of this Annual Report, there has been no change in the auditor of the Company.

By order of the Board
Chuang Chun Ngok Boris
Chairman and executive Director

Hong Kong, 23 March 2020

INDEPENDENT AUDITOR'S REPORT

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TO THE SHAREHOLDERS OF GME GROUP HOLDINGS LIMITED
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of GME Group Holdings Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 48 to 108, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirement of Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

KEY AUDIT MATTERS (CONTINUED)

Revenue recognition for construction contracts

As described in Note 4(h) to the consolidated financial statements, the Group recognises revenue when the Group satisfies performance obligation by transferring the control of promised services to customers in an amount that reflects the consideration to which the Group expects to be entitled in exchange for that services.

The Group is involved in construction projects for which it applies the output method to measure the stage of completion of a contract by reference to surveys of work performed and progress certificates issued by customers, in transferring construction services promised to a customer and recognises revenue over time in accordance with HKFRS 15 "Revenue from contracts with customers". Variable considerations in contract work are recognised as contract revenue to the extent that the modification has been approved by the parties to the contracts and it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur.

We identified revenue recognition as a key audit matter because the revenue recognition of construction services involved significant management judgements and estimates, including (i) the determination of performance obligations; (ii) identification of product and service elements in the contracts; (iii) whether the transaction price should be allocated to each element with reference to its relative fair value (i.e., stand-alone selling price); and (iv) whether it is highly probable that any revenue recognised in respect of variable considerations will not reverse when the uncertainty is resolved. Further, the uncertainty and subjectivity involved in determining the stage of completion and foreseeable losses may have a significant impact on the reported revenue and profit of the Group. The Group's revenue recognition policy and key sources of estimation uncertainty are set out in Notes 4(h) and 5(b)(i) to the consolidated financial statements.

How our audit addressed the Key Audit Matter:

Our principal audit procedures in relation to accounting for construction contracts included:

– Obtaining an understanding of and evaluating the key controls related to revenue recognition and partially completed construction contracts;

– Assessing the Group's revenue recognition practice to determine that they are in compliance with HKFRS 15 "Revenue from contracts with customers", including the determination of performance obligations and the assessment of the Group's efforts or inputs to the construction contracts (i.e. contract cost incurred for work performed) relative to the total expected inputs to the construction contracts;

– Discussing with the Group's management about the progress of the construction projects;

– Assessing the reasonableness of contract revenue recognised and stage of completion by reference to surveys of work performed and progress certificates issued by customers and other underlying documents;

– Checking, on a sample basis, (i) agreed contract sum to signed contract and variation orders ("VOs"); (ii) obtained construction contracts from management and reviewed for any specific or special performance obligations and conditions during the financial period;

– Checking the basis used for evaluating the reasonableness of cost incurred against our understanding of the construction services, including (i) for subcontracting costs contracted for, agreeing the budgeted costs to the underlying contracts; (ii) for estimation of costs not supported by contracts, checking that the costs are included in accordance with the related projects; and (iii) comparing the budgeted data with the actual data recorded, taking into account the stage of completion achieved;

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (CONTINUED)

Revenue recognition for construction contracts (Continued)

– Reviewing and assessing reasonableness of financial budget prepared by management for each on-going construction contracts to assess whether expected loss on contracts was properly recognised as an expense immediately;

– Checking the basis used for estimating the budgeted revenue to underlying contracts and VOs entered into with the customers and other relevant supporting documents in respect of variable consideration in construction services;

– Re-performing the management's calculations of revenue of each performance obligation to investigate any discrepancy or cut-off variance to evaluating any overstate or understate of revenue.

Impairment of trade receivables and contract assets in respect of expected credit losses ("ECLs")

As described in Notes 17 and 18 to the consolidated financial statements, the carrying amounts of the Group's trade receivables and contract assets amounted to approximately HK$22,597,000 (after provision for ECLs of HK$310,000) and HK$15,270,000 (after provision for ECL of HK$86,000), respectively, which represented approximately 32% and 22%, respectively of the Group's total assets.

In general, the credit terms granted by the Group to the customers ranged between 21 to 60 days. Management performed periodic assessment on the recoverability of the trade receivables and contract assets and the sufficiency of provision for impairment based on information including the Group's 4 years historical credit loss experience, the number of days past due, adjusted for forward-looking factors (i.e. forecast GDP) and specific consideration (such as group size and reputation etc.) to the debtors and the economic environment, which may impact the customers' ability to repay the outstanding balances in order to estimate the ECLs for the impairment assessment.

We identified impairment of trade receivables and contract assets as key audit matter as the impairment assessment of trade receivables and contract assets under the ECLs model involved the use of significant management judgements and estimates.

How our audit addressed the Key Audit Matter:

Our procedures in relation to management's impairment assessment of the trade receivables and contract assets as at 31 December 2019:

– Understanding and evaluating the key controls that the Group has implemented to manage and monitor its credit risk, and validating the control effectiveness on a sample basis;

– Checking, on a sample basis, the ageing profile of the trade receivables as at 31 December 2019 to the underlying financial records and post year-end settlements to bank receipts;

KEY AUDIT MATTERS (CONTINUED)

Impairment of trade receivables and contract assets in respect of expected credit losses ("ECLs") (Continued)

- Inquiring of management for the status of each of the material trade receivables past due as at year end and corroborating explanations from management with supporting evidence, such as performing public search of credit profile of selected customers, understanding on-going business relationship with the customers based on trade records, checking historical settlement record and correspondence with the customers;

- Inquiring of management for the status of each of the material contract assets past due as at year end and corroborating explanations from management with supporting evidence, such as supportable records from customer, understanding on-going business relationship with the customers and subsequent settlement record with the customers; and

- Assessing the appropriateness of the ECLs provisioning methodology for trade receivables and contract assets, examining the key data inputs on a sample basis to assess their accuracy and completeness, and challenging the assumptions, including both historical and forward-looking information, used to determine the ECLs.

OTHER INFORMATION IN THE ANNUAL REPORT

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

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

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

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;

- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation; and

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

AUDITOR'S RESPONSIBILITY FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

BDO Limited
Certified Public Accountants
Chan Wing Fai
Practising Certificate Number P05443

Hong Kong, 23 March 2020

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
Revenue	7	**80,793**	140,631
Cost of services		**(86,572)**	(127,581)
Gross (loss)/profit		**(5,779)**	13,050
Other income	8	**969**	132
Administrative expenses		**(23,549)**	(23,893)
Finance costs	11	**(127)**	(89)
Loss before income tax	9	**(28,486)**	(10,800)
Income tax	13	**265**	941
Loss and total comprehensive expenses for the year		**(28,221)**	(9,859)
Loss attributable to:			
Owners of the Company		**(28,217)**	(9,859)
Non-controlling interests		**(4)**	–
		(28,221)	(9,859)
Loss per share			
– Basic and diluted (HK cents)	15	**(5.76)**	(1.97)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
Non-current assets			
Property, plant and equipment	16	**7,203**	7,752
Deferred tax assets	24	**573**	308
		7,776	8,060
Current assets			
Contract assets	17	**15,270**	25,395
Trade and other receivables	18	**29,857**	25,622
Amount due from a minority shareholder of a subsidiary	19	**400**	–
Pledged bank deposits	20	**–**	8,097
Current tax recoverable		**–**	1,497
Cash and cash equivalents	20	**17,375**	20,089
		62,902	80,700
Current liabilities			
Trade and other payables	21	**13,285**	6,147
Bank borrowing	22	**3,000**	–
Lease liabilities	23	**1,526**	–
Obligations under finance leases	23	**–**	273
		17,811	6,420
Net current assets		**45,091**	74,280
Total assets less current liabilities		**52,867**	82,340
Non-current liabilities			
Lease liabilities	23	**526**	–
Obligations under finance leases	23	**–**	705
		526	705
NET ASSETS		**52,341**	81,635

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Notes	**2019** **HK$'000**	2018 HK$'000
EQUITY			
Equity attributable to owners of the Company			
Share capital	25	**4,878**	4,982
Reserves	27	**47,067**	76,653
		51,945	81,635
Non-controlling interests		**396**	–
TOTAL EQUITY		**52,341**	81,635

On behalf of the Board of Directors

Chuang Chun Ngok Boris
Director

Chuang Wei Chu
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	Attributable to the owners of the Company								
	Share capital	**Share premium (Note 27(a))**	**Share repurchase reserve (Note 27(e))**	**Capital reserve (Note 27(d))**	**Other reserve (Note 27(b))**	**(Accumulated loss)/ retained earnings (Note 27(c))**	**Total**	**Non-controlling interests (Note 33)**	**Total**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**
As at 1 January 2018	5,000	92,406	–	90	(36,104)	36,404	97,796	–	97,796
Loss and total comprehensive expenses for the year	–	–	–	–	–	(9,859)	(9,859)	–	(9,859)
2017 final and special dividend paid	–	–	–	–	–	(6,000)	(6,000)	–	(6,000)
Shares repurchased and cancelled (Note 25(a))	(18)	(233)	–	–	–	–	(251)	–	(251)
Shares repurchased and yet to be cancelled (Note 25(a) and (b))	–	–	(51)	–	–	–	(51)	–	(51)
As at 31 December 2018	4,982	92,173	(51)	90	(36,104)	20,545	81,635	–	81,635
Loss and total comprehensive expenses for the year	–	–	–	–	–	(28,217)	(28,217)	(4)	(28,221)
Incorporation of non-controlling interest	–	–	–	–	–	–	–	400	400
Shares repurchased and cancelled during the reporting period (Note 25(b))	(101)	(1,372)	–	–	–	–	(1,473)	–	(1,473)
Share repurchase during the year end 31 December 2018 and cancelled during the reporting period (Note 25 (a) and (b))	(3)	(48)	51	–	–	–	–	–	–
As at 31 December 2019	**4,878**	**90,753**	**–**	**90**	**(36,104)**	**(7,672)**	**51,945**	**396**	**52,341**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
Cash flows from operating activities			
Loss before income tax		**(28,486)**	(10,800)
Adjustments for:			
Depreciation of property, plant and equipment		**6,935**	4,534
Finance costs		**–**	89
(Gain)/loss on disposal of property, plant and equipment		**(28)**	33
Impairment loss on trade receivables		**82**	441
Impairment loss on contract assets		**11**	75
Interest income		**(72)**	(27)
Operating loss before working capital changes		**(21,558)**	(5,655)
(Increase)/decrease in trade and other receivables		**(4,317)**	42,171
Decrease in amounts due from customers for contract work		**–**	546
Decrease/(increase) in contract assets		**10,114**	(25,470)
Increase/(decrease) in trade and other payables		**7,138**	(5,006)
Cash (used in)/generated from operations		**(8,623)**	6,586
Income tax refund, net		**1,497**	165
Interest received		**13**	–
Net cash (used in)/generated from operating activities		**(7,113)**	6,751
Cash flows from investing activities			
Purchases of property, plant and equipment		**(3,155)**	(2,681)
Proceeds from disposal of property, plant and equipment		**47**	40
Interest received		**59**	–
Net cash used in investing activities		**(3,049)**	(2,641)
Cash flows from financing activities			
Decrease/(increase) in pledged bank deposits		**8,097**	(97)
Proceeds from bank borrowings, secured		**–**	14,242
Proceeds from bank borrowing	22	**3,000**	–
Repayment of bank borrowings, secured		**–**	(18,188)
Final and special dividend paid	13	**–**	(6,000)
Shares repurchased	25(a)	**(1,473)**	(302)
Interest paid		**–**	(89)
Repayment of principal portion of the lease liabilities (2018: Repayment of obligations under finance lease)		**(2,176)**	(252)
Net cash generated from/(used in) from financing activities		**7,448**	(10,686)
Net decrease in cash and cash equivalents		**(2,714)**	(6,576)
Cash and cash equivalents at beginning of the year		**20,089**	26,665
Cash and cash equivalents at end of the year		**17,375**	20,089

1. GENERAL

GME Group Holdings Limited was incorporated in the Cayman Islands on 18 January 2016, as an exempted company with limited liability under the Companies Law, Cap. 22 of the Cayman Islands. The registered office and principal place of business of the Company are located at 4th Floor, Harbour Place, 103 South Church Street, P.O. Box 10240, Grand Cayman KY1-1002, Cayman Islands and Room 1001-2, 10/F, 148 Electric Road, Hong Kong, respectively.

The Company's shares were listed on GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 22 February 2017.

The Company is an investment holding company and the Group is principally engaged in the provision of underground construction services.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

(a) Adoption of new/revised HKFRSs – effective 1 January 2019

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's consolidated financial statements:

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features and Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

Except as described below, the application of the new HKFRSs and amendment to HKFRSs in the current year has had no material impact on the Group's accounting policies.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

(a) Adoption of new/revised HKFRSs – effective 1 January 2019 (Continued)

HKFRS16 – Leases

(i) Impact of the adoption of HKFRS 16

HKFRS 16 brings significant changes in accounting treatment for lease accounting, primarily for accounting for lessees. It replaces HKAS 17 Leases ("HKAS 17"), HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease, HK(SIC)-Int 15 Operating Leases-Incentives and HK(SIC)-Int 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. From a lessee's perspective, almost all leases are recognised in the consolidated statement of financial position as a right-of-use assets and a lease liabilities, with the narrow exception to this principle being for leases which the underlying assets are of low-value or are determined as short-term leases. From a lessor's perspective, the accounting treatment is substantially unchanged from HKAS 17. For details of HKFRS 16 regarding its new definition of a lease, its impact on the Group's accounting policies and the transition method adopted by the Group as allowed under HKFRS 16, please refer to section (ii) to (iii) of this note.

The Group has applied HKFRS 16 using the cumulative effect approach and recognised the right-of-use asset at the amount equal to the lease liability, adjusted by the amount of any prepayments or accrued lease payments relating to that lease recognised in the consolidated statement of financial position as at 31 December 2018. The comparative information presented in 2018 has not been restated and continues to be reported under HKAS 17 and related interpretations as allowed by the transition provision in HKFRS 16.

The following tables summarised the impact of transition to HKFRS 16 on consolidated statement of financial position as of 31 December 2018 to that of 1 January 2019 as follows:

	HK$'000
Rights-of-uses assets	
Closing balance under HKAS17 at 31 December 2018	–
– Carrying amounts of property, plant and equipment held under finance leases under HKAS 17 at 31 December 2018	832
– Recognition of additional right-of-use assets under HKFRS16	421
Opening balance under HKFRS 16 at 1 January 2019	1,253
Lease liabilities	
Carrying amounts of property, plant and equipment held under finance leases under HKAS 17 at 31 December 2018	978
Recognition of additional lease liabilities under HKFRS16	421
Opening balance under HKFRS 16 at 1 January 2019	1,399

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

(a) Adoption of new/revised HKFRSs – effective 1 January 2019 (Continued)

HKFRS16 – Leases (Continued)

(i) Impact of the adoption of HKFRS 16 (Continued)

The following reconciliation explains how the operating lease commitments disclosed applying HKAS 17 at the end of 31 December 2018 could be reconciled to the lease liabilities at the date of initial application recognised in the consolidated statement of financial position as of 1 January 2019:

	HK$'000
Reconciliation of operating lease commitments to lease liabilities	
Operating lease commitments as of 31 December 2018	896
Less: short term leases for which lease terms end within 31 December 2019	(455)
Less: future interest expenses	(20)
Add: finance leases liabilities as of 31 December 2018	978
Total lease liabilities as of 1 January 2019	1,399

The weighted average lessee's incremental borrowing rate applied to lease liabilities recognised in the consolidated statement of financial position as at 1 January 2019 is approximately 4.13%.

(ii) Accounting as a lessee

Under HKAS 17, a lessee has to classify a lease as an operating lease or a finance lease based on the extent to which risks and rewards incidental to ownership of a lease asset lie with the lessor or the lessee. If a lease is determined as an operating lease, the lessee would recognise the lease payments under the operating lease as an expense over the lease term. The asset under the lease would not be recognised in the consolidated statement of financial position of the lessee.

Under HKFRS 16, all leases (irrespective of they are operating leases or finance leases) are required to be capitalised in the consolidated statement of financial position as right-of-use assets and lease liabilities, but HKFRS 16 provides accounting policy choices for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognise right-of-use assets and lease liabilities for low-value assets and leases for which at the commencement date have a lease term less than 12 months. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

The Group recognised a right-of-use asset and a lease liability at the commencement date of a lease.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

(a) Adoption of new/revised HKFRSs – effective 1 January 2019 (Continued)

HKFRS16 – Leases (Continued)

(ii) Accounting as a lessee (Continued)

Right-of-use asset

The right-of-use asset is recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. Except for right-of-use asset that meets the definition of an investment property or a class of property, plant and equipment to which the Group applies the revaluation model, the Group measures the right-of-use assets applying a cost model. Under the cost model, the Group measures the right-to-use at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability. For right-of-use asset that meets the definition of an investment property, they are carried at fair value and for right-of-use asset that meets the definition of a leasehold land and buildings held for own use, they are carried at fair value.

Lease liability

The lease liability should be recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group shall use the Group's incremental borrowing rate.

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

Subsequent to the commencement date, a lessee shall measure the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and (iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g., a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in substance fixed lease payments or a change in assessment to purchase the underlying asset.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

(a) Adoption of new/revised HKFRSs – effective 1 January 2019 (Continued)

HKFRS16 – Leases (Continued)

(iii) *Transition*

The adoption of HKFRS 16 did not result in a significant impact on the Group's results but certain portion of these lease commitments was recognised in the consolidated statement of financial position as right-of-use assets and lease liabilities at 1 January 2019. The Group has transitioned to HKFRS 16 in accordance with the modified retrospective approach and recognised the cumulative effect of initial application to opening retained earnings at 1 January 2019 without restating the comparative information.

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

The Group has elected to recognise all the right-of-use assets at 1 January 2019 for leases previously classified as operating leases under HKAS 17. The group measures the right-of-use assets at an amount equal to the lease liability, adjusted by the amount of any prepaid or occurred lease payments relating to that lease recognised in the consolidated statement of financial position immediately before the date of initial application. For all these right-of-use assets, the Group has applied HKAS 36 Impairment of Assets at 1 January 2019 to assess if there was any impairment as on that date.

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

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

The Group has also leased majority of its motor vehicles and computer equipment which previously were classified as finance leases under HKAS 17. As the Group has elected to adopt the cumulative effect method over the adoption of HKFRS 16, for those finance leases under HKAS 17, the right-of-use assets and the corresponding lease liabilities at 1 January 2019 were the carrying amount of the lease assets and lease liabilities under HKAS 17 immediately before that date. For those leases, the Group has accounted for the right-of-use assets and the lease liabilities applying HKFRS 16 from 1 January 2019.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

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

The following new/revised HKFRSs, potentially relevant to the Group's consolidated financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group's current intention is to apply these changes on the date they become effective.

Amendments to HKFRS 3	Definition of a business[1]
Amendments to HKAS 1 and HKAS 8	Definition of material[1]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[1]
HKFRS 17	Insurance Contracts[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]

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

2 Effective for annual periods beginning on or after 1 January 2021

3 The amendments were originally intended to be effective for periods beginning on or after 1 January 2018. The effective date has now been deferred/removed. Early application of the amendments of the amendments continue to be permitted.

The Group is not yet in a position to state whether these new pronouncements will result in substantial changes to the Group's accounting policies and consolidated financial statements.

3. BASIS OF PREPARATION

(a) Statement of compliance

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 Securities on GEM of the Stock Exchange.

(b) Basis of measurement

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

3. BASIS OF PREPARATION (CONTINUED)

(c) Functional and presentation currency

The consolidated financial statements are presented in Hong Kong Dollars ("HK$"), which is also the functional currency of the Company, and all values are rounded to the nearest thousands, except when otherwise indicated.

4. SIGNIFICANT ACCOUNTING POLICIES

(a) Business combination and basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the dates of acquisition or up to the dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

(b) Subsidiaries

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

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

(c) Property, plant and equipment

Property, plant and equipment, including right-of-use assets arising from leased buildings where the Group is not the registered owner of the property interests (see note 4(d)(A)), are stated at cost less accumulated depreciation and accumulated impairment losses.

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised in profit or loss during the financial period in which they are incurred.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Property, plant and equipment (Continued)

Property, plant and equipment are depreciated so as to write off their cost net of expected residual value over their estimated useful lives on a straight-line basis. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. The principal annual rates are as follows:

Leasehold improvements	Over the lease term but not exceeding 5 years
Furniture and fixtures	20% per annum
Office equipment	20% per annum
Plant and machinery	30% per annum
Motor vehicles	30% per annum
Leased building	Over the lease terms

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets, or where shorter, the terms of the relevant leases.

The gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in the profit or loss on disposal.

(d)(A) Leasing (accounting policies applied from 1 January 2019)

All leases (irrespective of they are operating leases or finance leases) are required to be capitalised in the consolidated statement of financial position as right-of-use assets and lease liabilities, but accounting policy choices exist for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognise right-of-use assets and lease liabilities for low-value assets and leases for which at the commencement date have a lease term less than 12 months. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

Right-of-use asset

The right-of-use asset is recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee; and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. Except for right-of-use asset that meets the definition of an investment property or a class of property, plant and equipment to which the Group applies the revaluation model, the Group measures the right-of-use assets applying a cost model. Under the cost model, the Group measures the right-to-use assets at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d)(A) Leasing (accounting policies applied from 1 January 2019) (Continued)

Right-of-use asset (Continued)

The Group accounts for leasehold land and buildings that are held for rental or capital appreciation purpose under HKAS 40 and are carried at fair value. The Group accounts for leasehold land and buildings which is held for own use under HKAS 16 and are carried at fair value. Other than the above right-of-use assets, the Group also has leased a number of properties under tenancy agreements which the Group exercises it judgement and determines that it is a separate class of asset apart from the leasehold land and buildings which is held for own use. As a result, the right-of-use asset arising from the properties under tenancy agreements are carried at depreciated cost.

Lease liability

The lease liability is recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the Group's incremental borrowing rate.

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

Subsequent to the commencement date, the Group measures the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and (iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g., a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in substance fixed lease payments or a change in assessment to purchase the underlying asset.

(d)(B) Leasing (accounting policies applied until 31 December 2018)

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to lessee. All other leases are classified as operating leases.

The Group as lessee

Assets held under finance leases are initially recognised as assets at their fair value or, if lower, the present value of the minimum lease payments. The corresponding lease commitment is shown as a liability. Lease payments are analysed between capital and interest. The interest element is charged to the profit or loss over the period of the lease and is calculated so that it represents a constant proportion of the lease liability. The capital element reduces the balance owed to the lessor.

The total rentals payable under the operating leases are recognised in the profit or loss on a straight-line basis over the lease term. Lease incentives received are recognised as an integrated part of the total rental expense, over the term of the lease.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Financial Instruments

(i) Financial assets

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

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place. Financial assets with embedded derivatives are considered in their entirely when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. The Group classifies its financial assets at amortised cost as explain below:

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

The Group did not have any financial assets under equity instruments.

(ii) Impairment loss on financial assets

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Financial Instruments (Continued)

(ii) Impairment loss on financial assets (Continued)

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

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

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

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

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

(iii) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred, including financial liabilities at amortised costs. Financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at amortised cost

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

(iv) Effective interest method

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Financial Instruments (Continued)

(v) Equity instruments

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

The Hong Kong Companies Ordinance, Cap. 622, came into operation on 3 March 2014. Under the Ordinance shares of the Company do not have a nominal value. Consideration received or receivable for the issue of shares on or after 3 March 2014 is credited to share capital.

(vi) Derecognition

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

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

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

(f) Employee benefits

(i) Short term employee benefit

Short term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. Short term employee benefits are recognised in the year when the employees render the related service.

(ii) Defined contribution retirement plan

Contributions to defined contribution retirement plans are recognised as an expense in profit or loss when the services are rendered by the employees.

(iii) Termination benefits

Termination benefits are recognised on the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Cash and cash equivalents

Cash and cash equivalents, including cash and bank balances, comprise cash on hand and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. For the purpose of the consolidated statement of cash flows, cash and cash equivalents include bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

(h) Revenue recognition

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

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

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

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

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amounts receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. For contracts where the period between the payment and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

As the delayed payment terms in respect of retention receivables are for reasons other than to provide financing to the customers, which is security given to the customer (i.e. the contractor) in case that the Group fails to adequately complete some or all of its obligations under the contract, there are no significant financing component identified.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Revenue recognition (Continued)

a. Provision of construction services

The Group provides construction services based on contracts entered into with customers. Such contracts are entered into before the services begin. Based on the terms of the contracts and the specific facts and circumstances, the Group recognises revenue from provision of construction service over time as the Group believes that the construction services performed by the Group creates or enhances the assets that the customers control as the assets is created or enhanced. Revenue from provision of construction services is recognised over time using output method, i.e. based on surveys of work completed by the Group to date, with the agreement from the customer evidenced through the progress certificate. The directors of the Company consider that output method would faithfully depict the Group's performance towards complete satisfaction of these performance obligations in transferring construction services promised to a customer under HKFRS 15 Revenue from Contracts with Customers.

For contracts that contain variable consideration, the Group estimate the amount of consideration to which it will be entitled using either (a) the expected value method or (b) the most likely amount, depending on which method better predicts the amount of consideration to which the Group will be entitled.

The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty associated with the variable consideration is subsequently resolved.

For the loss making contracts, when it is probables that contract cost will exceed total contract revenue, the expected loss is recognised as an expense immediately.

At the end of each reporting period, the Group updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of each reporting period and the change in circumstance during the reporting period.

b. Other income

Interest income is accrued on a time basis on the principal outstanding at the applicable interest rate.

Contract assets and liabilities

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

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

Contract assets are recognised when (i) the Group completes the construction services under such services contracts but yet certified by architects, surveyors or other representatives appointed by customers, or (ii) the customers retain retention money to secure the due performance of the contracts. Any amount previously recognised as a contract assets are reclassified to trade receivables at the point at which it is invoiced to the customer. If the considerations (including advances received from customers) exceeds the revenue recognised to date under the output method then the Group recognises a contract liability for the difference.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Revenue recognition (Continued)

Contract costs

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

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

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

c) the costs are expected to be recovered.

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

(i) Income taxes

Income taxes for the year comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of each reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates expected to apply in the period when the liability is settled or the asset is realised based on tax rates that have been enacted or substantively enacted at the end of each reporting period.

Deferred tax liabilities are recognised for taxable temporary differences arising on property, plant and equipment, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Income taxes are recognised in profit or loss except when they relate to items directly recognised in other comprehensive income in which case the taxes are also directly recognised in other comprehensive income.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Provisions and contingent liabilities

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

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(k) Impairment of non-financial assets

At the end of each reporting period, the Group reviews the carrying amounts of property, plant and equipment and right-of-use assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased.

If the recoverable amount (i.e. the greater of the fair value less costs of disposal and value in use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods. A reversal of an impairment loss is recognised as income immediately.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Related parties

(a) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of key management personnel of the Group or the Company's parent.

(b) An entity is related to the Group if any of the following conditions apply:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Capitalisation of borrowing costs

Borrowing costs attributable directly to the acquisition, construction or production of qualifying assets which require a substantial period of time to be ready for their intended use or sale, are capitalised as part of the cost of those assets.

Income earned on temporary investments of specific borrowing pending their expenditure on those assets is deducted from borrowing costs capitalised. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(n) Segment information

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors for their decisions about resources allocation to the Group's business components and for their review the performance of those components. The business components in the internal financial information reported to the executive directors are determined following the Group's major operations.

The measurement policies the Group uses for reporting segment results under HKFRS 8 "Operating Segment" are the same as those used in its consolidated financial statements prepared under HKFRS 8.

5. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

(a) Critical judgments in applying accounting policies

(i) Lease term and discount rate determination

In determining the lease term, management considers all relevant facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). Potential future cash outflows have not been included in the lease liability because it is not reasonably certain that the leases will be extended (or not terminated). The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

5. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

(a) Critical judgments in applying accounting policies (Continued)

(ii) Income taxes

Determining income tax provisions requires the Group to make judgement on the future tax treatment of certain transactions. The Group carefully evaluates tax implications of transactions in accordance with prevailing tax regulations and makes tax provisions accordingly. In addition, deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised. This requires significant judgement on the tax treatments of certain transactions and also assessment on the probability that adequate future taxable profits will be available for the deferred tax assets to be recovered.

(b) Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

(i) Provision of construction services

The determination of the progress of the construction services involves judgements and the Group recognises revenue based on survey of work performed which reflect the progress towards complete satisfaction of the performance obligation. The customers will provide final statement when the whole project is completed and may have adjustments on accumulated confirmation according to the actual construction services till the day of completion. In addition, when determining the transaction price, the Group considers factors such as whether there is any financing component. The Group considers whether the payment schedule is commensurate with the Group's performance and whether the delayed payment is for finance purposes. As the delayed payment terms in respect of retention receivables are for reasons other than to provide financing to the customers, which is security given to the customer (i.e. the contractor) in case that the Group fails to adequately complete some or all of its obligations under the contract, there are no significant financing component identified.

The Group defines the confirmed and unpriced VOs as variable consideration. These VOs were highly inter-related and regard as modification contract to former contracts and made cumulative catch-up adjustment on such. The Group estimates the amount of consideration to which it will be entitled using either (a) the expected value method or (b) the most likely amount, depending on which method better predicts the amount of consideration to which the Group will be entitled. The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty associated with the variable consideration is subsequently resolved and only record these approved VOs when the Group agreed and received interim payment from the customers.

5. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

(b) Estimates and assumptions (Continued)

(ii) Impairment of non-financial assets (other than financial assets)

The Group assesses at the end of each of the reporting period whether there is an indication that an asset may be impaired. If any such indication exists, the Group makes an estimate of the recoverable amount of the asset. This requires an estimation of the value-in-use of the cash-generating unit ("CGU") to which the asset is allocated. Estimating the value-in-use requires the Group to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows. A change in the estimated future cash flows and/or the discount rate applied will result in an adjustment to the estimated impairment provision previously made.

(iii) Estimated useful lives of property, plant and equipment

In determining the useful lives of property, plant and equipment, the Group has to consider various factors, such as expected usage of the asset, expected physical wear and tear, the care and maintenance of the asset, and legal or similar limits on the use of the asset. The estimation of the useful life of the asset is made based on the experience of the Group with similar assets that are used in a similar way. Depreciation charge is revised if the estimated useful lives of items of property, plant and equipment are different from the previous estimation. Estimated useful lives are reviewed, at the end of each of the reporting periods, based on changes in circumstances.

6. SEGMENT INFORMATION

(a) Operating segments

The Group was principally engaged in the provision of underground construction services in Hong Kong. Information reported to the Group's chief operating decision maker, for the purpose of resources allocation and performance assessment, focuses on the operating results of the Group as a whole, as the Group's resources are integrated and no discrete operating segment financial information is available. Accordingly, no operating segment information is presented.

On 11 December 2019, the Group entered into an agreement with an independent third party to acquire a short film and a feature-length motion picture. Details referred to note 36 to the consolidated financial statements. The Group has the intention to form a working team and to further develop the short film to a feature-length motion picture.

(b) Geographical information

All of the Group's revenue was derived from Hong Kong, based on the location of the customers, and all of its non-current assets were located in Hong Kong, based on the location of assets. Therefore, no geographical information is presented.

6. SEGMENT INFORMATION (CONTINUED)

(c) Information about major customers

Since 1 January 2019, the Group has adopted a new basis for its customers classification for the main contractors in joint ventures. The information about major customers during the year ended 31 December 2019 are presented based on such classification. Under the new classification, the revenue contributed by a joint venture customer will be considered as equally contributed by each participant of such joint venture. The directors of the Company consider that such classification is more accurate in describing and reflecting the composition of the contracting joint venture and gives a more comprehensive presentation and assessment of the credit risk of each participant in the joint venture.

Revenue attributed from customers that accounted for 10% or more of the Group's total revenue during the year is as follows:

	2019 **HK$'000**	2018 HK$'000
Customer B	**24,376**	34,807
Customer C	**9,614**	38,020
Customer L	**9,058**	38,550
Customer V	**8,823**	N/A
Customer K	**N/A**	16,622

N/A: The relevant revenue for the years ended 31 December 2019 and 2018, did not exceed 10% of the Group's revenue.

7. REVENUE

The Group's revenue represents amount received and receivable from contract work performed and is recognised over time in accordance with accounting policy set out in Note 4(h)(a) above.

	2019 **HK$'000**	2018 HK$'000
Public tunnel projects	**29,035**	61,075
Public utilities construction services and other projects	**41,420**	78,896
Private projects	**10,338**	660
	80,793	140,631

7. REVENUE (CONTINUED)

The following table provides information about trade receivables and contract assets from contracts with customers.

	2019 HK$'000	2018 HK$'000
Trade receivables (Note 18(a))	**22,597**	19,454
Contract assets (Note 17)	**15,270**	25,395

The contract assets primarily relate to the Group's rights to consideration for work completed but not billed at the reporting date on revenue related to the provisions of public and private construction. The contract assets are transferred to receivables when the rights become unconditional. This usually occurs when the Group provides the invoice to the customer.

As at 31 December 2019, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts is approximately HK$283,179,000 (2018: HK$52,683,000). This amount represents revenue expected to be recognised in the future from partially-completed long-term construction contracts. The Group will recognise the expected revenue in future when or as the work is completed, which is expected to occur in the next 1 to 2 years (2018: 1 to 2 years).

The Group has applied the practical expedient to its contracts for construction services and therefore the above information does not include information about revenue that the Group will be entitled to when it satisfies the remaining performance obligations under the contracts for construction services that had an original expected duration of one year or less.

8. OTHER INCOME

	2019 HK$'000	2018 HK$'000
Bank interest income	**72**	27
Reimbursement from a main contractor	**354**	–
Gain on disposal of property, plant and equipments	**28**	–
Mandatory Provident Fund refund	**158**	–
Sundry income	**357**	105
	969	132

9. LOSS BEFORE INCOME TAX

Loss before income tax is arrived after charging/(crediting):

	2019 **HK$'000**	2018 HK$'000
Auditor's remuneration	**700**	730
(Gain)/loss on disposal of property, plant and equipment	**(28)**	33
Impairment loss on trade receivables	**82**	441
Impairment loss on contract assets	**11**	75
Cost of services		
– Sub-contracting fees	**11,679**	17,698
– Construction materials and supplies	**23,745**	37,694
Depreciation charge		
– Owned property, plant and equipment	**4,604**	4,534
– Right-of-use-assets included within		
– Leased building	**1,897**	–
– Office equipments	**17**	–
– Motor vehicles	**417**	–
Lease payments not included in the measurement of lease liabilities		
– Buildings	**1,230**	2,346
Employee benefit expenses (Note 10)	**49,661**	71,385

10. EMPLOYEE BENEFIT EXPENSES, INCLUDING DIRECTORS' REMUNERATION

	2019 HK$'000	2018 HK$'000
Wages, salaries and other benefits:		
– Administrative expenses	**10,149**	11,008
– Cost of services	**37,822**	57,590
	47,971	68,598
Post-employment benefits - defined contribution retirement plan contributions:		
– Administrative expenses	**332**	371
– Cost of services	**1,358**	2,416
	1,690	2,787
	49,661	71,385

11. FINANCE COSTS

	2019 HK$'000	2018 HK$'000
Interest on finance leases	**–**	46
Interest on bank borrowing, secured	**–**	20
Interest on revolving loan	**–**	23
Interest on lease liabilities	**127**	–
	127	89

12. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUAL

(i) Directors' remuneration

Directors' remuneration for the year are as follows:

	Fees HK$'000	Salaries and benefits HK$'000	Pension scheme contributions HK$'000	Total HK$'000
Year ended 31 December 2019				
Executive directors:				
Mr. Chuang Wei Chu	**240**	**819**	**–**	**1,059**
Mr. Chuang Chun Ngok Boris	**240**	**1,365**	**30**	**1,635**
	480	**2,184**	**30**	**2,694**
Year ended 31 December 2019				
Independent non-executive directors:				
Mr. Lam Man Bun Alan	**240**	**–**	**–**	**240**
Mr. Lau Chun Fai Douglas	**240**	**–**	**–**	**240**
Ir Ng Wai Ming Patrick	**240**	**–**	**–**	**240**
	720	**–**	**–**	**720**
Total	**1,200**	**2,184**	**30**	**3,414**
Year ended 31 December 2018				
Executive directors:				
Mr. Chuang Wei Chu	240	780	–	1,020
Mr. Chuang Chun Ngok Boris	240	1,300	30	1,570
	480	2,080	30	2,590
Year ended 31 December 2018				
Independent non-executive directors:				
Mr. Lam Man Bun Alan	240	–	–	240
Mr. Lau Chun Fai Douglas	240	–	–	240
Ir Ng Wai Ming Patrick	240	–	–	240
	720	–	–	720
Total	1,200	2,080	30	3,310

12. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUAL (CONTINUED)

(i) Directors' remuneration (Continued)

Note:

During the current and prior years, none of the directors waived or agreed to waive any remuneration and there were no emoluments paid by the Group to any of the directors as an inducement to join, or upon joining the Group, or as compensation for loss of office. The executive directors' emoluments shown above were mainly for their services in connection with the management of the affairs of the Company and the Group. The independent non-executive directors' emoluments shown above were mainly for their services as directors of the Company.

(ii) Five highest paid individuals

The five highest paid individuals whose emoluments were the highest in the Group included 2 executive directors of the Company for the year ended 31 December 2019 (2018: 2), whose emoluments are reflected in the analysis as shown above. The remuneration of the remaining highest paid individuals is as follows:

	2019 HK$'000	2018 HK$'000
Salaries and allowances	**2,734**	2,102
Pension scheme contributions – defined contribution plans	**54**	54
	2,788	2,156

Their remuneration fell within the following bands:

	2019 Number of employees	2018 Number of employees
Nil to HK$1,000,000	**2**	3
HK$1,000,001 to HK$1,500,000	**1**	–

During the current and prior years, none of the five highest paid individuals waived or agreed to waive any remuneration and there were no emoluments paid by the Group to any of the five highest paid individuals as an inducement to join, or upon joining the Group, or as compensation for loss of office.

12. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUAL (CONTINUED)

(iii) Senior management's emoluments

The emoluments paid or payable to a member of senior management, who is also the five highest paid employees, were within the following bands:

	Number of employees	
	2019	2018
Nil to HK$1,000,000	**1**	1

13. INCOME TAX

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

	2019	2018
	HK$'000	HK$'000
Current tax – Hong Kong profits tax		
– charge for the year	**–**	289
Deferred tax (Note 24)	**(265)**	(1,230)
Income tax	**(265)**	(941)

Hong Kong profits tax is calculated at 16.5% of the estimated assessable profits for the year ended 31 December 2019. According to the Inland Revenue (Amendment) Bill 2017 (the "Bill") which was substantively enacted after passing its Third Reading in the Legislative Council on 28 March 2018, the two-tiered profits tax regime (the "Regime") is first effective for the year of assessment 2018/19. Profits tax rate for the first HK$2 million of assessable profits of corporations is lowered to 8.25% with the excess assessable profits continue to be taxed at 16.5%. No nominated entity of a group of connected entities is entitled to the Regime as no such entity generated assessable profit for the year ended 31 December 2019.

13. INCOME TAX (CONTINUED)

The income tax for the year can be reconciled to the loss before income tax per the consolidated statement of comprehensive income as follows:

	2019 **HK$'000**	2018 HK$'000
Loss before income tax	**(28,486)**	(10,800)
Tax calculated at the applicable statutory tax rate of 16.5%	**(4,700)**	(1,782)
Tax effect of non-deductible expenses	**503**	842
Tax effect of non-taxable income for tax purpose	**(11)**	(1)
Tax effect of tax loss not recognised	**3,943**	–
Income tax at the effective tax rate	**(265)**	(941)

14. DIVIDEND

The Directors do not recommend the payment of any dividend in respect of the years ended 31 December 2018 and 2019.

15. LOSS PER SHARE

The calculation of the basic loss per share attributable to the ordinary equity holders of the Company is based on the following data:

	2019	2018
	HK$'000	HK$'000
Loss:		
Loss for the purpose of basic loss per share	**(28,217)**	(9,859)
	Number of shares '000	Number of shares '000
Weighted average number of ordinary shares for the purpose of basic loss per share	**490,211**	499,887

Note:

The weighted average number of ordinary shares during the year ended 31 December 2019 was calculated as 490,211,000 based on the repurchase of shares. The diluted loss per share was same as basic loss per share as there was no potential share outstanding for each of the years 31 December 2019 and 2018.

16. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK$'000	Furniture and fixtures HK$'000	Office equipment HK$'000	Plant and machinery HK$'000	Motor vehicles HK$'000	Leased building HK$'000	Total HK$'000
Cost							
At 1 January 2018	34	168	512	14,755	1,404	–	16,873
Additions	–	4	97	1,967	1,141	–	3,209
Disposals	–	–	–	–	(189)	–	(189)
At 31 December 2018 as originally presented	34	172	609	16,722	2,356	–	19,893
Initial application of HKFRS 16	–	–	–	–	–	421	421
Restated balance as at 1 January 2019	34	172	609	16,722	2,356	421	20,314
Additions	–	–	143	2,965	120	2,756	5,984
Disposals	–	–	–	(776)	(40)	–	(816)
Written off	–	–	(93)	(1,456)	–	–	(1,549)
At 31 December 2019	34	172	659	17,455	2,436	3,177	23,933
Aggregate depreciation							
As at 1 January 2018	4	29	134	6,937	619	–	7,723
Charge for the year	7	33	108	3,891	495	–	4,534
Written back	–	–	–	–	(116)	–	(116)
At 31 December 2018 as originally presented	11	62	242	10,828	998	–	12,141
Initial application of HKFRS 16	–	–	–	–	–	–	–
At 1 January 2019	11	62	242	10,828	998	–	12,141
Charge for the year	7	33	131	4,270	597	1,897	6,935
Disposal	–	–	–	(775)	(22)	–	(797)
Written-off	–	–	(93)	(1,456)	–	–	(1,549)
At 31 December 2019	18	95	280	12,867	1,573	1,897	16,730
Net carrying amount							
At 31 December 2019	16	77	379	4,588	863	1,280	7,203
At 31 December 2018	23	110	367	5,894	1,358	–	7,752

16. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Right-of-Use assets	**Leased building HK$'000**	**Office equipment HK$'000**	**Motor Vehicles HK$'000**	**Total HK$'000**
At 1 January 2019 after application of HKFRS 16	421	8	824	1,253
Additions	2,756	73	–	2,829
Amortisation	(1,897)	(17)	(417)	(2,331)
At 31 December 2019	1,280	64	407	1,751

In 2018, the net carrying amount of property, plant and equipment includes the following amounts in respect of assets held under finance leases (see note 23).

	2018 HK$'000
Office equipment	7
Motor vehicles	971
	978

17. CONTRACT ASSETS

	2019 HK$'000	2018 HK$'000
Contract assets arising from:		
Construction services		
– Reclassified from amount due from customer for contract work	**–**	546
– Unbilled revenue recognised during the year	**–**	452
– Retention receivables from contracts with customers within the scope of HKFRS 15	**15,356**	24,472
Less: Impairment	**(86)**	(75)
	15,270	25,395

17. CONTRACT ASSETS (CONTINUED)

Construction services

The Group's contract assets from construction services represent the Group's right to consideration for construction works completed but not yet billed to customers, or not yet become unconditional, at the reporting date. The contract assets are transferred to trade receivables when the rights become unconditional, that is when the Group issue progress billings to customer based on the progress certificate agreed with customer or when the retention receivable become unconditional. All contract assets are expected to be recovered/settled within one to two years. As at 31 December 2019, the decrease in contract assets was resulted from the decrease in the provision of construction works at the end of the year.

As at 31 December 2019, contract assets include retention receivables held by customers for construction works amount to approximately HK$15,270,000 (2018: HK$24,397,000). The Group typically agrees a 1-2 years retention period for 5% of the contract sum, which is kept in contract assets until the end of the retention period as the Group's entitlement to it is conditional on the Group's work satisfactory passing inspection.

The expected timing of recovery or settlement for contract assets is as follows:

	2019 **HK$'000**	2018 HK$'000
Within one year	**15,216**	22,973
More than one year and less than two years	**54**	2,422
Total contract assets	**15,270**	25,395

An impairment analysis is performed at each reporting date using a provision matrix to measure ECLs. The provision rates for the measurement of the ECLs of the contract assets are based on those of the trade receivables as the contract assets and the trade receivables are from the same customer bases. The provision rates of contract assets are based on days past due of trade receivables appropriately grouped by similar loss pattern, i.e. under "current – not yet due". The calculation reflects the probability weighted outcome, the time value of money, and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecast of future economic conditions.

17. CONTRACT ASSETS (CONTINUED)

Construction services (Continued)

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

	2019 HK$000	2018 HK$'000
At beginning of year	**75**	–
Impairment loss recognised during the year	**314**	75
Amount written off during the year	**(303)**	–
	11	75
At end of year	**86**	75

At 31 December	**2019 %**	2018 %
Expected credit losses rate	**0.6**	0.3

	HK$000	HK$'000
Gross carrying amount	**15,270**	25,395
Expected credit losses	**86**	75

18. TRADE AND OTHER RECEIVABLES

	2019 HK$'000	2018 HK$'000
Trade receivables (Note (a))	**22,907**	19,682
Less: Impairment loss	**(310)**	(228)
	22,597	19,454
Prepayments, deposits and other receivables (Note (b))	**7,260**	6,168
	29,857	25,622

18. TRADE AND OTHER RECEIVABLES (CONTINUED)

Notes:

(a) Trade receivables were mainly derived from the provision of underground construction services and non-interest bearing. The Group does not hold any collateral or other credit enhancements over these balances. The credit period granted by the Group to its customers is generally 21 to 60 days.

The following is an analysis of trade receivables by age, presented based on the invoice dates:

	2019	2018
	HK$'000	HK$'000
Less than 1 month	**11,195**	15,204
1 to 3 months	**10,514**	3,276
More than 3 months but less than one year	**888**	–
More than one year	**–**	974
	22,597	19,454

The ageing of trade receivables that are not individually nor collectively considered to be impaired is as follows:

	2019	2018
	HK$'000	HK$'000
Neither past due nor impaired	**19,366**	17,366
Less than 1 month past due	**2,343**	1,114
1 to 3 months past due	**888**	–
More than 3 months past due but less than 1 year past due	**–**	–
More than 1 year past due	**–**	974
	22,597	19,454

Trade receivables that were neither past due nor impaired relate to customers for whom there is no recent history of default.

Trade receivables that were past due but not impaired relate to customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that balances are not credit impaired, as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

18. TRADE AND OTHER RECEIVABLES (CONTINUED)

Notes: (Continued)

(a) Movement in provision for impairment of trade receivables is as follows:

	2019 HK$'000	2018 HK$'000
Balance at 1 January	**228**	–
Impairment loss recognised during the year	**197**	441
Amounts written off during the year	**(115)**	(213)
Balance at 31 December	**310**	228

(b) As at 31 December 2019, the prepayments, deposits and other receivables mainly comprised (i) surety bond deposit of approximately HK$4,260,000 (2018: HK$560,000); (ii) deposit to subcontractors of approximately HK$730,000 (2018: nil); (iii) rental deposit of office of approximately HK$384,000 (2018: HK$380,000); (iv) other receivables of staff advance of approximately HK$268,000 (2018:HK$171,000); (v) rental deposit of machineries and equipment of approximately HK$39,000 (2018: HK$1,539,000); (vi) other receivables of security account for share buyback of approximately HK$3,000 (2018: HK$194,000); (vii) cost of services prepayment of approximately HK$280,000 (2018: HK$319,000). Prepayments, deposits and other receivables as at 31 December 2019 and 2018 were neither past due nor impaired. Financial assets included in these balances are non-interest bearing and relate to receivables for which there was no recent history of default.

19. AMOUNT DUE FROM A MINORITY SHAREHOLDER OF A SUBSIDIARY

The balance due were unsecured, non-interest bearing and repayable on demand.

20. CASH AND CASH EQUIVALENTS AND PLEDGED BANK DEPOSITS

	2019 HK$'000	2018 HK$'000
Cash and bank balances	**17,375**	20,089
Pledged short term deposits	**–**	8,097
	17,735	28,186
Less: pledged bank deposits	**–**	(8,097)
Cash and cash equivalents	**17,375**	20,089

Cash and cash equivalents of the Group represent cash at banks and in hand.

The Group has no pledged item for its banking facilities (see note 22 for further details).

The effective interest rate of pledged bank deposits was nil (2018: 1.05%) per annum as at 31 December 2019.

21. TRADE AND OTHER PAYABLES

	2019 **HK$'000**	2018 HK$'000
Trade payables (Note (a))	**2,179**	1,439
Other payables and accruals (Note (b))	**11,106**	4,708
	13,285	6,147

Notes:

(a) An ageing analysis of trade payables as at the end of the reporting period, based on the invoice dates, is as follows:

	2019 **HK$'000**	2018 HK$'000
Current or less than 1 month	**1,097**	617
1 to 3 months	**803**	754
More than 3 months but less than one year	**261**	68
More than one year	**18**	–
	2,179	1,439

The Group's trade payables are non-interest bearing and generally have payment terms of 0 to 30 days.

(b) As at 31 December 2019, other payables and accruals mainly comprised (i) accrued expenses for subcontractor of approximately HK$4,417,000 (2018: HK$13,000) and (ii) accrued salary and wages of approximately HK$5,314,000 (2018: HK$3,224,000). The balance of other payables and accruals are non-interest bearing and have average payment terms of one to three months.

22. BANK BORROWING

	2019 HK$'000	2018 HK$'000
Bank borrowing	**3,000**	–

The Group has a bank facility of a revolving term loan bears an interest at 1.25% per annum below Prime Rate for the year ended 31 December 2019. Such bank facility is fully utilised as at 31 December 2019 and fully settled on 30 January 2020.

As at 31 December, total current and non-current bank loans and overdraft were scheduled to repay as follows:

	2019 HK$'000	2018 HK$'000
On demand or within one year	**3,000**	–
More than one year, but not exceeding two years	**–**	–
More than two years, but not exceeding five years	**–**	–
After five years	**–**	–
	3,000	–

Note: The amounts due are based on the scheduled repayment dates in the loan agreements and ignore the effect of any repayment on demand clause.

23. LEASES

HKFRS 16 was adopted 1 January 2019 without restatement of comparative figures. For an explanation of the transitional requirements that were applied as at 1 January 2019, see Note 2(a). The accounting policies applied subsequent to the date of initial application, 1 January 2019, are disclosed in note 4(d)(A).

Nature of leasing activities (in the capacity as lessee)

The Group leases a number of properties in the jurisdictions from which it operates. In some jurisdictions it is customary for lease contracts to provide for payments to increase each year by inflation or/and in others to be reset periodically to market rental rates. In some jurisdictions' property leases, the periodic rent is fixed over the lease term.

The values in the table below reflect the current proportions of lease payments that are either fixed or variable. The sensitivity reflects the impact on the carrying amount of lease liabilities and right-of-use assets if there was an uplift of 5% on the balance sheet date to key variables which affect the lease payments.

23. LEASES (CONTINUED)

Nature of leasing activities (in the capacity as lessee) (Continued)

The carrying amounts of the Group's lease liabilities, and the movement during the year are as follows:

	Leased buildings HK$'000	Office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
At 1 January 2019	421	7	971	1,399
Additions	2,756	73	–	2,829
Lease payments	(1,986)	(14)	(303)	(2,303)
Interest expenses (Note 11)	88	1	38	127
As at 31 December 2019	1,279	67	706	2,052
Current portion	1,279	14	233	1,526
Non-Current portion	–	53	473	526
As at 31 December 2019	1,279	67	706	2,052

Lease liabilities

Future lease payments are due as follows:

	Minimum lease payments as at 31 December 2019 HK$	Interest as at 31 December 2019 HK$	Present value as at 31 December 2019 HK$
Not later than one year	**1,578**	**(52)**	**1,526**
Later than one year and not later than two years	**260**	**(20)**	**240**
Later than two years and not later than five years	**291**	**(5)**	**286**
	2,129	**(77)**	**2,052**

23. LEASES (CONTINUED)

Lease liabilities (Continued)

	Minimum lease payments as at 1 January 2019 (note) HK$'000	Interest as at 1 January 2019 (note) HK$'000	Present value as at 1 January 2019 (note) HK$'000
Not later than one year	688	(47)	641
Later than one year and not later than two years	321	(26)	295
Later than two years and not later than five years	486	(23)	463
	1,495	(96)	1,399

	Minimum lease payments as at 31 December 2018 (Note) HK$'000	Interest as at 31 December 2018 (Note) HK$'000	Present value as at 31 December 2018 (Note) HK$'000
Not later than one year	311	(38)	273
Later than one year and not later than two years	258	(26)	232
Later than two years and not later than five years	496	(23)	473
	1,065	(87)	978

Note:

The Group has initially applied HKFRS 16 using the cumulative effect approach and adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under HKAS 17. These liabilities have been aggregated with the brought forward balances relating to leases previously classified as finance leases. Comparative information as at 31 December 2018 has not been restated and relates solely to leases previously classified as obligations under finance leases. See note 2(a) for further details about transition.

23. LEASES (CONTINUED)

Lease liabilities (Continued)

The present value of future lease payments are analysed as:

	2019 HK$'000	2018 HK$'000
Current liabilities	**1,526**	273
Non-current liabilities	**526**	705
	2,052	978

Operating leases – lessee

The Group leased its office, warehouse for storing machineries and staff quarters under operating leases. The leases run for an initial period of one to two years. None of these leases include any contingent rentals.

The total future minimum lease payments under non-cancellable operating leases are due as follows:

	2018 HK$'000
Not later than one year	833
Later than one year and not later than five years	63
	896

24. DEFERRED TAX ASSETS

Details of the deferred tax assets recognised and movements during the current and prior years are as follows:

	Accelerated tax depreciation HK$'000	**Tax Losses** HK$'000	**Total** HK$'000
At 1 January 2018	922	–	922
Credited to profit for the year (Note 13)	(203)	(1,027)	(1,230)
At 31 December 2018 and 1 January 2019	719	(1,027)	(308)
Credited to profit for the year (Note 13)	(265)	–	(265)
At 31 December 2019	454	(1,027)	(573)

Note: The Group has accumulated tax losses arising in Hong Kong of approximately HK$23,899,000 as at the year ended 31 December 2019. Deferred tax assets have not been recognised in respect of this loss as it is not probable that sufficient taxable profits will be available to allow all or part of the deferred tax assets to be utilised. The tax loss can be carried forward in Hong Kong indefinitely. In the opinion of the directors of the Group, there are no other deferred tax assets which will have a significant impact to the Group.

25. SHARE CAPITAL

	The Company	
	Number of shares	**Amount HK'000**
Authorised:		
Ordinary share of HK$0.01 each		
As at 31 December 2018, 1 January 2019 and 31 December 2019	2,000,000,000	20,000
Issued and fully paid		
Ordinary share of HK$0.01 each		
As at 1 January 2018	500,000,000	5,000
Share repurchased and cancelled (Note a)	(1,768,000)	(18)
As at 31 December 2018 and 1 January 2019	498,232,000	4,982
Share repurchased and cancelled (Note b)	(10,424,000)	(104)
As at 31 December 2019	487,808,000	4,878

25. SHARE CAPITAL (CONTINUED)

Notes:

(a) Particulars of the share repurchase and cancellation of ordinary shares during the year ended 31 December 2018 are as follows:

2018 **Month of repurchase**	**Number of shares repurchased**	**Highest price paid per share HK$**	**Lowest price paid per share HK$**	**Aggregate price paid HK$**
November 2018	236,000	0.118	0.100	25,760
December 2018	1,532,000	0.148	0.134	224,788
	1,768,000			250,548

Out of 2,136,000 ordinary shares of the Company repurchased on the Stock Exchange (the "Share Repurchase") during the year ended 31 December 2018, 1,768,000 ordinary shares were cancelled during the year ended 31 December 2018 while the remaining 368,000 ordinary shares were cancelled in January 2019.

(b) Particulars of the share repurchase and cancellation of shares during the year ended 31 December 2019 are as follows:

2019 **Month of repurchase**	**Number of shares repurchased**	**Highest price paid per share HK$**	**Lowest price paid per share HK$**	**Aggregate price paid HK$**
January 2019	4,804,000	0.149	0.139	687,480
May 2019	2,800,000	0.139	0.121	378,000
June 2019	1,752,000	0.174	0.141	274,952
July 2019	700,000	0.190	0.188	132,200
	10,056,000			1,472,632

During the period from 20 December 2018 to 31 December 2018, 368,000 ordinary shares of the Company were repurchased at an aggregate cost of approximately HK$51,000. Subsequently, the repurchased shares during such period were cancelled on 30 January 2019, and accordingly, the Company's share capital and share premium were reduced by approximately HK$3,000 and approximately HK$48,000 respectively.

26. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	**2019** **HK$'000**	2018 HK$'000
Non-current assets			
Investments in subsidiaries		**38,294**	37,904
Amounts due from subsidiaries		**28,595**	27,401
		66,889	65,305
Current assets			
Prepayments and deposits		**280**	654
Cash and cash equivalents		**5,673**	10,716
		5,953	11,370
Current liabilities			
Accruals and other payables		**1,030**	943
Amount due to a subsidiary		**389**	–
		1,419	943
Net current assets		**4,543**	10,427
NET ASSETS		**71,423**	75,732
EQUITY			
Share capital	25	**4,878**	4,982
Reserves	27	**66,545**	70,750
TOTAL EQUITY		**71,423**	75,732

On behalf of the Board

Chuang Chun Ngok Boris
Director

Chuang Wei Chu
Director

27. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity of the financial statements. Movements in the Company's reserves during the current and prior years are as follows:

	Share premium (Note (a)) HK$'000	Accumulated losses (Note (c)) HK$'000	Share repurchase reserve (Note (e)) HK$'000	Total HK$'000
At 1 January 2018	92,406	(18,549)	–	73,857
Shares repurchased and cancelled (Note 25(a))	(233)	–	–	(233)
Shares repurchased and yet to be cancelled (Note 25(a))	–	–	(51)	(51)
Final and special dividend paid	–	(6,000)	–	(6,000)
Profit for the year	–	3,177	–	3,177
At 31 December 2018 and 1 January 2019	92,173	(21,372)	(51)	70,750
Shares repurchased and shares cancelled (Note 25(b))	(1,420)	–	51	(1,369)
Loss for the year	–	(2,836)	–	(2,836)
At 31 December 2019	**90,753**	**(24,208)**	**–**	**66,545**

The nature and purpose of reserves within equity are as follows:

(a) Share premium

Under the Companies Law (as revised) of the Cayman Islands, the share premium account of the Company is distributable to its shareholders, provided that immediately following the date on which the dividend is proposed to be paid, the Company shall be pay its debts as the fall due in the ordinary of business.

(b) Other reserve

The other reserve of the Group represents the difference between the total equity of those subsidiaries and the aggregated share capital of the relevant subsidiaries pursuant to the group reorganisation where the transfer of the relevant subsidiaries to the Company are satisfied by issue of new shares from the Company.

(c) Accumulated losses/retained earnings

The amount represents cumulative net gains and losses recognised in profit or loss.

(d) Capital reserve

The amount represents capital contribution from equity holders.

(e) Share repurchase reserve

The treasury share reserve represents the share repurchased but not yet cancelled during the year ended 31 December 2018. Own equity instruments which are reacquired and held by the Company or the Group are recognised directly inequity at cost. No gain or loss is recognised in profit or loss on the purchase and cancellation on the Company's or the Group's own equity instruments.

28. PARTICULARS OF SUBSIDIARIES

The particulars of the Company's subsidiaries as at 31 December 2019 are set out as follows:

Name of entity	Place and date of incorporation and form of business structure	Percentage of equity attributable to the Company		Issued and fully paid ordinary share capital or registered capital	Principal activities and principal place of business
		Direct	Indirect		
GME International Limited ("GMEBVI")	The British Virgin Islands, 23 February 2016, limited liability company	100%	–	1 ordinary share of HK$1	Investment holding, Hong Kong
Good Mind Engineering Limited ("GMEHK")	Hong Kong, 22 March 1994, limited liability company	–	100%	1,800,000 ordinary shares of HK$1,800,000	Provision of underground construction services, Hong Kong
Jade Phoenix Enterprises Limited ("JP")	The British Virgin Islands, 10 October 2019, limited liability company	100%	–	50,000 ordinary shares of US$1 each	Film production, Hong Kong
GMS Construction Limited ("GMS")	Hong Kong, 16 October 2019, limited liability company	–	60%	1,000,000 ordinary share of HK$1	Inactive, Hong Kong

29. CONTINGENT LIABILITIES

(a) Contingent liabilities in respect of legal claims

As at 31 December 2019, there were a number of labour claims lodged against the Group arising from the ordinary course of its civil engineering construction business. No specific claim amount has been specified in the applications of these claims. In the opinion of the directors of the Company, the outflow of resources required in settling these claims if any, was remote as these claims are usually covered by insurance maintained by relevant main contractors. Therefore, the ultimate liability under these claims would not have a material adverse impact on the financial position or performance of the Group and no provision for the contingent liabilities in respect of the litigations is necessary.

29. CONTINGENT LIABILITIES (CONTINUED)

(b) Guarantee issued

As at 31 December 2019, the Group provided guarantee to two (2018: one) insurance companies in respect of the following:

	2019 **HK$'000**	2018 HK$'000
Surety bond issued in favour of customers (Note)	**12,767**	5,647

Note:

As at 31 December 2019, surety bonds at amount of approximately HK$12,767,000 (2018: HK$5,647,000) was given by insurance companies in favour of the Group's customer as security for the due performance and observance of the Group's obligation under the subcontract entered into between the Group and its customers. If the Group fails to provide satisfactory performance to its customers to whom the surety bond has been given, the customer may demand the insurance companies to pay to them the sum or sums stipulated in such demand. The Group will then become liable to compensate the insurance companies accordingly. The surety bond will be released upon completion of the subcontract work for the customers.

The directors of the Company are of the opinion that the amount of HK$12,767,000 (2018: approximately HK$5,647,000) was the maximum exposure to the Group and it is not probable that insurance company would claim the Group for losses in respect of the guarantee contracts as it is unlikely that the Group is unable to fulfil the performance requirements of the relevant contract. Accordingly, no provision for the Group's obligations under the guarantees has been made as at 31 December 2019.

30. RELATED PARTY TRANSACTIONS

The Group did not have any related party transactions during the year ended 31 December 2019 (2018: Nil) except as disclosed below and elsewhere in the consolidated financial statements.

Key management personnel compensation

The key management personnel of the Group are the directors of the Company. Details of the remuneration paid to them during the current and prior years are set out in Note 12 to the consolidated financial statements.

31. FINANCIAL RISK MANAGEMENT

The Group's principal financial assets are trade and other receivables, and cash and bank balances that derive directly from its operations. Principal financial liabilities of the Group include trade and other payables, borrowings and lease liabilities. The main purpose of these financial liabilities is to finance the Group's operations.

The Group has not issued and does not hold any financial instruments for trading purposes at the end of the reporting period. The main risks arising from the Group's financial instruments are credit risk, liquidity risk and interest rate risk.

The Group's financial risk management policy seeks to ensure that adequate resources are available to manage the above risks and to create value for its shareholders.

(a) Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily for trade receivables and contract assets) and deposits with banks.

The credit risk of Group's trade receivables and contract assets are concentrated, since 71% of which was derived from five largest customers as at 31 December 2019 (2018: 78%).

The Group had a concentration of credit risk as certain of the Group's trade receivables and contract assets were due from the Group's largest customer and the five largest customers as detailed below.

	2019 **HK$'000**	2018 HK$'000
Largest customer	**14,060**	7,254
Five largest customers	**27,243**	35,357

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in Note 18(a).

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

31. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables and contract assets as at 31 December 2019 and 2018:

ECLs for trade receivables:	**Expected loss rate (%)**	**Gross carrying amount (HK$'000)**	**Loss allowance (HK$'000)**
31 December 2019			
Current (Not past due)	0.06	21,721	12
31-60 days past due	25.13	1,186	298
61-90 days past due	–	–	–
More than 90 days past due	–	–	–
		22,907	310

ECLs for trade receivables:	**Expected loss rate (%)**	**Gross carrying amount (HK$'000)**	**Loss allowance (HK$'000)**
31 December 2018			
Current (Not past due)	0.14	18,505	25
31-60 days past due	–	–	–
61-90 days past due	–	–	–
More than 90 days past due	17.25	1,177	203
		19,682	228

ECLs for contract assets:	**Expected loss rate (%)**	**Gross carrying amount (HK$'000)**	**Loss allowance (HK$'000)**
31 December 2019			
Current (not past due)	0.04	15,222	6
31-60 days past due	–	–	–
61-90 days past due	–	–	–
More than 90 days past due	59.70	134	80
		15,356	86

31. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

ECLs for contract assets:	Expected loss rate (%)	Gross carrying amount (HK$'000)	Loss allowance (HK$'000)
31 December 2018			
Current (not past due)	0.29	25,470	75
31-60 days past due	–	–	–
61-90 days past due	–	–	–
More than 90 days past due	–	–	–
		25,470	75

Expected loss rates are based on actual loss experience over the past 4 years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the group's view of economic conditions over the expected lives of the receivables.

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

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

31. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

Movement in the loss allowance account in respect of trade receivables and contract assets during the year is as follows:

	2019	2018
	HK$'000	HK$'000
Balance at 1 January	**303**	–
Impairment losses recognised during the year	**608**	516
Amounts written off during the year	**(515)**	(213)
Balance at 31 December	**396**	303

The following significant changes in the gross carrying amounts of trade receivables and contract assets contributed to the increase in the loss allowance during 2019:

- Origination of new trade receivables net of those settled resulted in an increase in loss allowance of approximately HK$82,000; and

- Increase in days past due over 90 days of contract assets resulted in an increase in loss allowance of approximately HK$11,000.

The Group's customers are reputable corporations and thus credit risk is considered to be low. Credit risk on other receivables is minimal as the Group performs ongoing credit evaluation on the financial condition of its debtors and tightly monitors the ageing of the receivable balances. Follow up action is taken in case of overdue balances. In addition, management reviews the recoverable amount of the receivables individually and collectively at each reporting date to ensure that adequate impairment losses are made for irrecoverable amounts. The credit policies have been followed by the Group during the reporting period and are considered to have been effective in limiting the Group's exposure to credit risk to a desirable level. None of the Group's financial assets are secured by collateral or other credit enhancements.

The Group's major bank balances are deposited with banks with good reputation and with high credit-ratings assigned by international credit-rating agencies and hence management does not expect any losses from non-performance by these banks.

31. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Liquidity risk

In the management of liquidity risk, the Group's policy is to regularly monitor its liquidity requirements in order to maintain sufficient reserves of cash in the short and long term. The liquidity policies have been followed by the Group during the reporting period and are considered to have been effective in managing liquidity risk.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rates at the end of the reporting period.

	Carrying amount HK$'000	**Total contractual undiscounted cash flow HK$'000**	**Less than one year or repayable on demand HK$'000**	**One year or above HK$'000**
As at 31 December 2019				
Trade and other payables	**13,285**	**13,285**	**13,285**	**–**
Bank borrowing	**3,000**	**3,013**	**3,013**	**–**
Lease liabilities	**2,052**	**2,129**	**1,578**	**551**
	18,337	**18,427**	**17,876**	**551**

	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Less than one year or repayable on demand HK$'000	One year or above HK$'000
As at 31 December 2018				
Trade and other payables	6,147	6,147	6,147	–
Obligations under finance leases	978	1,065	311	754
	7,125	7,212	6,458	754

31. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Interest rate risk

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances and bank borrowing. Interests charged on the Group's loan from bank borrowing are at variable rates which are linked up to the relevant bank interest rate. The Group currently does not have a policy on cash flow hedges of interest rate risk. However, the management monitors interest rate exposure and will consider hedging significant interest rate risk should the need arise.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for variable-rate bank balances and bank borrowing. The analysis is prepared assuming that the amounts of assets and liabilities outstanding at the end of each of the reporting period were outstanding for the whole year. 50 basis points and 100 basis points increase or decrease represent management's assessment of the reasonably possible change in interest rates of bank balances and bank borrowing, respectively.

In management's opinion, the sensitivity analysis is unrepresentative of the inherent interest rate risk as the exposures at the end of the reporting period do not reflect the exposures during the year.

If interest rates on bank balances had been 50 basis points higher/lower and all other variables were held constant, the potential effect on the Group's post-tax loss for the years ended 31 December 2019 and 2018 is as follows:

	2019 **HK$'000**	2018 HK$'000
Decrease/(increase) in loss for the year		
– as a result of increase in interest rate	**87**	100
– as a result of decrease in interest rate	**(87)**	(100)

If interest rates on bank borrowing had been 100 basis points higher/lower and all other variables were held constant, the potential effect on the Group's post-tax loss for the years ended 31 December 2019 and 2018 is as follows:

	2019 **HK$'000**	2018 HK$'000
Decrease/(increase) in loss for the year		
– as a result of increase in interest rate	**30**	N/A
– as a result of decrease in interest rate	**(30)**	N/A

32. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

The Group entered into finance leases agreements in respect of purchase of property, plant and equipment with a capital value at the inception of the leases of approximately HK$528,000 during the year ended 31 December 2018.

(b) Note to the consolidated statement of cash flows

	Bank borrowing (Note 22) HK$'000	**Obligations Under finance lease** (Note 23) HK$'000	**Lease liabilities** (Note 23) HK$'000	**Dividend payable** HK$'000	**Total** HK$'000
As at 1 January 2018	3,946	702	–	–	4,648
Change from cash flows:					
Proceeds from bank borrowing, secured	14,242	–	–	–	14,242
Repayment of finance lease	–	(252)	–	–	(252)
Interest paid	(43)	(46)	–	–	(89)
Dividend	–	–	–	(6,000)	(6,000)
Total changes from financing cash flow	18,145	404	–	(6,000)	12,549
Other changes:					
Repayment of bank borrowing, secured	(18,188)	–	–	–	(18,188)
New finance leases	–	528	–	–	528
Interest expenses	43	46	–	–	89
Dividend payable	–	–	–	6,000	6,000
As at 31 December 2018	–	978	–	–	978
Change from cash flows:					
Proceeds from bank borrowing	3,000	–	–	–	3,000
Transfer to lease liabilities	–	(978)	978	–	–
Lease payments	–	–	(2,176)	–	(2,176)
Interest paid	–	–	(127)	–	(127)
Total changes from financing cash flow	3,000	–	(1,325)	–	1,675
Other changes:					
Adjustment upon adoption of HKFRS16	–	–	421	–	421
Addition of lease liabilities	–	–	2,829	–	2,829
Interests expense	–	–	127	–	127
As at 31 December 2019	**3,000**	**–**	**2,052**	**–**	**5,052**

33. NON-CONTROLLING INTERESTS

GMS Construction Limited, a 60% owned subsidiary of the Company, has material non-controlling interests ("NCI").

Summarised financial information in relation to the NCI of GMS Construction Limited, for the year ended 31 December 2019, before intra-group eliminations, is presented below:

	2019 **HK$'000**
Revenue	**–**
Loss for the year	**(9)**
Total comprehensive expenses for the year	**(9)**
Loss allocated to NCI	**4**

34. CAPITAL RISK MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholder and to maintain an optimal capital structure to reduce the cost of capital.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. No changes in the objectives, policies or processes were made during the year.

The Group monitors capital using a gearing ratio, which is total debts divided by total capital plus net debts. Total debts are the total of other payables, bank borrowing, lease liabilities and obligations under finance leases. Capital represents equity attributable to owners of the Company.

	2019 **HK$'000**	2018 HK$'000
Total debt	**16,158**	5,686
Equity attributable to the owners of the Company	**52,341**	81,635
Gearing ratio	**31%**	7%

35. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

	2019 **HK$'000**	2018 HK$'000
Financial assets		
At amortised cost (including cash and cash equivalents)	**46,680**	52,940
Financial liabilities at amortised cost		
Financial liabilities measured at amortised cost	**16,286**	7,125
Lease liabilities	**2,052**	–
	18,338	7,125

36. CAPITAL COMMITMENT

	2019 **HK$'000**	2018 HK$'000
Commitment for the acquisition of:		
short film and feature-length motion picture	**3,504**	–

In October 2019, the Group incorporated a wholly-owned subsidiary, JP, in British Virgin Islands, which is engaging in film production.

On 11 December 2019, JP entered into the assignment agreement (the "Assignment Agreement") with the independent third parties (the "Assignors") to acquire the rights, titles, interests and benefits of the short film and the feature-length motion picture (collectively known as the "Properties") at a consideration of USD450,000. Pursuant to the Assignment Agreement, the transaction was completed immediately after the signing of this Assignment Agreement and JP has to settle 10% of the consideration in February 2020 and the remaining 90% of the consideration will be settled in 6 months after the date of the Assignment Agreement. JP also entered into an option agreement (the "Option Agreement") with the Assignors on the same date of the Assignment Agreement, including the options (i) the Assignors would grant to JP the right to assign the rights of the Properties back to the Assignors (the "Put Option") and (ii) JP would grant the Assignors the rights to assign the rights of the Properties back to the Assignors (the "Call Option"). Pursuant to the Option Agreement, the consideration was US$1 and the option exercise price was the paid consideration under the Assignment Agreement for both Put Option and Call Option. The Option Agreement will be expired in 6 months after the signing date.

36. CAPITAL COMMITMENT (CONTINUED)

In the view of the management of the Company, the Group has not obtained control over the Properties. The Option Agreement is binding on both parties as at 31 December 2019, the assignment of the rights of the Properties back to the Assignors upon the exercise of the Call Option by the Assignors is outside the control of the Group. Therefore, until after the expiry of the 6-month option exercise period, and provided the Put Option and Call Option are unexercised, in the option period the Group does not have the power to obtain the future economic benefits flowing from the underlying resource of the Properties. The management of the Company considers that the Group has a commitment to pay under the above transaction but does not have control over the Properties as at 31 December 2019. When either the Assignors exercise their Call Option or the Company exercise the Put Option, the management of the Company confirmed that the Company has no obligation to pay the remaining 90% of the consideration to the Assignors.

37. EVENT AFTER THE REPORTING PERIOD

There is no other significant event subsequent to the date of this report which would materially affect the Group's operating and financial performance except for note 36 stated.

38. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 23 March 2020.