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)

2021

ANNUAL REPORT

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

*This report, for which the directors (the "**Directors**", each a "**Director**") of GME Group Holdings Limited (the "**Company**") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "**GEM Listing Rules**") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.*

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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

Mr. Sze Chun Kit HKFCG FCPA
E-mail: companysecretary@gmehk.com
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AUTHORISED REPRESENTATIVES

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Mr. Sze Chun Kit

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CORPORATE INFORMATION

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COMPLIANCE ADVISER

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Citibank, N.A., Hong Kong Branch

Dah Sing Bank, Limited

DBS Bank (Hong Kong) Limited

COMPANY WEBSITE

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STOCK CODE

8188

INVESTOR RELATIONS

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WHISTLEBLOWING

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FINANCIAL CALENDAR

Date for the closure of register of members for
the annual general meeting of the Company:
Thursday, 23 June 2022
to Wednesday, 29 June 2022 (both days inclusive)

Date for the annual general meeting of the Company:
Wednesday, 29 June 2022

CHAIRMAN'S STATEMENT

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 2021 (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 2021, the Group had secured 14 public construction projects and two private sector projects with aggregate secured contract sums and confirmed variation orders of approximately HK$243,897,000 and approximately HK$5,724,000, respectively (the "**Newly Awarded Contracts**").

During the year ended 31 December 2021, the Group had been engaged in 35 public sector projects (2020: 32) and three private sector projects (2020: seven). The total backlog of the Newly Awarded Contracts and contracts carried over from 2021 to be recognised as revenue after the Reporting Period was approximately HK$298,048,000.

The Group received a Bronze Model Subcontractor Award from the 27th Considerate Contractors Site Award Scheme organised by the Development Bureau of the government of the Hong Kong Special Administrative Region (the "**Hong Kong Government**") and Construction Industry Council in August 2021. This is a good milestone for the Group to develop a reputation as a good service provider to its customers for public works.

FINANCIAL PERFORMANCE

The Group's revenue increased from approximately HK$134,572,000 for the year ended 31 December 2020 to approximately HK$443,548,000 for the year ended 31 December 2021, representing an increase of approximately HK$308,976,000 or 229.6%. The significant increase in revenue was due to: (i) an increase in revenue generated from tunnel construction projects in the public sector from approximately HK$57,375,000 for the year ended 31 December 2020 to approximately HK$229,986,000 for the year ended 31 December 2021, representing an increase of approximately HK$172,611,000 or 300.8%; and (ii) an increase in revenue generated from utility construction services and others in the public sector from approximately HK$73,989,000 for the year ended 31 December 2020 to approximately HK$210,657,000 for the year ended 31 December 2021, representing an increase of approximately HK$136,668,000 or 184.7%. Such significant increase in revenue was mainly attributable to the gearing up of construction works at Tseung Kwan O-Lam Tin Tunnel during the Reporting Period.

The gross profit and gross profit margin of the Group for the year ended 31 December 2021 was approximately HK$32,373,000 and 7.3%, respectively (2020: approximately HK$19,561,000 and 14.5%, respectively). During the Reporting Period, the Group engaged more structural works that relied heavily on construction materials and incurred more subcontracting costs, which had a negative impact on the gross profit margin. In addition, the variation orders and final accounts of some construction projects were not yet finalised between the Group and the main contractor due to the surging fifth wave of the coronavirus disease ("**COVID-19**") in Hong Kong, which resulted in the decrease of the gross profit margin of the Group during the Reporting Period.

CHAIRMAN’S STATEMENT

The Group’s profit and total comprehensive income attributable to the owners of the Company (the “**Net Profit**”) for the year ended 31 December 2021 was approximately HK$10,451,000 (2020: approximately HK$1,008,000). Such increase in the Net Profit was mainly due to the increase in revenue and gross profit during the Reporting Period as discussed above.

The Group’s financial performance has been affected due to the fifth wave of COVID-19 in Hong Kong in December 2021. The certification process of the Group’s construction progress for the fourth quarter in 2021 took longer time to confirm with the main contractors. Subsequent to the Reporting Period, some of the Group’s construction workers were infected with COVID-19, which reduced the available manpower for the Group’s construction services. Besides, one of the Group’s construction sites experienced construction suspension in late February 2022 for 7 days to undergo disinfection on sites and COVID-19 testings for construction workers. Also, some final accounts and variation orders are still being reconciled with the main contractors. Therefore, the above situation reduced the number of workdays and hindered the Group’s operations. Despite of these short-term impact, it is anticipated that the risk, effect and uncertainties related to COVID-19 was not material to the Group’s operations up to the date of this Annual Report.

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, Tseung Kwan O-Lam Tin Tunnel and the Three-runway System of Hong Kong International Airport 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 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 the Group’s business partners, customers, suppliers, bank enterprises and the shareholders of the Company (the “**Shareholders**”, each a “**Shareholder**”) for their continuous support.

Chuang Chun Ngok Boris
Chairman

Hong Kong, 23 March 2022

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 audited financial statements of prior years' annual reports of the Company are as follows:

	For the year ended 31 December				
	2021	2020	2019	2018	2017
Results	**HK$'000**	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**443,548**	134,572	80,793	140,631	157,121
Gross profit/(loss)	**32,373**	19,561	(5,779)	13,050	27,907
Profit/(loss) before income tax expense	**11,049**	1,395	(28,486)	(10,800)	(298)
Net Profit/(Net Loss)	**10,451**	1,008	(28,217)	(9,859)	(1,662)
Adjusted Net Profit/(Net Loss)	**10,451**	1,008	(28,217)	(9,859)	6,279

	As at 31 December				
	2021	2020	2019	2018	2017
Assets and Liabilities	**HK$'000**	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**148,349**	74,085	70,678	88,760	114,519
Total liabilities	**84,555**	20,739	18,337	7,125	16,723
Net assets	**63,794**	53,346	52,341	81,635	97,796

Notes:

The summary of the results of the Group for the years ended 31 December 2017, 2018 and 2019 and the total assets, total liabilities and net assets of the Group as at 31 December 2017, 2018 and 2019 have been extracted from the prior years' annual reports of the Company.

Adjusted Net Profit/(loss and total comprehensive expenses for the year attributable to the owners of the Company ("**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 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.

This summary does not form part of the audited consolidated financial statements of the Group for the year ended 31 December 2021 (the "**Consolidated Financial Statements**").

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 Hong Kong Government, its statutory bodies or statutory corporations. The Group has also been involved in some private sector projects, which have 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, shafts, advanced and structural works) and utility construction (mainly the construction and refurbishment of underground public utility works such as road and drainage works) and others (mainly structural works related to tunnel construction and construction of service buildings and support structure for the public). 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 for various underground construction projects.

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, bridge works and construction of service buildings 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 report, the Group had submitted certain number of tenders to main contractors, the results of which were still pending.

During the year ended 31 December 2021, the Group had secured 14 public construction projects and two private sector projects with aggregate secured contract sums and confirmed variation orders of approximately HK$243,897,000 and approximately HK$5,724,000, respectively.

During the year ended 31 December 2021, the Group had been engaged in 35 public sector projects (2020: 32) and three private sector projects (2020: seven). Please refer to the subsection headed "Financial Review" below for the analysis on the Group's revenue. The total backlog of the Newly Awarded Contracts and contracts carried over from 2021 to be recognised as revenue after the Reporting Period was approximately HK$298,048,000.

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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, which may make it difficult for the Group 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. The budgeting and funding approval process on public infrastructure and construction projects may be lengthened and the expected timetable of projects may be delayed. 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, epidemics, pandemics (such as COVID-19) and other disasters which are beyond the Group's control.

The Group's financial performance has been affected due to the fifth wave of COVID-19 in Hong Kong in December 2021. The certification process of the Group's construction progress for the fourth quarter in 2021 took longer time to confirm with the main contractors. Subsequent to the Reporting Period, some of the Group's construction workers were infected with COVID-19, which reduced the available manpower for the Group's construction services. Besides, one of the Group's construction sites experienced construction suspension in late February 2022 for 7 days to undergo disinfection on sites and COVID-19 testings for construction workers. Also, some final accounts and variation orders are still reconciled with the main contractors. Therefore, the above situation reduced the number of workdays and hindered the Group's operations. Despite of these short-term impact, it is anticipated that the risks, effect and uncertainties related to COVID-19 was not material to the Group's operations up to the date of this Annual Report.

MANAGEMENT DISCUSSION AND ANALYSIS

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, Tseung Kwan O-Lam Tin Tunnel and the Three-runway System of the Hong Kong International Airport 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 a long term and 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 the Three-runway System of the Hong Kong International Airport.

In respect of the contribution of the Central Kowloon Route, the Legislative Council of the Hong Kong Special Administrative Region (the "**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 had awarded seven construction contracts of Central Kowloon Route to the main contractors with a total value of approximately HK$28.9 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; (iv) the Central Tunnel; and (v) buildings, electrical and mechanical works.

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.

Recently, the Airport Authority Hong Kong has awarded several major construction contracts to the main contractors, which includes: (i) tunnels and related works for an automatic people mover and baggage handling system; (ii) expansion works at Terminal 2; (iii) North runway modification works and (iv) Third Runway Concourse and Apron Works. Such construction works form major parts of the Three-runway System of the Hong Kong International Airport and consists of underground construction works.

The Group observes that these public infrastructure projects are coming on full stream in 2022. 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

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 year ended 31 December 2021. The following table sets out the breakdown of the Group's revenue by project types for the periods indicated:

	For the year ended 31 December			
	2021	**2021**	2020	2020
	HK$'000	**% of total revenue**	HK$'000	% of total revenue
Public sector projects				
– Tunnel construction services	**229,986**	**51.9**	57,375	42.6
– Utility construction services and others	**210,657**	**47.4**	73,989	55.0
Sub-total	**440,643**	**99.3**	131,364	97.6
Private sector projects	**2,905**	**0.7**	3,208	2.4
Total	**443,548**	**100.0**	134,572	100.0

The Group's revenue increased from approximately HK$134,572,000 for the year ended 31 December 2020 to approximately HK$443,548,000 for the year ended 31 December 2021, representing an increase of approximately HK$308,976,000 or 229.6%. The significant increase in revenue was due to: (i) an increase in revenue generated from tunnel construction projects in the public sector from approximately HK$57,375,000 for the year ended 31 December 2020 to approximately HK$229,986,000 for the year ended 31 December 2021, representing an increase of approximately HK$172,611,000 or 300.8%; and (ii) an increase in revenue generated from utility construction services and others in the public sector from approximately HK$73,989,000 for the year ended 31 December 2020 to approximately HK$210,657,000 for the year ended 31 December 2021, representing an increase of approximately HK$136,668,000 or 184.7%. Such significant increase in revenue was mainly attributable to the gearing up of construction works at Tseung Kwan O-Lam Tin Tunnel during the Reporting Period.

Cost of services

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

The Group's cost of services increased from approximately HK$115,011,000 for the year ended 31 December 2020 to approximately HK$411,175,000 for the year ended 31 December 2021, representing an increase of approximately HK$296,164,000 or 257.5%. Such increase was mainly due to: (i) an increase in the staff costs from approximately HK$53,135,000 for the year ended 31 December 2020 to approximately HK$189,766,000 for the year ended 31 December 2021, representing an increase of approximately HK$136,631,000 or 257.1%; (ii) an increase in the construction materials and supplies from approximately HK$34,962,000 for the year ended 31 December 2020 to approximately HK$131,502,000 for the year ended 31 December 2021, representing an increase of approximately HK$96,540,000 or 276.1%; and (iii) an increase in the subcontracting costs from approximately HK$13,764,000 for the year ended 31 December 2020 to approximately HK$53,507,000 for the year ended 31 December 2021, representing an increase of approximately HK$39,743,000 or 288.7%.

The purchase arrangement of construction materials and supplies and engagement of the subcontractors depend on the terms of the contracts, which may vary on a project-by-project basis. The increase in staff costs, construction materials and supplies and subcontracting costs were due to the increase in volume of works during the Reporting Period.

Gross profit and gross profit margin

The gross profit and gross profit margin of the Group for the year ended 31 December 2021 was approximately HK$32,373,000 and 7.3%, respectively (2020: approximately HK$19,561,000 and 14.5%, respectively). During the Reporting Period, the Group engaged more structural works that relied heavily on construction materials and incurred more subcontracting costs, which had a negative impact on the gross profit margin. In addition, the variation orders and final accounts of some construction projects were not yet finalised between the Group and the main contractor due to the surging fifth wave of COVID-19 in Hong Kong, which resulted in the decrease of the gross profit margin of the Group during the Reporting Period.

Other income

The Group's other income was approximately HK$4,319,000 for the year ended 31 December 2021 (2020: approximately HK$4,728,000), which was mainly attributable to the government grants of approximately HK$2,541,000 (2020: approximately HK$4,056,000).

During the Reporting Period, Good Mind Engineering Limited, an indirect wholly-owned subsidiary of the Company ("**GMEHK**"), submitted a request for review of the application results for the wage subsidy from September 2020 to November 2020 under the second tranche of the Employment Support Scheme ("**ESS**") under the Anti-epidemic Fund launched by the Hong Kong Government. On 5 May 2021, the Group received a reply from the ESS processing agent which concluded that the government grant under such second tranche with the net amount of approximately HK$2,314,000.

Administrative expenses

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

The Group's administrative expenses increased from approximately HK$22,599,000 for the year ended 31 December 2020 to approximately HK$25,402,000 for the year ended 31 December 2021, representing an increase of approximately HK$2,803,000 or 12.4%. The staff costs and benefits for the year ended 31 December 2021 was approximately HK$7,548,000 (2020: approximately HK$6,472,000), representing an increase of approximately HK$1,076,000 or 16.6%. The Directors' remuneration was approximately HK$3,414,000 (2020: approximately HK$3,414,000) during the Reporting Period.

Finance costs

The Group's finance costs decreased from approximately HK$295,000 for the year ended 31 December 2020 to approximately HK$241,000 for the year ended 31 December 2021 due to the decrease in interest expenses on the bank borrowing 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 for the year ended 31 December 2021 mainly resulted from the accelerated tax depreciation during the Reporting Period.

Net Profit

The Group's Net Profit for the year ended 31 December 2021 was approximately HK$10,451,000 (2020: approximately HK$1,008,000). Such increase in the Net Profit was mainly due to the increase in revenue and gross profit during the Reporting Period as discussed above.

Dividends

The Board does not recommend the payment of any dividend for the year ended 31 December 2021 (2020: nil).

Liquidity, financial resources and funding

As at 31 December 2021, the Group's cash and cash equivalents amounted to approximately HK$5,430,000 (2020: approximately HK$6,937,000), which were denominated in Hong Kong dollar. Such decrease was mainly due to the cash outflow used in purchases of property, plant and equipment during the Reporting Period.

On 23 August 2021, GMEHK received a banking facility letter of a revolving loan granted by a licensed bank in Hong Kong of HK$18,000,000 at an interest rate of 1% per annum below the Hong Kong Prime Rate under the SME Financing Guarantee Scheme, which is secured by personal guarantees executed by Mr. Chuang Chun Ngok Boris, Mr. Chuang Wei Chu, Ms. To Yin Ping and Ms. Chuang Yau Ka (together, the "**Controlling Shareholders**"). Also, on 10 December 2021, GMEHK received another banking facility letter of export invoice discounting with another licensed bank in Hong Kong of HK$12,000,000 at an interest rate of 3.5% per annum over the higher of HIBOR and the bank's cost of fund, which is secured by a corporate guarantee by the Company.

As at 31 December 2021, the lease liabilities represented the leases arrangement of the Group's office equipment, leased buildings, a machinery, and motor vehicles amounted to approximately HK$3,317,000 (2020: approximately HK$2,307,000). During the Reporting Period, the Group renewed its office premise and obtained the use-of-right of leased properties under the lease arrangements of approximately HK$2,991,000 and HK$629,000, respectively. The lease payments and interest expenses on leases liabilities of approximately HK$2,661,000 (2020: approximately HK$2,714,000) and HK$171,000 (2020: approximately HK$164,000), respectively.

The Group's gearing ratio, which is calculated by total debts divided by total equity, was approximately 104.4% as at 31 December 2021 (2020: approximately 30.2%).

Capital structure

As at 31 December 2020 and 2021, 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 capital commitments of approximately HK$410,000 for the acquisition of property, plant and equipment as at 31 December 2021.

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 2021.

Future plans for material investments and capital assets

The Group did not have other plans for material investment or capital assets as at 31 December 2021.

Contingent liabilities

As at 31 December 2021, 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.

It is anticipated that the outflow of resources required in settling these claims, if any, is remote and furthermore, these claims are usually covered by insurance maintained by the 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. No provision for the contingent liabilities in respect of the litigations is necessary.

As at 31 December 2021, the Group provided guarantee to an insurance company in respect of surety bonds issued by such insurance company in favour of the Group's customers at an amount of approximately HK$9,169,000 (2020: approximately HK$9,169,000) in relation to two public construction contracts of the Group (2020: two) in the ordinary course of business. It is anticipated that this amount is the maximum exposure to the Group when the Group fails to provide satisfactory performance to its customers to whom the surety bond has been given. It is not probable that this insurance company would claim the Group for losses in respect of the guarantee contracts as it is unlikely that the Group would be unable to fulfil the performance requirements of the relevant contract. The surety bonds as at 31 December 2021 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 2020 and 2021, 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$3,900,000 (2020: approximately HK$3,900,000) to an insurance company in Hong Kong for the provision of the surety bonds for two of the public construction projects (2020: 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 2021, the Group had 913 employees (2020: 290), which comprises 6 management (2020: 6), 20 technical staff (2020: 10), 14 administration, accounting and human resources staff (2020: 12) and 873 construction workers (2020: 262) 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 expenses) and Directors' remuneration amounted to approximately HK$200,728,000 for the year ended 31 December 2021 (2020: approximately HK$63,021,000). Such increase was mainly resulted from the increase in staff costs in the cost of services which was in line with the increase in revenue and the increase of the average headcount of workers and their total number of workdays during the Reporting Period.

Depending on the nature of works and the need of the projects, the Group will provide training to the Group's 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 and effect of COVID-19

On 28 January 2022, the Group made a drawdown of $9 million from the banking facility to the maximum limit of $12 million on a banking facility obtained on 10 December 2021, and the Group settled all principal and interest on the bank borrowing on 11 March 2022.

The Group obtained another borrowing to the extent of $8 million from the same bank on 15 March 2022. This bank borrowing will expire on 8 April 2022.

Save as disclosed in note 37 to the Consolidated Financial Statements, no other event has occurred after 31 December 2021 and up to the date of this Annual Report which would have material effect on the Group.

EXECUTIVE DIRECTORS

Mr. CHUANG Chun Ngok Boris (莊峻岳先生), aged 46, is the chairman, an executive Director and the compliance officer of the Company. 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 (莊偉駒先生), aged 74, 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 45 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 (林文彬先生), aged 69, 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 (劉俊輝先生), aged 49, is an independent non-executive Director of the Company. Mr. Lau has over 20 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 (吳惠明工程師), aged 62, 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 appointed as the Member of Appeal (Building) Tribunal under the Buildings Ordinance (Chapter 123 of the Laws of Hong Kong); and Member of the Authorised Persons', Registered Structural Engineers' and Registered Geotechnical Engineers' Disciplinary Board Panel under the Buildings Ordinance (Chapter 123 of the Laws of Hong Kong).

Ir Patrick Ng is currently a Registered Professional Engineer (Building, Civil, Environmental, Geotechnical) under the Engineers Registration Board, an Authorised Person, and a Registered Geotechnical Engineer and Registered Structural Engineer under the Buildings Ordinance (Chapter 123 of the Laws of Hong Kong). He is a member and a fellow of the Hong Kong Institution of Engineers and Registered Inspector since May 1988 and February 1998 respectively, 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 (何冠鋒先生), aged 45, 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 executive 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 (施俊傑先生), aged 35, is the company secretary of the Company (the "**Company Secretary**") and the finance director of the Group. Mr. Sze joined the Group in March 2016 and is primarily responsible for accounting, financial management and company secretarial affairs.

Mr. Sze is a fellow member of the Hong Kong Chartered Governance Institute and a fellow member of the Chartered Governance Institute. He is a fellow member of Hong Kong Institute of Certified Public Accountants, a member of the Institute of Chartered Accountants in England and Wales, and a member of Chartered Accountants Australia and New Zealand.

Mr. Sze graduated from Monash University, Australia with a degree of Bachelor of Commerce (Accounting and Finance) in July 2009, Macquarie University, Australia with a degree of Master of Business Administration in November 2018, and The Hong Kong Polytechnic University with a degree of Master of Corporate Governance with distinction in September 2020.

CORPORATE GOVERNANCE REPORT

INTRODUCTION

The Board recognises the importance of effective 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.

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

Mr. Chuang Chun Ngok Boris is the son of Mr. Chuang Wei Chu. Both of them are executive Directors and Controlling Shareholders. Save as disclosed in this Annual Report, there are 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. The updated list of Directors and their roles and functions is posted on the Stock Exchange's website at www.hkexnews.hk and the Company's website at www.gmehk.com.

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 (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 and enable the Shareholders' evaluation of such application.

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 2021, the Directors considered that the Company has complied with the CG Code.

CORPORATE GOVERNANCE REPORT

CORPORATE STRATEGY, BUSINESS MODEL AND CULTURE

The purpose of the Group is to provide high-value construction services to the public and its customers.

Since the Listing Date, the Group has committed to developing further its reputation as a quality provider of integrated tunnel construction services, and enhancing the efficiency of the Group's operations to serve the public and its customers.

The core values of the Group are Quality, Safety, and Integrity.

For the above reasons, the Group has established the strategic direction as follows:

1. To strengthen the business relationship with the Group's customers;
2. To provide responsible and sustainable leadership for the Group's services;
3. To maintain the revenue growth of the Group's services;
4. To maintain the cost effective measures for the Group's services;
5. To cultivate the workforce capability to serve the Group's customers;
6. To develop the Group's reputation as a quality service provider;
7. To provide a continuous safe work environment for both its employees as well as the public; and
8. To remain at all times ethical in its engineering services.

During the Reporting Period, the Group received additional variation orders from the main contractor to construct the Tseung Kwan O-Lam Tin Tunnel to meet the expected construction deadline in 2022, which resulted in a significant increase in revenue. This reinforces the confidence of the Group that by providing a good quality of safety system of works. The Group will be benefit in securing revenue from its customers when they have needs.

The Group received a Bronze Model Subcontractor Award from the 27th Considerate Contractors Site Award Scheme organised by the Development Bureau of the Hong Kong Government and Construction Industry Council in August 2021. This is a good milestone for the Group to develop a reputation as a good service provider to its customers for public works.

The Board is committed to making decisions objectively in the best interests of the Shareholders and other stakeholders. Therefore, the Directors will continue to apply such strategic directions into its works and services.

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 (the "**Required Standard of Dealings**") as the code of conduct regarding securities transactions by the Directors in respect of the Shares (the "**Code of Conduct**").

Pursuant to Rule 5.56(a) of the GEM Listing Rules, the Directors must not deal in any securities of the Company on any day on which its financial results are published and during the period of 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and during the period of 30 days immediately preceding the publication date of the quarterly results or, if shorter, the period from the end of the relevant quarterly period up to the publication date of the results (the "**Black-out Period**"). This Required Standard of Dealings will be regarded as equally applicable to any dealings by the Director's spouse or by or on behalf of any minor child (natural or adopted) and any other dealings in which for the purposes of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("**SFO**") he is or is to be treated as interested under Rule 5.59 of the GEM Listing Rules.

On 6 March 2021, the Board appointed SHINEWING Risk Services Limited as an independent internal control consultant to review and strengthen the internal controls in relation to the Required Standard of Dealings from 10 November 2020 to 31 January 2021. The independent internal control consultant reported the review results to the audit committee of the Board (the "**Audit Committee**") on 23 March 2021. Based on the review results, the Company has implemented a specific procedure to strengthen such internal control. The Company Secretary shall obtain the acknowledgement of receipt of the memorandum for the Black-out Period and the inside information manual for the Required Standard of Dealings from the Directors, senior management of the Company (the "**Senior Management**") and relevant parties (including family members) before the commencement of each Black-out Period.

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 during the year ended 31 December 2021.

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 updates to give a balanced and understandable assessment of the performance, position, recent development and prospects of the Group.

According to code provision of D.1.2 of the CG Code, the management shall provide all members of the Board with monthly updates. During the year ended 31 December 2021 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 D.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 C.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 Board, 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.

CORPORATE GOVERNANCE REPORT

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, the remuneration committee of the Board ("**Remuneration Committee**") and the nomination committee of the Board (the "**Nomination Committee**") on 10 February 2017, to oversee the particular aspects of the Group's affairs. Each of the three committees has 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 to the Board on decisions or recommendations made.

CORPORATE GOVERNANCE FUNCTION

The Board is responsible for the corporate governance functions under code provision A.2.1 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 2021, 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 the independent non-executive Directors, namely Mr. Lau Chun Fai Douglas, Ir Ng Wai Ming Patrick and Mr. Lam Man Bun Alan and the chairman of the Audit Committee 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 2021:

(a) made recommendations to the Board about BDO Limited's reappointment as the external 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 2020;

(c) reviewed the unaudited consolidated financial statements of the Group for the three months ended 31 March 2021, six months ended 30 June 2021 and nine months ended 30 September 2021;

(d) reviewed the first quarterly results announcement of the Group for the three months ended 31 March 2021, interim results announcement of the Group for the six months ended 30 June 2021 and third quarterly results announcement of the Group for the nine months ended 30 September 2021; 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 2021, the Audit Committee held six 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 (mainly with respect to their responsibilities, employment terms and conditions, and individual performance); (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 2021, the Remuneration Committee held one meeting to review the remuneration policy and structure and make recommendations to the Board about the remuneration package of the Directors and Senior Management based on their individual performance. 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, making full use of intermediary agencies for identifying qualified Director candidate(s) at the Company's expenses and/or considering recommendations from the Board or Senior Management. The Nomination Committee should follow the selection criteria below to assess the potential candidate(s) by reference to his/her personal information in the prescribed form. The Nomination Committee shall undertake adequate due diligence regarding such individuals and make recommendations for the Board's consideration and approval. The Board shall have the final decision on all matters relating to its recommendation of candidates to stand for election at a general meeting of the Company.

If a Shareholder wants to propose a candidate to the Board for consideration, he/she shall refer to the "Procedures for Shareholders to Propose a Person for Election as a Director", which is available on the Company's website at www.gmehk.com.

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.

CORPORATE GOVERNANCE REPORT

BOARD DIVERSITY POLICY

The Company has adopted a Board diversity policy on 10 February 2017 and such policy is revised on 23 March 2022 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.

Gender diversity of the Board and the workforce is essential for the Group to attain its strategic objectives and achieve sustainable and balanced development. Therefore, the Nomination Committee will identify at least one female candidate to join the Board under the existing nomination policy no later than 31 December 2024.

In addition, the Board also discussed with the environment, social, and governance ("**ESG**") working group on the importance of gender diversity across the workforce of the Group. In general, the male workforce dominates the construction industry due to the heavy work nature. However, the Group welcomes all female talents to join the Group to work together to provide high-value construction services to the public. The relevant gender diversity information and targets will be disclosed in the ESG report for 31 December 2021 ("**ESG Report**").

During the year ended 31 December 2021, the Nomination Committee held one meeting to assess the structure, size, composition and diversity of the Board and the independence of independent non-executive Directors, review the Board diversity policy, 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. During the period from the Listing Date up to the date of this Annual Report, the independent non-executive Directors have served the Company for more than five years. During the Relevant Period, the Nomination Committee assessed the independence of independent non-executive Directors by reference to their independence confirmation and concluded that no independence issues were noted.

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 the executive Directors has renewed the service agreement with the Company on 10 February 2020 for a 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.

During the Relevant Period, the Directors confirmed that they could give sufficient time and attention to the Company's affair.

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 of the Company, an executive Director, being Mr. Chuang Wei Chu, and an independent non-executive Director, being Mr. Lau Chun Fai Douglas, would retire and be subjected to re-election.

BOARD MEETINGS

Code provision C.5.1 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 2021, six 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 2021 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	6/6	–	1/1	1/1	1/1
Mr. Chuang Wei Chu	4/6	–	–	–	0/1
Mr. Lam Man Bun Alan	6/6	6/6	1/1	1/1	0/1
Mr. Lau Chun Fai Douglas	6/6	6/6	1/1	1/1	1/1
Ir Ng Wai Ming Patrick	6/6	6/6	1/1	1/1	1/1

As stated in code provision C.5.3 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 C.1.6 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 2021, two of the independent non-executive Directors attended the annual general meeting of the Company on Tuesday, 29 June 2021 in person. The absent independent non-executive Director reviewed the minutes and discussed with other Directors to develop a balance understanding of the views of the Shareholders who attended this annual general meeting of the Company.

Pursuant to code provision C.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 C.1.4 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 Relevant Period, each of the Directors completed an internal training conducted by the legal advisors of the Company, Howse Williams, on GEM Listing Rules compliance, in particular about corporate governance updates, and had 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 C.1.4 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 Relevant Period is summarised as follows:

Name of Directors	An internal training	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 2021.

AUDITOR'S REMUNERATION

The auditor's remuneration paid/payable to the auditor of the Company for the year ended 31 December 2021 is set out as follows:

Services rendered	HK$
Audit service	600,000
Non-audit service (tax services provided by network firm of the auditor of the Company)	41,600
Total	641,600

CORPORATE GOVERNANCE REPORT

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.

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 2021 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 2021, the Board has selected suitable accounting policies and applied them consistently, made judgments and estimates that are fair and reasonable.

As at 31 December 2021, 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.

ESG REPORT

The Company will issue a separate ESG Report no later than five months after the end of the financial year ended 31 December 2021 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 of the Company 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 convene 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 has published the Shareholders' communication policy and the latest information relating to the Group on its website at www.gmehk.com. Besides, through the communication with Shareholders during the annual general meeting of the Company and the stakeholders' engagement conducted by the ESG working group, the Board can solicit and understand their view to achieve sustainable and balanced development. Shareholders and other stakeholders of the Company (the "**Stakeholders**"), who would like to communicate their views on various matters affecting the Company to the Board or the Company may send their views by post to the principal place of business in Hong Kong or via E-mail (ir@gmehk.com). During the Relevant Period, the Board discussed and reviewed the Shareholders' communication policy and considered it to be effectively implemented.

Pursuant to code provision F.1.1 of the CG Code, the Company should have a policy on payment of dividends. Please refer to the section headed "Directors' Report – 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 2021, there has been no change in the Company's Memorandum of Association and Articles of Association.

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, ESG performance 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, including risk related to COVID-19 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.

The Board is responsible for overseeing ESG matters relating to the Group, assessing the potential impacts of ESG issues, and managing material ESG issues as part of the risk assessment and internal controls of the Group. The management and the employees of the Group who are responsible for the Group's key business operations have formed an ESG working group to manage and monitor the ESG issues, formulate the Group's ESG strategies and prepare the ESG Report.

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 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 systems under code provision D.2.1, which covered the financial, operational, compliance and risk management for the year ended 31 December 2021. The Board considered that the system of the Group to be adequate and effective for the year ended 31 December 2021. The Company did not have an internal audit function. During the year ended 31 December 2021, the Group engaged SHINEWING Risk Services Limited as an independent internal audit consultant to review the effectiveness of the Group's risk management and internal control 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.

During the Relevant Period, the Group enhanced whistleblowing policies for the Stakeholders to raise concerns, in confidence and anonymity, with the Audit Committee. In addition, the Group established anti-corruption policies. The Board will review both whistleblowing policies and anti-corruption policies annually. The whistleblowing policies is posted on the Company's website at www.gmehk.com. Whistleblower can send the information to the Audit Committee via the e-mail at whistleblowing@gmehk.com.

PROCEDURES FOR RAISING ENQUIRIES

Written enquiries may be sent to the Company 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 present their report and the Consolidated Financial Statements.

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 the 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 2021 can be found out in the sections headed "Chairman's statement" and "Management discussion and analysis" in this Annual Report.

DIVIDEND POLICY

The Company has adopted a dividend policy on 25 March 2020.

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 2021 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 2021.

DIRECTORS' REPORT

ANNUAL GENERAL MEETING AND CLOSURE OF THE REGISTER OF MEMBERS

The annual general meeting of the Company will be held on Wednesday, 29 June 2022 ("**AGM**"). The register of members of the Company will be closed from Thursday, 23 June 2022 to Wednesday, 29 June 2022 (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 Wednesday, 22 June 2022.

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 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 2021 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 2021 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 2021, the Company's reserves available for distribution, calculated in accordance with the Companies Law, Chapter 22 of the Cayman Islands, amounted to approximately HK$31,751,000.

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

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 a 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 AGM, an executive Director and an independent non-executive Director would retire and subject to re-election.

DIRECTORS' REPORT

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 2021.

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.

RELATED PARTIES TRANSACTIONS

Details of the related party transactions undertaken by the Group during the year ended 31 December 2021 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 the Group which competes or is likely to compete, directly or indirectly with the 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 Schemes Ordinance (Chapter 485 of the Laws of Hong Kong). 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 2021.

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

As at 31 December 2021, 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 the Company's issued share capital
Mr. Chuang Chun Ngok Boris	(a)	103,000,000	–	187,120,000	290,120,000	59.5%
Mr. Chuang Wei Chu	(b)	103,000,000	49,620,000	137,500,000	290,120,000	59.5%

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 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 49,620,000 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.

As at 31 December 2021, none of the Directors and chief executives of the Company had 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 2021, 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 2021, 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 the Company's issued share capital
Ms. To Yin Ping	(a)	Beneficial owner, interest held jointly with another person and interest of spouse	290,120,000	59.5%
Ms. Chuang Yau Ka	(b)	Beneficial owner and interest held jointly with another person	290,120,000	59.5%
Mr. Ng Kwok Lun		Beneficial owner	39,500,000	8.1%

Notes:

(a) Ms. To Yin Ping (i) personally holds 49,620,000 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.

Save as disclosed above, as at 31 December 2021, the Directors were not aware of any person who had an interest or short positions in any Shares, underlying Shares and debenture of the Company as recorded in the register required to be kept pursuant to section 336 of the SFO.

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 the Group) which, directly or indirectly, competes or may compete with the Group's business.

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$431,218,000 for the year ended 31 December 2021 (2020: approximately HK$104,034,000), representing approximately 97.2% (2020: approximately 77.3%) of the Group's total revenue. The Group's largest customer accounted for approximately HK$124,257,000 (2020: approximately HK$28,118,000) or approximately 28.0% (2020: approximately 20.9%) of total revenue for the year ended 31 December 2021.

The total purchase from the Group's top five suppliers amounted to approximately HK$32,590,394 for the year ended 31 December 2021 (2020: approximately HK$10,926,000), representing approximately 15.1% (2020: approximately 18.9%) of the Group's total purchase. The Group's largest supplier accounted for approximately HK$7,875,574 (2020: approximately HK$3,466,000) or approximately 3.7% (2020: approximately 6.0%) of total purchase for the year ended 31 December 2021.

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 of the Stock Exchange; (ii) the compliance adviser agreement entered into between the Company and Altus dated 26 April 2016 and extended on 31 March 2020, 24 March 2021 and 11 August 2021; 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 AND EFFECT OF COVID-19

Save as disclosed in note 37 to the Consolidated Financial Statements, the Directors are not aware of any significant event requiring disclosure that has taken place subsequent to 31 December 2021 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.

AUDITOR

The Consolidated Financial Statements for the year ended 31 December 2021 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 2022

INDEPENDENT AUDITOR'S REPORT

BDO

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INDEPENDENT AUDITOR'S REPORT
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 104, which comprise the consolidated statement of financial position as at 31 December 2021, 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 2021, 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 requirements of the 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.

Revenue recognition for construction contracts

As described in Note 4(i) 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(i) and 5(b)(i) to the consolidated financial statements.

Our response:

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, on sample basis, 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 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, on sample basis, 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 for the on-going projects, taking into account the stage of completion achieved;

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, on sample basis, 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; and

– 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 18(a) and 17 to the consolidated financial statements, the carrying amounts of the Group's trade receivables and contract assets amounted to approximately HK$74,423,000 (after provision for ECLs of HK$784,000) and HK$42,660,000 (after provision for ECLs of HK$448,000), respectively, which represented approximately 50% and 29%, 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 5 years historical credit loss experience, the number of days past due, adjusted for forward-looking factors 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.

Our response:

Our procedures in relation to management's impairment assessment of the trade receivables and contract assets as at 31 December 2021:

– 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;

– 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;

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

– Assessing the appropriateness of management's estimates of loss allowance by examining the information used by management to derive such estimates, including testing the accuracy of category of customer Groups and aging of debtors by comparing a sample of individual items with the related progress certificates, and obtaining historical credit loss data and evaluating whether the historical loss rates are appropriately adjusted based on current economic conditions and forward-looking information; and

– Recalculating the loss allowance, to assess if this is consistent with the Group's policies.

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' RESPONSIBILITIES 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 requirements 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 RESPONSIBILITIES 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.

- 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.

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, actions taken to eliminate threats or safeguards applied.

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
Lau Kin Tat, Terry
Practising Certificate no. P07676

Hong Kong, 23 March 2022

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

	Notes	2021 HK$'000	2020 HK$'000
Revenue	7	**443,548**	134,572
Cost of services		**(411,175)**	(115,011)
Gross profit		**32,373**	19,561
Other income	8	**4,319**	4,728
Administrative expenses		**(25,402)**	(22,599)
Finance costs	11	**(241)**	(295)
Profit before income tax	9	**11,049**	1,395
Income tax expense	13	**(601)**	(390)
Profit and total comprehensive income for the year		**10,448**	1,005
Profit and total comprehensive income attributable to:			
Owners of the Company		**10,451**	1,008
Non-controlling interests		**(3)**	(3)
		10,448	1,005
Earnings per share			
– Basic and diluted (HK cents)	15	**2.14**	0.21

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	Notes	2021 HK$'000	2020 HK$'000
Non-current assets			
Property, plant and equipment	16	**17,559**	10,799
Deferred tax assets	24	**–**	183
		17,559	10,982
Current assets			
Contract assets	17	**42,660**	23,729
Trade and other receivables	18	**82,300**	32,037
Amount due from a minority shareholder of a subsidiary	19	**400**	400
Cash and cash equivalents	20	**5,430**	6,937
		130,790	63,103
Current liabilities			
Trade and other payables	21	**63,820**	15,432
Bank borrowings	22	**17,000**	3,000
Lease liabilities	23	**2,598**	1,296
		83,418	19,728
Net current assets		**47,372**	43,375
Total assets less current liabilities		**64,931**	54,357
Non-current liabilities			
Lease liabilities	23	**719**	1,011
Deferred tax liabilities	24	**418**	–
		1,137	1,011
NET ASSETS		**63,794**	53,346

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	Notes	**2021** **HK$'000**	2020 HK$'000
EQUITY			
Equity attributable to owners of the Company			
Share capital	25	**4,878**	4,878
Reserves	27	**58,526**	48,075
		63,404	52,953
Non-controlling interests		**390**	393
TOTAL EQUITY		**63,794**	53,346

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 2021

	Attributable to owners of the Company								
	Share capital HK$'000	Share premium (Note27(a)) HK$'000	Share repurchase reserve (Note 27(e)) HK$'000	Capital reserve (Note 27(d)) HK$'000	Other reserve (Note 27(b)) HK$'000	Retained earnings/ (accumulated losses) (Note 27(c)) HK$'000	Total HK$'000	Non-controlling interests (Note 33) HK$'000	Total HK$'000
As at 1 January 2020	4,878	90,753	–	90	(36,104)	(7,672)	51,945	396	52,341
Profit and total comprehensive income for the year	–	–	–	–	–	1,008	1,008	(3)	1,005
As at 31 December 2020 and 1 January 2021	4,878	90,753	–	90	(36,104)	(6,664)	52,953	393	53,346
Profit and total comprehensive income for the year	–	–	–	–	–	10,451	10,451	(3)	10,448
As at 31 December 2021	**4,878**	**90,753**	**–**	**90**	**(36,104)**	**3,787**	**63,404**	**390**	**63,794**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

	Notes	2021 HK$'000	2020 HK$'000
Cash flows from operating activities			
Profit before income tax		**11,049**	1,395
Adjustments for:			
Depreciation of property, plant and equipment		**7,923**	6,398
Finance costs		**241**	295
Gain on disposal of property, plant and equipment		**(86)**	(55)
Impairment loss on other receivables		**350**	–
Impairment loss on trade receivables		**208**	266
Impairment loss on contract assets		**348**	14
		20,033	8,313
Increase in trade and other receivables		**(50,821)**	(2,446)
Increase in contract assets		**(19,279)**	(8,473)
Decrease in trade and other payables		**46,203**	1,635
Net cash used in operating activities		**(3,864)**	(971)
Cash flows from investing activities			
Purchases of property, plant and equipment		**(9,107)**	(6,689)
Proceeds from disposal of property, plant and equipment		**152**	55
Net cash used in investing activities		**(8,955)**	(6,634)
Cash flows from financing activities			
Proceeds from bank borrowings	22	**17,000**	3,000
Repayment of bank borrowings	22	**(3,000)**	(3,000)
Interest paid on bank borrowings		**(27)**	(119)
Repayment of principal and interest on lease liabilities		**(2,661)**	(2,714)
Net cash generated from/(used in) financing activities		**11,312**	(2,833)
Net decrease in cash and cash equivalents		**(1,507)**	(10,438)
Cash and cash equivalents at beginning of year		**6,937**	17,375
Cash and cash equivalents at end of year		**5,430**	6,937

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 controlling shareholders are Mr. Chuang Wei Chu and Mr. Chuang Chun Ngok Boris, both of whom are also executive directors of the Company, and their family members entered into an acting in concert deed dated 21 March 2016 as controlling shareholders (the "Controlling Shareholders") of the Company. The Controlling Shareholders have 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 Securities and Futures Ordinance ("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.

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 2021

The Hong Kong Institute of Certified Public Accountants ("HKICPA") has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group:

Amendments to HKFRS 9, HKAS 39, HKFRS 7 HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021 (early adopted)

The amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 has no material impact on the Group's results and financial position for the current or prior period. The Group has not early applied any new or amended HKFRSs that is not yet effective for the current accounting period except for the amendment to HKFRS 16, Covid-19-Related Rent Concessions beyond 30 June 2021. Impact on the applications of these amended HKFRSs are summarised below.

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

(a) Adoption of new/revised HKFRSs – effective 1 January 2021 (Continued)

Amendment to HKFRS 16, Covid-19-Related Rent Concessions beyond 30 June 2021

Amendment to HKFRS 16 issued in April 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic by 12 months.

Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted.

The Group has early adopted the amendment on 1 January 2021 and applied the practical expedient during the year ended 31 December 2021 to all rent concessions granted by the lessors that affected only payments originally due on or before 30 June 2022 as a direct consequence of the Covid-19 pandemic. The amendment did not have a significant impact on the financial position and performance of the Group.

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.

HKFRS 17	Insurance Contracts and the related amendments[3]
Amendments to HKFRS 3	Reference to the Conceptual Framework[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKFRS 1	Classification of Liabilities as Current or Non-current and the related amendments to Hong Kong Interpretation 5 (2020)[2]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting policies[2]
Amendments to HKAS 8	Definition of Accounting Estimates[2]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a single transaction[2]
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use[1]
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020[1]

1 Effective for annual periods beginning on or after 1 January 2022.
2 Effective for annual periods beginning on or after 1 January 2023.
3 Effective for annual periods beginning on or after a date to be determined.

Further information about those HKFRSs that are expected to be relevant to the Group is as follows:

Amendments to HKAS 37, Onerous Contracts – Cost of Fulfilling a Contract

The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (e.g. direct labour and materials) or an allocation of other costs that relate directly to fulfilling contracts (e.g. the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The directors of the Company is currently assessing the impact that the application of the amendments will have on the Group's consolidated financial statements. The directors of the Company anticipate that the application of the amendments will likely impact on the Group's accounting policies in respect of the determination of when contracts are onerous, and the measurement of provision for onerous contracts recognised.

Except for the above, the directors expect that the adoption of the new/revised HKFRSs above will have no material impact on the consolidated financial statements in the year of initial application.

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.

(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) 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.

Subsequent to acquisition, the carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus such non-controlling interest's share of subsequent changes in equity. Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to owners of the Company. Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income is attributed to such non-controlling interests even if this results in those non-controlling interests having a deficit balance.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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 rights, to variable returns from the investee, and (iii) 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 (see Note 26), 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 registered owners of the property interests, are stated at cost less accumulated depreciation and accumulated impairment loss.

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 as an expense in profit or loss during the financial period in which they are incurred.

Property, plant and equipment are depreciated so as to write off their cost or valuation 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 useful lives are as follows:

Leasehold improvements	Over the remaining life of the leases 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 properties	Over the remaining life of the leases

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

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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Government grant

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable and are recognised as other revenue, rather than reducing the related expense.

(e) Leasing

The Group as a lessee

All 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.

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)

(e) Leasing (Continued)

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 use the lessee's incremental borrowing rate is used.

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) 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, or to reflect revised in substance fixed lease payments.

When the Group revises its estimate of the term of any lease (because, for example, it re-assesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted using a revised discount rate. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised, except the discount rate remains unchanged. In both cases, an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term. If the carrying amount of the right-of-use asset is adjusted to zero, any further reduction is recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) 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. 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 Expected Credit Losses ("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 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)

(f) Financial Instruments (Continued)

(ii) Impairment loss on financial assets (Continued)

For other debt financial assets, ECLs are based on lifetime ECLs except when there has not been a significant increase in credit risk since initial recognition, in which case the allowance will be based on the 12-months 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 in default when the debtor 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 the financial asset is more than 90 days past due.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

The Group considers a financial asset to be credit-impaired when:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the debtor will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Financial Instruments (Continued)

(ii) Impairment loss on financial assets (Continued)

Write-off policy

The gross carrying amount of a financial asset or contract asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(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.

(v) Equity instruments

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Financial Instruments (Continued)

(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.

(g) 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)

(h) Cash and cash equivalents

Cash and cash equivalents, comprise cash and bank balances and 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 which are repayable on demand and form an integral part of the Group's cash management.

(i) 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)

(i) 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 probable that total 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Revenue recognition (Continued)

Contract assets and liabilities

A 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, the Group recognises a contract liability for the difference.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) 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. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects any uncertainty related to income tax.

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 goodwill not deductible for tax purposes and initial recognition of assets and liabilities that are not part of the business combination which affect neither accounting nor taxable profits, taxable temporary differences arising on investments in subsidiaries, associates and joint ventures where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax liabilities are recognised for all taxable 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, provided that the deductible temporary differences are not arises from initial recognition of assets and liabilities in a transaction other than in a business combination that affects neither taxable profit nor the accounting profit. Deferred tax is measured at the tax rates appropriate to the expected manner in which the carrying amount of the asset or liability is realised or settled and that have been enacted or substantively enacted at the end of reporting period, and reflects any uncertainty related to income taxes.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income tax levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

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 recognised in other comprehensive income or when they relate to items recognised directly in equity in which case the taxes are also recognised directly in equity.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Provisions and contingent liabilities and onerous contracts

(i) 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.

(ii) Onerous contracts

An onerous contract exists when the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract. Provisions for onerous contracts are measured at the present value of the lower of the expected cost of terminating the contract and the net cost of continuing with the contract.

(l) Impairment of non-financial assets (other than 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 years. A reversal of an impairment loss is recognised as income immediately.

(m) 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Related parties (Continued)

(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.

(n) 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Segment information

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors of the Company 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 of the Company 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) 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.

(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.

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

(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 Group's revenue from construction contracts are recognised over time. Such revenue and profit recognition on uncompleted projects is dependent on estimating the total outcome of the contract, as well as the work done to date. Based on the Group's recent experience and the nature of the construction activities undertaken by the Group, the Group has made estimates of the point at which it considered the work was sufficiently advanced such that the outcome of the contract can be reasonably measured. In addition, actual outcomes in terms of total cost or revenue may be higher or lower than estimated at the end of the reporting period, which would affect the revenue and profit recognised in future years as an adjustment to the amounts recorded to date.

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.

(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.

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

(b) Estimates and assumptions (Continued)

(iii) Impairment losses on trade and other receivables and contract assets

As described in the policy in note 4(f)(ii), the Group's management determines the loss allowance for expected credit losses on trade receivables, other receivables and contract assets based on provision of matrix approach per note 4(f)(ii). These estimates are based on the information about historical credit loss experience, current conditions and forward-looking factors specific to the debtors and the economic environment, all of which involve a significant degree of management judgement. The Group's management reassesses the loss allowance at each reporting period end. If the current conditions of the debtors or the future economic conditions were to deteriorate, actual loss allowance would be higher than estimated.

(iv) Determining the lease term

As described in the policy in note 4(e), the lease liability is initially recognised at the present value of the lease payments payable over the lease term. In determining the lease term at the commencement date for leases that include renewal options exercisable by the Group, the Group evaluates the likelihood of exercising the renewal options taking into account all relevant facts and circumstances that create an economic incentive for the Group to exercise the option, including favourable terms, leasehold improvements undertaken and the importance of that underlying asset to the Group's operation. The lease term is reassessed when there is a significant event or significant change in circumstance that is within the Group's control. Any increase or decrease in the lease term would affect the amount of lease liabilities and right-of-use assets recognised in future years.

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.

(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

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

	2021 **HK$'000**	2020 HK$'000
Customer S	**124,257**	28,118
Customer L	**122,692**	16,223
Customer B	**122,644**	23,863
Customer T	**N/A**	17,394
Customer V	**–**	18,436

N/A: The relevant revenue for the year ended 31 December 2021, 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(i)a above.

	2021 **HK$'000**	2020 HK$'000
Public tunnel projects	**229,986**	57,375
Public utilities construction services and other projects (Note)	**210,657**	73,989
Private projects	**2,905**	3,208
	443,548	134,572

Note: Public utilities construction services and other projects mainly comprise revenue from contracts for utilities construction services involving underground construction work.

7. REVENUE (CONTINUED)

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

	2021 **HK$'000**	2020 HK$'000
Trade receivables (Note 18(a))	**74,423**	24,854
Contract assets (Note 17)	**42,660**	23,729

The contract assets primarily relate to the Group's rights to consideration for work completed but not billed and retention receivables at the reporting date on revenue related to the provisions of public and private construction services. 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 2021, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts is approximately HK$298,048,000 (2020: HK$406,439,000). 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 (2020: 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

	2021 **HK$'000**	2020 HK$'000
Government grants (Note)	**2,541**	4,056
Sundry income	**1,018**	367
Reimbursement from a main contractor	**674**	250
Gain on disposal of property, plant and equipment	**86**	55
	4,319	4,728

Note:

During the year ended 31 December 2021, the government grants of approximately HK$2,541,000 (2020: HK$3,986,000) were received by Good Mind Engineering Limited ("GMEHK"), an indirect wholly-owned subsidiary of the Company. The government grants were including the amount of HK$2,314,000 (2020: HK$2,696,000) from Employment Support Scheme ("ESS") under the Anti-epidemic Fund launched by the Government of the Hong Kong Special Administrative Region supporting the payable of GMEHK's employee; and amount of HK$227,000 (2020: HK$1,290,000) from Employment Support Scheme for the Construction Sector (Casual Employees) ("ESSC") launched by the Construction Industry Council supporting the payroll of GMEHK's employees.

Under both ESS and ESSC schemes, GMEHK committed to utilise these grants on payroll expenses, and not reduce employee headcount below prescribed levels for a specified period of time. GMEHK does not have other unfulfilled obligations relating to these programs.

9. PROFIT BEFORE INCOME TAX

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

	2021 HK$'000	2020 HK$'000
Included in cost of services:		
– Construction materials and supplies	**131,502**	34,962
– Subcontracting costs	**53,507**	13,764
Auditor's remuneration	**600**	660
Gain on disposal of property, plant and equipment	**(86)**	(55)
Impairment loss on trade receivables	**208**	266
Impairment loss on other receivables	**350**	–
Impairment loss on contract assets	**348**	14
Depreciation charges		
– Owned property, plant and equipment	**5,581**	3,961
– Right-of-use-assets included within		
– Leased properties	**1,576**	1,578
– Office equipment	**15**	15
– Plant and machinery	**627**	524
– Motor vehicles	**124**	320
Consultancy fees	**2,778**	3,288
Lease payment not included in the measurement of lease liabilities		
– Leased properties (included in cost of services and administrative expenses)	**432**	804
– Plant and machinery (included in cost of services)	**24,802**	5,937
Employee benefit expenses (Note 10)	**200,728**	63,021

10. EMPLOYEE BENEFIT EXPENSES, INCLUDING DIRECTORS' REMUNERATION

	2021 **HK$'000**	2020 HK$'000
Wages, salaries and other benefits:		
– Cost of services	**183,688**	51,275
– Administrative expenses	**10,474**	9,551
	194,162	60,826
Defined contribution retirement plan contributions:		
– Cost of services	**6,078**	1,860
– Administrative expenses	**488**	335
	6,566	2,195
	200,728	63,021

11. FINANCE COSTS

	2021 **HK$'000**	2020 HK$'000
Interest on lease liabilities (note 23)	**171**	164
Interest on bank borrowings	**70**	131
	241	295

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	Defined Contribution retirement plan contribution HK$'000	Total HK$'000
Year ended 31 December 2021				
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 2021				
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 2020				
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 2020				
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

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 (2020: 2) executive directors of the Company for the year ended 31 December 2021 whose emoluments are reflected in the analysis as shown above. The remuneration of the remaining highest paid individuals is as follows:

	2021 HK$'000	2020 HK$'000
Salaries and other benefits	**2,530**	2,256
Defined contribution retirement plan contributions	**54**	54
	2,584	2,310

Their remuneration fell within the following bands:

	2021 Number of employees	2020 Number of employees
Nil to HK$1,000,000	**3**	3
HK$1,000,001 to HK$1,500,000	**–**	–

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 one of the five highest paid employees, were within the following bands:

	Number of employees	
	2021	2020
Nil to HK$1,000,000	**1**	1

13. INCOME TAX EXPENSE

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

	2021	2020
	HK$'000	HK$'000
Current tax – Hong Kong profits tax		
Charge for the year	**–**	–
Deferred tax (Note 24)	**601**	390
Income tax expense	**601**	390

Hong Kong profits tax is calculated at 16.5% (2020: 16.5%) of the estimated assessable profits for the year ended 31 December 2021. 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 the Group is entitled to the Regime as no such entity generated assessable profit for the years ended 31 December 2021 and 2020.

13. INCOME TAX EXPENSE (CONTINUED)

The income tax expense for the year can be reconciled to the profit before income tax expense in the consolidated statement of comprehensive income as follows:

	2021 HK$'000	2020 HK$'000
Profit before income tax	**11,049**	1,395
Tax calculated at the applicable statutory tax rate of 16.5%	**1,823**	231
Tax effect of non-deductible expenses	**573**	478
Tax effect of non-taxable income	**(632)**	(664)
Utilisation of tax losses previously not recognised	**(1,163)**	–
Tax effect of tax losses not recognised	**–**	345
Income tax expense at the effective tax rate	**601**	390

14. DIVIDEND

The Directors do not recommend the payment of any dividend in respect of the years ended 31 December 2021 and 2020.

15. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to owners of the Company is based on the following data:

	2021 HK$'000	2020 HK$'000
Profit for the year attributable to owners of the Company	**10,451**	1,008

	2021 Number of shares	2020 Number of shares
Weighted average number of ordinary shares during the year used in the basic earnings per share calculation	**487,808,000**	487,808,000

Note:

The diluted earnings per share was same as basic earnings per share as there was no potential share outstanding for each of the years ended 31 December 2021 and 2020.

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$'000	Leased properties HK$'000	Total HK$'000
Cost							
At 1 January 2020	34	172	659	17,455	2,436	3,177	23,933
Additions	–	–	60	9,089	130	715	9,994
Disposals	–	–	–	(258)	–	–	(258)
Written off	–	–	(36)	(9,844)	(130)	–	(10,010)
At 31 December 2020 and 1 January 2021	34	172	683	16,442	2,436	3,892	23,659
Additions	–	–	157	10,450	1,151	2,991	14,749
Disposals	–	–	–	–	(308)	–	(308)
Written off	–	–	(188)	(572)	–	–	(760)
At 31 December 2021	34	172	652	26,320	3,279	6,883	37,340
Aggregate depreciation							
At 1 January 2020	18	95	280	12,867	1,573	1,897	16,730
Charge for the year	6	33	133	4,098	550	1,578	6,398
Disposal	–	–	–	(258)	–	–	(258)
Written-off	–	–	(36)	(9,844)	(130)	–	(10,010)
At 31 December 2020 and 1 January 2021	24	128	377	6,863	1,993	3,475	12,860
Charge for the year	7	31	157	5,815	337	1,576	7,923
Disposal	–	–	–	–	(242)	–	(242)
Written-off	–	–	(188)	(572)	–	–	(760)
At 31 December 2021	31	159	346	12,106	2,088	5,051	19,781
Net carrying amount							
At 31 December 2021	3	13	306	14,214	1,191	1,832	17,559
At 31 December 2020	10	44	306	9,579	443	417	10,799

16. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Right-of-Use assets (included in the property, plant and equipment)	**Leased properties HK$'000**	**Office equipment HK$'000**	**Plant and Machinery HK$'000**	**Motor Vehicles HK$'000**	**Total HK$'000**
At 1 January 2020	1,280	64	–	407	1,751
Additions	715	–	2,090	–	2,805
Amortisation	(1,578)	(15)	(524)	(320)	(2,437)
At 31 December 2020 and 1 January 2021	417	49	1,566	87	2,119
Additions	2,991	–	–	629	3,620
Amortisation	(1,576)	(15)	(627)	(124)	(2,342)
At 31 December 2021	1,832	34	939	592	3,397

The Group leases staff quarters and office premises under leases expiring from 1 to 2 years. Some of the leases for office equipment, plant and machinery and motor vehicles include an option to purchase the leased equipment assets at the end of the lease term at a price deemed to be a bargain purchase option. It was considered reasonably certain that the Group would exercise its right and included in the right-of-use assets and lease liabilities. None of the leases includes variable lease payments.

Amounts recognised in consolidated statement of comprehensive income	**2021 HK$'000**	2020 HK$'000
Depreciation of right-of-use assets	**2,342**	2,437
Interest payment on lease liabilities	**171**	164
Expenses related to short term leases (included in cost of services and administrative expenses)	**25,234**	6,741

The Group had total cash outflows for leases of HK$27,895,000 (2020: HK$9,455,000), comprising HK$2,661,000 (2020: HK$2,714,000) for repayment of principal and interest on lease liabilities and HK$25,234,000 (2020: HK$6,741,000) for short term leases of leased properties and plant and machinery. Non-cash additions to right-of-use assets and lease liabilities from motor vehicle arising from new lease of approximately HK$629,000 (2020: plant and machinery of approximately HK$2,090,000) during the year ended 31 December 2021. The Group had also acquired machineries with an aggregate cost of HK$8,477,000 (2020: HK$6,499,000) which were not under lease arrangements and were fully paid in cash during the year ended 31 December 2021 for these purchases.

17. CONTRACT ASSETS

	2021 **HK$'000**	2020 HK$'000
Contract assets arising from:		
Construction services		
– Unbilled revenue recognised during the year	**1,485**	428
– Retention receivables from contracts with customers within the scope of HKFRS 15	**41,623**	23,401
	43,108	23,829
Less: Impairment loss (Note 31(a))	**(448)**	(100)
	42,660	23,729

The contract assets primarily relates to the Group's right to consideration for construction works completed but not yet billed to customers, and the retention receivables at the reporting date. The contract assets are transferred to trade receivables when the rights become unconditional, that is when the Group issues progress billings to customers based on the progress certificates agreed with customers or when the retention receivables become unconditional. As at 31 December 2021, the increase in contract assets was resulted from the increase in the contract amounts of the completed works.

Included within contract assets is an amount of approximately HK$41,623,000 (2020: HK$23,401,000) which relate to amounts withheld (up to 5% – 12.5% (2020: 5% – 10%)) of the contract sum) under contractual terms of the construction work services. The monies are generally released from the customers upon the certification of completion of work and/or finalisation of contract accounts, which is typically ranged from 12 to 24 months after the physical completion of project. As these amounts are expected to be realised in the normal operating cycle, they are classified as current assets.

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

	2021 **HK$'000**	2020 HK$'000
Within one year	**42,660**	23,716
More than one year and less than two years	**–**	13
Total contract assets	**42,660**	23,729

17. CONTRACT ASSETS (CONTINUED)

	2021 **HK$'000**	2020 HK$'000
At beginning of year	**100**	86
Impairment loss	**348**	14
Amount written off as uncollectible	**–**	–
	348	14
At end of year	**448**	100

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 past 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.

The movements in the loss allowance for impairment of contract assets are as follow:

	2021 **%**	2020 %
Expected credit losses rate	**1.04**	0.4
Gross carrying amount (HK$'000)	**43,108**	23,829
Expected credit losses (HK$'000)	**448**	100

18. TRADE AND OTHER RECEIVABLES

	2021 **HK$'000**	2020 HK$'000
Trade receivables (Note (a))	**75,207**	25,430
Less: Impairment loss (Note 31(a))	**(784)**	(576)
	74,423	24,854
Prepayments, deposits and other receivables (Note (b))	**8,227**	7,183
Less: Impairment loss	**(350)**	–
	7,877	7,183
	82,300	32,037

Notes:

(a) Trade receivables were mainly derived from the provision of underground construction services and are 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 for the years ended 31 December 2021 and 2020.

An ageing analysis of trade receivables as at the end of reporting period, based on the invoice dates and net of loss allowance is as follows:

	2021 **HK$'000**	2020 HK$'000
Less than 1 month	**48,989**	15,254
1 to 3 months	**25,434**	9,584
More than 3 months but less than one year	**–**	16
	74,423	24,854

An ageing analysis of trade receivables as at the end of reporting period, based on past due date and net of loss allowance is as follows:

	2021 **HK$'000**	2020 HK$'000
Neither past due nor impaired	**70,949**	23,856
Less than 1 month past due	**3,474**	982
1 to 3 months past due	**–**	–
More than 3 months past due but less than 1 year past due	**–**	16
	74,423	24,854

Trade receivables that were past due but not impaired relate to a number of customers that have a good track record with the Group. Except an allowance of approximately HK$784,000 (2020: HK$576,000), management believes that no impairment allowance is necessary in respect of these balances, 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)

The movements in the loss allowance for impairment of trade receivables are as follows:

	2021	2020
	HK$'000	HK$'000
At beginning of year	**576**	310
Impairment loss	**208**	266
Amounts written off as uncollectible	**–**	–
At end of year	**784**	576

(b) As at 31 December 2021, the prepayments, deposits and other receivables mainly comprised (i) surety bond deposits of approximately HK$3,900,000 (2020: HK$3,900,000) to secure surety bond issued in favour of customers (see note 29(b); (ii) deposits to subcontractors of approximately HK$1,412,000 (2020: HK$897,000); (iii) rental deposit of office of approximately HK$385,000 (2020: HK$384,000) and (iv) other receivable of refund of movie right deposit (net of impairment loss) of approximately HK$ Nil (2020: HK$350,000). As at 31 December 2021, the Group determined the credit risk of the paid consideration at amount of approximately HK$350,000 in other receivable has increased significantly due to be unlikely to pay its credit obligations to the Group in full. Prepayments, deposits and other receivables as at 31 December 2021 and 2020 were neither past due nor impaired. Financial assets included in these balances are non-interest bearing and except for the provision of impairment loss as disclosed above, the remaining balances relate to receivables for which there was no recent history of default.

Movement in provision for impairment of other receivables is as follows:

	2021	2020
	HK$'000	HK$'000
At beginning of year	**–**	–
Impairment loss	**350**	–
At end of year	**350**	–

19. AMOUNT DUE FROM A MINORITY SHAREHOLDER OF A SUBSIDIARY

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

20. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise:

	2021 HK$'000	2020 HK$'000
Cash at banks and in hand	**5,430**	6,937

21. TRADE AND OTHER PAYABLES

	2021 HK$'000	2020 HK$'000
Trade payables (Note (a))	**17,961**	4,614
Other payables and accruals (Note (b))	**45,859**	10,818
	63,820	15,432

Notes:

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

	2021 HK$'000	2020 HK$'000
Less than 1 month	**5,573**	2,346
1 to 3 months	**10,447**	1,663
More than 3 months but less than one year	**1,823**	502
More than one year	**118**	103
	17,961	4,614

The trade payables are non-interest bearing and generally have payment terms ranging from 0 to 30 days.

(b) As at 31 December 2021, other payables and accruals mainly comprised (i) accrued expenses for subcontractors' costs of approximately HK$10,940,000 (2020: HK$2,811,000); (ii) accrued salaries and wages of approximately HK$24,364,000 (2020: HK$5,840,000); (iii) other payables of staff disbursements of approximately HK$545,000 (2020: HK$509,000); (iv) other payables for additions of property, plant and equipment of approximately HK$1,973,000 (2020: HK$500,000) and (v) accrued professional fees of approximately of HK$800,000 (2020: HK$807,000). The other payables and accruals are non-interest bearing and have payment terms ranging from one to three months.

22. BANK BORROWINGS

	2021 **HK$'000**	2020 HK$'000
Bank borrowings, secured and repayable within the year or on demand	**17,000**	3,000

The bank borrowings represent a revolving term loan from a bank facility, which bears an interest rate at 1% per annum below Prime Rate (2020: 1.25% per annum below Prime Rate) for the year ended 31 December 2021. The outstanding balances will be matured in May and June 2022, according to the repayment schedule.

The Group had unutilised banking facilities in total of approximately HK$13,000,000 (2020: HK$ nil) from two (2020: one) banking facilities as at 31 December 2021.

23. LEASES LIABILITIES

The Group as a lessee

The Group entered into various lease agreements, mainly for properties and plant and machinery. All leases held by the Group only comprise fixed payments over the lease term.

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

	Leased properties HK$'000	Office equipment HK$'000	Plant and machinery HK$'000	Motor vehicles HK$'000	Total HK$'000
At 1 January 2020	1,279	67	–	706	2,052
Additions	715	–	2,090	–	2,805
Lease payments	(1,621)	(17)	(817)	(259)	(2,714)
Interest expenses (Note 11)	52	4	83	25	164
At 31 December 2020 and 1 January 2021	425	54	1,356	472	2,307
Additions	2,823	–	–	677	3,500
Lease payments	(1,526)	(16)	(755)	(364)	(2,661)
Interest expenses (Note 11)	84	2	64	21	171
At 31 December 2021	1,806	40	665	806	3,317
Current portion	1,520	16	665	397	2,598
Non-Current portion	286	24	–	409	719
At 31 December 2021	1,806	40	665	806	3,317
At 31 December 2020	425	54	1,356	472	2,307

23. LEASES LIABILITIES (CONTINUED)

The Group as a lessee (Continued)

LEASE LIABILITIES

Future lease payments are due as follows:

	Minimum lease payments as at 31 December 2021 HK$	**Interest as at 31 December 2021 HK$**	**Present value as at 31 December 2021 HK$**
Not later than one year	**2,699**	**(101)**	**2,598**
Later than one year and not later than two years	**739**	**(20)**	**719**
Later than two years and not later than five years	**–**	**–**	**–**
	3,438	**(121)**	**3,317**

	Minimum lease payments as at 31 December 2020 HK$'000	Interest as at 31 December 2020 HK$'000	Present value as at 31 December 2020 HK$'000
Not later than one year	1,387	(91)	1,296
Later than one year and not later than two years	958	(33)	925
Later than two years and not later than five years	88	(2)	86
	2,433	(126)	2,307

The present value of future lease payments are analysed as:

	2021 HK$'000	2020 HK$'000
Current liabilities	**2,598**	1,296
Non-current liabilities	**719**	1,011
	3,317	2,307

24. DEFERRED TAX LIABILITIES/(ASSETS)

The movements in deferred tax liabilities/(assets) during the year are as follows:

	Accelerated tax depreciation HK$'000	Tax Losses HK$'000	Total HK$'000
At 1 January 2020	454	(1,027)	(573)
Charge to profit or loss for the year (Note 13)	390	–	390
At 31 December 2020 and 1 January 2021	844	(1,027)	(183)
Charge to profit or loss for the year (Note 13)	601	–	601
At 31 December 2021	1,445	(1,027)	418

Note: The Group has accumulated tax losses arising in Hong Kong of approximately HK$25,210,000 (2020:HK$32,257,000) as at 31 December 2021. The Group had not recognised additional tax losses as deferred tax assets since 2019 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 unrecognised deferred tax assets which will have a significant impact to the Group.

25. SHARE CAPITAL

	Number of shares	Amount HK'000
Authorised:		
Ordinary shares of HK$0.01 each		
As at 31 December 2020, 1 January 2021 and 31 December 2021	2,000,000,000	20,000
Issued and fully paid:		
Ordinary shares of HK$0.01 each		
As at 31 December 2020, 1 January 2021 and 31 December 2021	487,808,000	4,878

26. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	**2021** **HK$'000**	2020 HK$'000
Non-current assets			
Investments in subsidiaries		**22,256**	22,259
Amounts due from subsidiaries		**14,888**	17,304
		37,144	39,563
Current assets			
Prepayments and deposits		**286**	277
Cash and cash equivalents		**91**	116
		377	393
Current liabilities			
Accruals and other payables		**853**	795
Amount due to a subsidiary		**39**	39
		892	834
Net current liabilities		**(515)**	(441)
NET ASSETS		**36,629**	39,122
EQUITY			
Share capital	25	**4,878**	4,878
Reserves	27	**31,751**	34,244
TOTAL EQUITY		**36,629**	39,122

On behalf of the Board of Directors

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 2020	90,753	(24,208)	–	66,545
Loss for the year	–	(32,301)	–	(32,301)
At 31 December 2020 and 1 January 2021	90,753	(56,509)	–	34,244
Loss for the year	–	(2,493)	–	(2,493)
At 31 December 2021	**90,753**	**(59,002)**	**–**	**31,751**

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 amount 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

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

(d) Capital reserve

The amount represents capital contribution from equity holders.

(e) Share repurchase reserve

The amount represents the shares repurchased but not yet cancelled. Own equity instruments which are reacquired and held by the Company or the Group are recognised directly in equity 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 direct and indirect owned subsidiaries as at 31 December 2021 and 2020 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	Principal activities and principal place of business
		Direct	Indirect		
GME International Limited	The British Virgin Islands, 23 February 2016, limited liability company	100%	–	1 ordinary share of HK$1	Investment holding, Hong Kong
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	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$1,000,000	Inactive, Hong Kong

29. CONTINGENT LIABILITIES

(a) Contingent liabilities in respect of legal claims

As at 31 December 2021, 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, is remote and furthermore, these claims are usually covered by insurance maintained by the 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. No provision for the contingent liabilities in respect of the litigations is necessary.

29. CONTINGENT LIABILITIES (CONTINUED)

(b) Guarantee issued

As at 31 December 2021, the Group provided guarantee to one (2020: one) insurance company in respect of the following:

	2021	2020
	HK$'000	HK$'000
Surety bonds issued in favour of customers (Note)	**9,169**	9,169

Note:

As at 31 December 2021, surety bonds at amount of approximately HK$9,169,000 (2020: HK$9,169,000) was given by an insurance company in favour of the Group's customers 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 approximately HK$$9,169,000 (2020: approximately HK$9,169,000) 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 2021.

30. RELATED PARTY TRANSACTIONS

The Group did not have any related party transactions during the year ended 31 December 2021 (2020: 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, contract assets, amount due from a minority shareholder of a subsidiary, amounts due from subsidiaries 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 95% of which was derived from five largest customers as at 31 December 2021 (2020: 72%).

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.

	2021 **HK$'000**	2020 HK$'000
Largest customer	**37,093**	8,687
Five largest customers	**112,055**	35,408

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 2021 and 2020:

ECLs for trade receivables:	**Expected loss rate (%)**	**Gross carrying amount (HK$'000)**	**Loss allowance (HK$'000)**
31 December 2021			
Current (Not past due)	0.15	71,056	107
1-30 days past due	–	3,474	–
31-60 days past due	–	–	–
61-90 days past due	–	–	–
More than 90 days past due	100	677	677
		75,207	784

ECLs for trade receivables:	**Expected loss rate (%)**	**Gross carrying amount (HK$'000)**	**Loss allowance (HK$'000)**
31 December 2020			
Current (Not past due)	0.43	23,958	102
1-30 days past due	0.41	986	4
31-60 days past due	–	–	–
61-90 days past due	–	–	–
More than 90 days past due	96.71	486	470
		25,430	576

ECLs for contract assets:	**Expected loss rate (%)**	**Gross carrying amount (HK$'000)**	**Loss allowance (HK$'000)**
31 December 2021			
Current (not past due)	0.13	42,323	56
1-30 days past due	–	–	–
31-60 days past due	41.52	672	279
61-90 days past due	–	–	–
More than 90 days past due	100	113	113
		43,108	448

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 2020			
Current (not past due)	0.07	23,733	17
1-30 days past due	–	–	–
31-60 days past due	–	–	–
61-90 days past due	–	–	–
More than 90 days past due	86.46	96	83
		23,829	100

Expected loss rates are based on actual loss experience over the past 5 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.

The movements in the loss allowance for impairment of trade receivables and contract assets are as follows:

	Trade receivables		Contract assets		Total	
	2021 HK$'000	2020 HK$'000	**2021 HK$'000**	2020 HK$'000	**2021 HK$'000**	2020 HK$'000
At beginning of year	**576**	310	**100**	86	**676**	396
Impairment losses	**208**	266	**348**	14	**556**	280
At beginning of year	**784**	576	**448**	100	**1,232**	676

31. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

The following significant changes in the gross carrying amounts of trade receivables and contract assets contributed to the decrease in the loss allowance during 2021:

- Origination of new trade receivables net of those settled resulted in an increase in loss allowance of approximately HK$208,000; and

- Increase in days past due over 30 days of contract assets resulted in an increase in loss allowance of approximately HK$348,000;

The Group's customers are reputable corporations and thus credit risk is considered to be low. Credit risk on other receivables, amount due from a minority shareholder of a subsidiary and amounts due from subsidiaries are 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.

(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.

31. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Liquidity risk (Continued)

	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 2021				
Trade and other payables	**63,820**	**63,820**	**63,820**	**–**
Bank borrowings	**17,000**	**17,016**	**17,016**	**–**
Lease liabilities	**3,317**	**3,438**	**2,699**	**739**
	84,137	**84,274**	**83,535**	**739**

	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 2020				
Trade and other payables	15,432	15,432	15,432	–
Bank borrowings	3,000	3,012	3,012	–
Lease liabilities	2,307	2,433	1,387	1,046
	20,739	20,877	19,831	1,046

(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.

31. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Interest rate risk (Continued)

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 profit/(loss) for the years ended 31 December 2021 and 2020 is as follows:

	2021 **HK$'000**	2020 HK$'000
Decrease/(increase) in profit/(loss) for the year		
– as a result of increase in interest rate	**27**	35
– as a result of decrease in interest rate	**(27)**	(35)

If interest rates on bank borrowings had been 100 basis points higher/lower and all other variables were held constant, the potential effect on the Group's post-tax profit/(loss) for the years ended 31 December 2021 and 2020 is as follows:

	2021 **HK$'000**	2020 HK$'000
Decrease/(increase) in profit/(loss) for the year		
– as a result of increase in interest rate	**170**	30
– as a result of decrease in interest rate	**(170)**	(30)

32. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

(i) The Group entered into leases agreements in respect of purchase of motor vehicle, plant and machinery with a capital value at the inception of the leases of approximately HK$629,000 (2020: plant and machinery of approximately HK$2,090,000) during the year ended 31 December 2021.

(ii) The Group recognised additional provision for restoration costs to the office of HK$169,000.

(b) Changes in liabilities arising from financing activities

	Bank borrowings (Note 22) HK$'000	**Lease liabilities (Note 23) HK$'000**	**Total HK$'000**
At 1 January 2020	3,000	2,052	5,052
Change from cash flows:			
Proceed from bank borrowings	3,000	–	3,000
Repayment of bank borrowings	(3,000)	–	(3,000)
Lease payments	–	(2,714)	(2,714)
Interest paid	(119)	–	(119)
Total changes from financing cash flow	2,881	(662)	2,219
Other changes:			
Addition of lease liabilities	–	2,805	2,805
Trade and other payables	(12)	–	(12)
Interests expense	131	164	295
At 31 December 2020 and 1 January 2021	3,000	2,307	5,307
Change from cash flows:			
Proceed from bank borrowings	17,000	–	17,000
Repayment of bank borrowings	(3,000)	–	(3,000)
Lease payments	–	(2,661)	(2,661)
Interest paid	(27)	–	(27)
Total changes from financing cash flow	16,973	(354)	16,619
Other changes:			
Interests expense	70	171	241
Trade and other payables	(43)	–	(43)
Addition of lease liabilities	–	3,500	3,500
At 31 December 2021	**17,000**	**3,317**	**20,317**

33. NON-CONTROLLING INTERESTS

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

The following table illustrates the summarised financial information in relation to the NCI of GMS Construction Limited. The amounts disclosed are before any inter-company estimation.

	2021 **HK$'000**	2020 HK$'000
Revenue	**–**	–
Loss for the year	**(7)**	(7)
Total comprehensive expenses for the year	**(7)**	(7)
Loss allocated to NCI	**3**	3

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 borrowings and lease liabilities. Capital represents equity attributable to owners of the Company.

	2021 **HK$'000**	2020 HK$'000
Total debts	**66,176**	16,125
Equity attributable to owners of the Company	**63,404**	52,953
Gearing ratio	**104%**	30%

35. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

	2021 **HK$'000**	2020 HK$'000
Financial assets		
At amortised cost (including cash and cash equivalents)	**87,484**	38,690
Financial liabilities at amortised cost		
Financial liabilities measured at amortised cost	**80,821**	18,432
Lease liabilities	**3,317**	2,307
	84,138	20,739

36. CAPITAL COMMITMENT

	2021 **HK$'000**	2020 HK$'000
Commitment for the acquisition of:		
Property, plant and equipment	**410**	–

37. EVENT AFTER THE REPORTING PERIOD AND EFFECT OF COVID-19

On 28 January 2022, the Group made a drawdown of $9 million from the banking facility to the maximum limit of $12 million on a banking facility obtained on 10 December 2021, and the Group settled all principal and interest on the bank borrowing on 11 March 2022.

The Group obtained another borrowing to the extent of $8 million from the same bank on 15 March 2022. This bank borrowing will expire on 8 April 2022.

38. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 23 March 2022.