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

Annual Report 2017

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Independent non-executive Directors

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

COMPLIANCE OFFICER

Mr. Chuang Chun Ngok Boris

COMPANY SECRETARY

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AUTHORISED REPRESENTATIVES

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Mr. Sze Chun Kit

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COMPLIANCE ADVISER

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Bank of China (Hong Kong) Limited

DBS Bank (Hong Kong) Limited

Dah Sing Bank, Limited

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STOCK CODE

8188

INVESTOR RELATIONS

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FINANCIAL CALENDAR

Closure of Register of Members
– Annual General Meeting 27 April 2018 to 3 May 2018 (both days inclusive)

Annual General Meeting
3 May 2018

Closure of Register of Members
– Final and Special Dividends*
9 May 2018 to 10 May 2018 (both days inclusive)

Payment of Proposed Final and Special Dividends*
21 May 2018

* subject to the shareholders' approval at the annual general meeting of the Company

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board of Directors (the "**Board**") of the Company, I am pleased to 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 2017 (the "**Reporting Period**").

REVIEW

The shares of the Company (the "**Shares**") were successfully listed on the GEM of the Stock Exchange on 22 February 2017 (the "**Listing Date**") by way of placing ("**IPO Placing**") representing a significant milestone for the Company. The IPO Placing provided the Company with access to one of the world's premier capital markets and enhanced its reputation as a quality provider of integrated tunnel construction services in Hong Kong.

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. During the year, the Group has increased its activities in certain areas of the industry including the marine construction works.

The Group is constantly evaluating opportunities within the underground construction industry and seeking profitable areas in which we could develop, broaden or commence operation.

FINANCIAL PERFORMANCE

For the year ended 31 December 2017, the revenue of the Group was approximately HK$157,121,000 (2016: approximately HK$159,127,000), representing a decrease of approximately HK$2,006,000 or 1.3% from the previous year. Such decrease, despite the increase in revenue generated from public sector projects, was mainly due to the effect of decrease in revenue generated from private sector projects to approximately HK$15,000 for the year ended 31 December 2017 (2016: approximately HK$4,624,000).

The increase in revenue generated from public sector projects was due to the increase in revenue generated from other public non-tunnel construction projects to approximately HK$31,171,000 for the year ended 31 December 2017 (2016: approximately HK$4,652,000), but the impact of such increase was partially offset by the decrease in revenue generated from the public tunnel construction projects to approximately HK$125,935,000 for the year ended 31 December 2017 (2016: approximately HK$149,851,000). Due to the significant delay of the funding approvals from the Legislative Council of the Hong Kong Special Administrative Region (the "**Legco**"), the tendering schedules of certain major infrastructure projects, including Tseung Kwan O-Lam Tin Tunnel and Central Kowloon Route, had been delayed. The delay of the funding approvals of these projects has affected the Group's opportunities to participate in them. Therefore, the Group has carried out mitigating measures, including actively submitting tenders for other public non-tunnel construction projects available in the market during the year.

The Group's overall gross profit amounted to approximately HK$27,907,000 for the year ended 31 December 2017 (2016: approximately HK$42,777,000), representing a gross profit margin of approximately 17.8% (2016: approximately 26.9%). The decrease in gross profit margin was mainly attributable to the increase in operating expenses incurred during the year in order to meet additional requirements, including variation orders of certain public tunnel construction projects. Additionally, a relatively high gross profit margin (approximately 43.6% for the year ended 31 December 2016) of a public tunnel construction project which commenced in October 2015 was subsequently completed in January 2017. The revenue of this project was approximately HK$2,991,000 for the year ended 31 December 2017 (2016: approximately HK$51,720,000). The completion of this project, coupled with the fact that public tunnel construction projects the Group participated in involving structural works which generally have a lower gross profit margin, have contributed to the decrease in the gross profit margin for the year ended 31 December 2017 as compared to that for the year ended 31 December 2016.

CHAIRMAN'S STATEMENT

The Group recorded the loss and total comprehensive expenses ("**Net Loss**") of approximately HK$1,662,000 for the year ended 31 December 2017 (2016: profit and total comprehensive income ("**Net Profit**") of approximately HK$17,708,000). The Net Loss for the year ended 31 December 2017 was mainly due to the combined effects of (i) the recognition of listing expenses of approximately HK$6,338,000 for the year ended 31 December 2017 (2016: approximately HK$7,666,000); and (ii) other expenses in relation to the listing and resumption of trading in the Shares of approximately HK$1,603,000 for the year ended 31 December 2017 (2016: nil). If these items mentioned above were excluded, the Group would have recorded a Net Profit of approximately HK$6,279,000 for the year ended 31 December 2017 (2016: Net Profit of approximately HK$25,374,000).

The Directors have recommended a final dividend of HK0.4 cents per Share and a special dividend of HK0.8 cents per Share to the shareholders of the Company (the "**Shareholders**"). Both the final and special dividends shall be considered by the Shareholders at the forthcoming annual general meeting of the Company ("**AGM**") to be held on 3 May 2018.

OUTLOOK

The several major transportation projects as mentioned above are expected to come on stream in 2018 and will provide further demand for Hong Kong's tunnel construction industry. Given the relatively large scale of these projects, main contractors would continue to subcontract various tunnel construction parts of the contract to subcontractors such as the Group and therefore the Group will be a significant beneficiary from this demand.

Looking forward, the Group will continue to adhere to its strategy of growing its market share in underground construction services in Hong Kong by working with its major customers and targeting major underground construction projects. We expect that the Group's underground construction services business to continue to be a major growth driver and a long term sustainable source of revenue and Net Profit for the Group.

APPRECIATION

On behalf of the Board, I would like to extend my sincere appreciation to the Group's management and staff for their commitment, contribution and dedication. I would also like to express my deep gratitude to all of our business partners, clients, suppliers and the Shareholders for their continuous support.

Chuang Chun Ngok Boris
Chairman

Hong Kong, 23 March 2018

FINANCIAL HIGHLIGHTS

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

	For the year ended 31 December			
	2017	2016	2015	2014
Results	**HK$'000**	HK$'000	HK$'000	HK$'000
Revenue	**157,121**	159,127	80,560	94,193
Gross profit	**27,907**	42,777	26,398	15,717
Profit/(loss) before income tax expense	**(298)**	22,750	18,406	8,549
Net Profit/(Net Loss)	**(1,662)**	17,708	15,170	6,935
Adjusted Net Profit	**6,279**	25,374	15,830	6,935

	As at 31 December			
	2017	2016	2015	2014
Assets and Liabilities	**HK$'000**	HK$'000	HK$'000	HK$'000
Total assets	**114,519**	67,310	44,974	29,711
Total liabilities	**16,723**	27,354	22,726	22,633
Net assets	**97,796**	39,956	22,248	7,078

Notes:

The summary of the results of the Group for the years ended 31 December 2014 and 2015 and of the assets, liabilities and net assets of the Group as at 31 December 2014 and 2015 have been extracted from the prospectus of the Company dated 14 February 2017 (the "**Prospectus**").

The results of the Group for the years ended 31 December 2014, 2015 and 2016 had been prepared using the principles of merger accounting as if the current group structure had been in existence throughout those year, or since their respective dates of incorporation or establishment of the combining companies, whichever was shorter.

The assets, liabilities and net assets of the Group as at 31 December 2014, 2015 and 2016 have been prepared to present the assets, liabilities and net assets of the companies now comprising the Group at that date, as if the current group structure had been in existence as at that date.

Adjusted Net Profit represented the Net Profit/(Net Loss) excluding the listing expenses of approximately HK$6,338,000 for the year ended 31 December 2017 (2016: approximately HK$7,666,000; 2015: approximately HK$660,000; and 2014: nil) and other expenses in relation to the listing and resumption of trading in the Shares of approximately HK$1,603,000 for the year ended 31 December 2017 (2016: nil; 2015: nil; and 2014: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

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

Since 2014, the Group has been focusing on the development of a complete suite of tunnel construction services, which has laid a solid foundation for the Group's growth and a strong advantage in securing contracts. During the year, the Group has increased its activities in certain areas of the industry including the marine construction works. Due to the significant delay of the funding approval from the Legco, the tendering schedules of certain major infrastructure projects, including Tseung Kwan O-Lam Tin Tunnel and Central Kowloon Route, had been delayed. The delay of the funding approvals of these projects have affected the Group's opportunities to participate in them. Therefore, the Group has carried out mitigating measures, including actively submitting tenders for other public non-tunnel construction projects available in the market during the year.

For the year ended 31 December 2017, the Group had been engaged in 17 public sector projects (2016: 11) and one private sector project (2016: four). Nine public sector projects were newly commenced in 2017 (2016: four). No private sector project was newly commended in 2017 (2016: three). During the year ended 31 December 2017, the Group had secured 13 public construction contracts, with the total contract sum of approximately HK$134,600,000, including one of the construction works at Tseung Kwan O-Lam Tin Tunnel.

The Group is constantly evaluating opportunities within the underground construction industry and seeking profitable areas in which it can develop, broaden or commence operation. This is in line with the Group's business strategies as mentioned in the Prospectus.

The Group's revenue was primarily generated from public sector projects for our provision of (i) tunnel construction services; and (ii) utility construction services and others for the year ended 31 December 2017. The following table sets out the breakdown of the Group's revenue by project types:

	Year ended 31 December			
	2017	**2017**	2016	2016
		% of total		% of total
	HK$'000	**revenue**	HK$'000	revenue
Private sector projects	**15**	**–**	4,624	2.9
Public sector projects				
– Tunnel construction services	**125,935**	**80.2**	149,851	94.2
– Utility construction services and others	**31,171**	**19.8**	4,652	2.9
Sub-total	**157,106**	**100.0**	154,503	97.1
Total	**157,121**	**100.0**	159,127	100.0

For the year ended 31 December 2017, the revenue of the Group was approximately HK$157,121,000 (2016: approximately HK$159,127,000), representing a decrease of approximately HK$2,006,000 or 1.3% from the previous year.

As shown in the table above, revenue generated from public sector projects increased from approximately HK$154,503,000 for the year ended 31 December 2016 to approximately HK$157,106,000 for the year ended 31 December 2017, representing an increase of approximately HK$2,603,000 or 1.7% from the previous year. Such increase was mainly due to the combined effects of (i) decrease in revenue from the tunnel construction services; and (ii) increase in revenue from the utility construction services and others.

Revenue generated from public sector projects – tunnel construction services decreased to approximately HK$125,935,000 for the year ended 31 December 2017 (2016: approximately HK$149,851,000), representing a decrease of approximately HK$23,916,000 or 16.0% from the previous year. Such decrease was mainly attributable to the combined effects of (i) decrease in revenue from a tunnel construction project which commenced in October 2015 was subsequently completed in January 2017. The revenue of this project was approximately HK$2,991,000 for the year ended 31 December 2017 (2016: approximately HK$51,720,000); and (ii) revenue generated from newly commenced tunnel construction projects in 2017 of approximately HK$2,813,000.

MANAGEMENT DISCUSSION AND ANALYSIS

Revenue generated from public sector projects – utility construction services and others increased from approximately HK$4,652,000 for the year ended 31 December 2016 to approximately HK$31,171,000 for the year ended 31 December 2017, representing an increase of approximately HK$26,519,000 or 570.1% from the previous year. The increase was mainly due to the revenue generated from newly commenced non-tunnel construction projects in 2017 of approximately HK$22,558,000. Due to the significant delay of the funding approvals from the Legco, the tendering schedules of certain major infrastructure projects, including Tseung Kwan O – Lam Tin Tunnel and Central Kowloon Route, had been delayed. Therefore, the Group actively submitted the tenders for other public non-tunnel construction projects available in the market during the year.

The revenue generated from private sector projects was the refurbishment works of a private project which was commenced in July 2016 and subsequently completed in January 2017 for the year ended 31 December 2017. No private sector project was newly awarded to the Group for the year ended 31 December 2017.

To maintain consistent quality services for all our customers, the Group has established a formal quality management system which is certified to be in compliance with the requirements of ISO 9001:2008. 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.

PRINCIPAL RISKS AND UNCERTAINTIES

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

The Group's business is subject to the budgeting process on public infrastructure and construction projects of the Hong Kong Government. The budgeting process on public infrastructure and construction projects may be lengthened and the expected timetable of projects may be delayed. As a result, the availability of construction projects may decrease owing to the decrease in the available funding of public sector projects in Hong Kong. The Hong Kong Government's policy and public spending patterns on the civil engineering construction industry may also affect the availability of construction projects in Hong Kong.

The Group's historical results may not be indicative of our future performance, which may vary from period to period in response to a variety of factors beyond our 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. Therefore, the profit margin may also vary from project to project due to factors such as the complexity and size of the project.

MANAGEMENT DISCUSSION AND ANALYSIS

OUTLOOK OF TUNNEL CONSTRUCTION INDUSTRY IN HONG KONG

The Group will continue to focus on growing its tunnel construction services business, as we expect this to be our major growth driver and sustainable source of long term revenue.

It is expected that the demand for tunnel construction services in Hong Kong will continue to grow in the foreseeable future. The growth in tunnel construction industry will mainly be supported by several major transport infrastructure projects including Tseung Kwan O-Lam Tin Tunnel and Central Kowloon Route. In accordance with the Chief Executive's 2017 Policy Address issued by the Hong Kong Government, the Tseung Kwan O-Lam Tin Tunnel is expected to be completed in 2021. In respect of the Central Kowloon Route, the Legco approved the funding of approximately HK$42.3 billion for the construction on 20 October 2017. Subsequently, the Highway Department of the Hong Kong Government has started awarding the construction contracts of Central Kowloon Route to the contractors since December 2017. The Central Kowloon Route is expected to come on stream in 2018 and is expected to be completed in 2025. These major transport infrastructure projects will provide further support to the demand for Hong Kong's tunnel construction industry. All of these new projects, coupled with the ongoing projects, will provide significant revenue receipts for the tunnel construction industry in the future. Given the scale of these projects are relatively large, main contractors would continue to subcontract various tunnel construction parts of the contract to subcontractors such as the Group and therefore the Group will be a significant beneficiary from this demand.

The construction industry is meanwhile facing challenges of increase in construction costs and labour shortage in recent years. According to the information provided by Hong Kong Construction Industry Employees General Union, the salaries of Hong Kong's construction workers will increase with an average of 7.8% in November 2017. Albeit these challenges, the Directors remain confident in the growth potential of the underground construction services business.

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2017, the revenue of the Group was approximately HK$157,121,000 (2016: approximately HK$159,127,000), representing a decrease of approximately HK$2,006,000 or 1.3% from the previous year. The decrease in the revenue was mainly attributable to the combined effects of (i) decrease in revenue generated from public sector projects – tunnel construction services to approximately HK$125,935,000 for the year ended 31 December 2017 (2016: approximately HK$149,851,000); (ii) increase in revenue generated from public sector projects – utility construction services and others to approximately HK$31,171,000 for the year ended 31 December 2017 (2016: approximately HK$4,652,000); and (iii) decrease in revenue generated from private projects to approximately HK$15,000 for the year ended 31 December 2017 (2016: approximately HK$4,624,000).

Cost of services

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

For the year ended 31 December 2017, the total cost of services of the Group was approximately HK$129,214,000 (2016: approximately HK$116,350,000), representing an increase of approximately HK$12,864,000 or 11.1% from the previous year. The staff costs were increased from approximately HK$80,863,000 for the year ended 31 December 2016 to approximately HK$82,381,000 for the year ended 31 December 2017, representing an increase of approximately HK$1,518,000 or 1.9% from the previous year. As the existing tunnel construction projects the Group participated in involve structural works which required more special skilled workers with a higher salary level than other general workers, together with the average salaries increment of the workers, the salary level for hiring each worker has increased while the number of workers has decreased in the year 2017. Taking into account the increase in salary level for each special skilled worker and the decrease in number of workers, the cost for hiring workers remain stable for years ended 31 December 2016 and 2017. The costs of construction materials and supplies were approximately HK$28,116,000 for the year ended 31 December 2017 (2016: approximately HK$17,207,000), representing an increase of approximately HK$10,909,000 or 63.4% from the previous year. Such increase was mainly due to the increase in construction materials and supplies for the public non-tunnel construction projects, which required the Group to purchase its own construction materials, including the contra-charge arrangement. In general, the purchase of construction materials and supplies depended on the terms of the contracts, which may vary on a project-by-project basis. Due to the nature of the existing projects which relied heavily on equipment, the Group recorded a depreciation charges of approximately HK$3,888,000 for the year ended 31 December 2017 (2016: approximately HK$2,186,000), representing an increase of approximately HK$1,702,000 or 77.9% from the previous year.

Gross profit and gross profit margin

The Group's overall gross profit amounted to approximately HK$27,907,000 for the year ended 31 December 2017 (2016: approximately HK$42,777,000), representing a gross profit margin of approximately 17.8% (2016: approximately 26.9%). The decrease in gross profit margin was mainly attributable to the increase in operating expenses incurred during the year in order to meet additional requirements, including variation orders of certain tunnel construction projects. Additionally, a relatively high gross profit margin (approximately 43.6% for the year ended 31 December 2016) of a tunnel construction project which commenced in October 2015 was subsequently completed in January 2017. The revenue of this project was approximately HK$2,991,000 for the year ended 31 December 2017 (2016: approximately HK$51,720,000). The completion of this project, coupled with the tunnel construction projects the Group participated in involving structural works which generally have a lower gross profit margin, have contributed to the decrease in the gross profit margin for the year ended 31 December 2017 as compared to that for the year ended 31 December 2016.

Other income

The Group's other income was approximately HK$328,000 for the year ended 31 December 2017 (2016: approximately HK$571,000) which mainly consisted of the income received from the rental of machinery which amounted to approximately HK$153,000 (2016: approximately HK$396,000).

Administrative and other expenses

The Group's administrative and other expenses mainly comprised (i) staff costs and benefits; (ii) Directors' remuneration; (iii) entertainment expenses; (iv) motor vehicles expenses; (v) rent and rates; (vi) professional fees; (vii) listing expenses and (viii) other expenses in relation to the listing and resumption of trading in the Shares.

The Group's administrative and other expenses increased from approximately HK$20,097,000 for the year ended 31 December 2016 to approximately HK$28,439,000 for the year ended 31 December 2017, representing an increase of approximately HK$8,342,000 or 41.5%. The increase was mainly attributable to the professional fees incurred in relation to the continuous compliance with the GEM Listing Rules, which was approximately HK$1,799,000 for the year ended 31 December 2017 (2016: nil). Besides, the staff costs and benefits increased from approximately HK$5,432,000 for the year ended 31 December 2016 to approximately HK$6,777,000 for the year ended 31 December 2017, representing an increase of approximately HK$1,345,000 or 24.8%. The increase in staff costs and benefit was mainly attributable to salary increment and increase in administrative headcounts which is in line with the Group's business expansion. The Directors' remuneration increased from approximately HK$2,098,000 for the year ended 31 December 2016 to approximately HK$3,128,000 for the year ended 31 December 2017, representing an increase of approximately HK$1,030,000 or 49.1%, due to the additional Directors' fee paid by the Company since the Listing Date. The listing expenses were approximately HK$6,338,000 for the year ended 31 December 2017 (2016: approximately HK$7,666,000). Other expenses in relation to the listing and resumption of trading in the Shares were approximately HK$1,603,000 for the year ended 31 December 2017 (2016: nil). Please refer to the section headed "Background of the trading suspension in the Shares, the vender placing and resumption of trading in the Shares" of the Directors' report in this Annual Report for the information regarding the resumption of trading in the Shares.

Finance costs

The Group's finance costs mainly comprised (i) interest expenses on bank overdrafts; (ii) finance costs of the obligations under finance leases; and (iii) finance costs of the bank borrowing, secured. For the year ended 31 December 2017, the Group's finance costs amounted to approximately HK$94,000 (2016: approximately HK$501,000), representing a decrease of approximately HK$407,000 or 81.2% from the previous year. The decrease in finance costs was mainly attributable to the decrease in interest expense on bank overdrafts from approximately HK$379,000 for the year ended 31 December 2016 to HK$72,000 for the year ended 31 December 2017, representing a decrease of approximately HK$307,000 or 81.0% from the previous year.

Income tax expense

For the year ended 31 December 2017, the Group generated income only in Hong Kong and was subject only to Hong Kong profits tax. The income tax expense was provided at the rate of 16.5% on the Group's assessable profits for the years ended 31 December 2016 and 2017. The income tax expense for the year ended 31 December 2017 was approximately HK$1,364,000 (2016: approximately HK$5,042,000), representing a decrease of approximately HK$3,678,000 or 72.9% from the previous year. Such decrease was consistent with the decrease in the Group's assessable profits for the same year.

Net Profit/Net Loss

The Group recorded the Net Loss of approximately HK$1,662,000 for the year ended 31 December 2017 (2016: Net Profit of approximately HK$17,708,000). The Net Loss for the year ended 31 December 2017 was mainly due to the combined effects of (i) the recognition of listing expenses of approximately HK$6,338,000 for the year ended 31 December 2017 (2016: approximately HK$7,666,000); and (ii) other expenses in relation to the listing and resumption of trading in the Shares of approximately HK$1,603,000 for the year ended 31 December 2017 (2016: nil). If these items mentioned above were excluded, the Group would have recorded a Net Profit of approximately HK$6,279,000 for the year ended 31 December 2017 (2016: Net Profit of approximately HK$25,374,000).

MANAGEMENT DISCUSSION AND ANALYSIS

Dividends

On 23 March 2018, the Board recommended a final dividend of HK0.4 cents per Share and a special dividend of HK0.8 cents per Share for the year ended 31 December 2017, which is subjected to the approval of Shareholders at the AGM. The total payout will amount to HK$6,000,000. No dividend was declared by the Company for the year ended 31 December 2016.

Liquidity, financial resources and funding

As at 31 December 2017, the Group's cash and cash equivalents and pledged bank deposits amounted to approximately HK$26,665,000 (2016: approximately HK$2,104,000) and approximately HK$8,000,000 (2016: nil), respectively, which were denominated in Hong Kong dollar. Such increase was mainly due to the net unused proceeds from the IPO Placing of approximately HK$28.3 million.

After Listing Date, the Group utilised HK$9,500,000 of the net proceeds from the IPO Placing to repay the bank overdrafts from a licensed bank in Hong Kong ("**Bank A**"). The overdraft banking facilities of HK$11,000,000 together with a lease facility of HK$2,460,000 from Bank A were secured by the properties owned by two of our controlling shareholders of the Company and the personal guarantees by three of our controlling shareholders of the Company. During the year ended 31 December 2017, these securities were released and the overdraft banking facilities and the lease facility were replaced by the banking facility of the revolving term loan of HK$10,000,000 at the interest rate of Hong Kong Prime Rate per annum, which were secured by the corporate guarantee provided by the Company and the pledged bank deposits of HK$8,000,000. The Group did not utilise the banking facility of the revolving term loan during the Reporting Period.

The Company and Good Mind Engineering Limited ("**GMEHK**"), an indirect wholly-owned subsidiary of the Company, entered into the factoring agreement with a licensed bank in Hong Kong ("**Bank B**") dated 22 November 2017 pursuant to which Bank B agreed to provide certain account receivables factoring services to GMEHK with a credit limit of HK$10,000,000, subject to the terms therein (the "**Factoring Agreement**"). As conditions under the Factoring Agreement, (i) GMEHK entered into a deed of security dated 22 November 2017 in favour of Bank B on 22 November 2017 to assign all the account receivables payable to GMEHK by one of its customers under a contract being made between GMEHK and such customer; and (ii) the Company entered into a deed of guarantee on 22 November 2017 in favour of Bank B whereby the Company agreed to provide a corporate guarantee of up to HK$10,000,000. As at 31 December 2017, the Group utilised the factoring facility from Bank B of approximately HK$3,946,000 and presented as the bank borrowing, secured, in the consolidated statement of financial position and bore an interest rate of 2.5% per annum above Hong Kong Interbank Offered Rate.

As at 31 December 2017, the obligations under finance leases amounted to approximately HK$702,000 (2016: approximately HK$209,000), which represented the finance leases arrangement of our office equipment and motor vehicles.

The Group's gearing ratio, which is calculated by total debts divided by total equity, decreased from approximately 52.1% in 2016 to approximately 14.0% in 2017 due to the growth in the equity attributable to the owners of the Company from approximately HK$39,956,000 for the year ended 31 December 2016 to approximately HK$97,796,000 for the year ended 31 December 2017.

Capital structure

As at 31 December 2016 and 2017, the capital structure of the Company comprised issued share capital and reserves.

Commitments

As at 31 December 2017, the capital commitment and operating lease commitments of the Group was nil (2016: nil) and approximately HK$1,893,000 (2016: approximately HK$476,000), respectively.

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

On 10 February 2017, the Company carried out reorganisation of the Group's structure, as set out in the section headed "History and Reorganisation" in the Prospectus.

Save as disclosed in the Prospectus, there was no significant investments, material acquisitions or disposal of subsidiaries and associated companies by the Company for the year ended 31 December 2017.

Future plans for material investments and capital assets

Save as disclosed in the section headed "Future plans and use of proceeds" in the Prospectus and the section headed "Use of net proceeds from the IPO Placing" in this Annual Report, the Group did not have other plans for material investment or capital assets as at 31 December 2017.

Contingent liabilities

As at 31 December 2017, 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, the outflow of resources required in settling these claims if any, was remote as these claims are usually covered by insurance maintained by relevant main contractors. Therefore, the ultimate liability under these claims would not have a material adverse impact on the financial position or performance of the Group and no provision for the contingent liabilities in respect of the litigations is necessary.

As at 31 December 2017, the Group has given a corporate guarantee of approximately HK$2,049,000 (2016: nil) to an insurance company on a surety bond at amount of approximately HK$2,049,000 (2016: nil) in relation to a public non-tunnel construction contract of the Group in the ordinary course of business. The surety bond as at 31 December 2017 is expected to be released in accordance with the terms of the respective construction contract. Save for the guarantee given on the surety bond, 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 2016 and 2017, the Group's transactions were denominated in Hong Kong dollar. The Group had no material exposure to foreign currency risk.

Charges on the Group's assets

As at 31 December 2017, the Group had pledged bank deposits of HK$8,000,000 (2016: nil) to secure the bank facility offered by Bank A. Also, the Group had placed cash collateral of HK$200,000 to an insurance company in Hong Kong for the provision of the surety bond for one of our public non-tunnel construction projects. For details of the surety bond, please refer to the paragraph headed "Contingent Liabilities" above. Saved for the foregoing, the Group did not have any charges on its assets.

MANAGEMENT DISCUSSION AND ANALYSIS

Information on employees

As at 31 December 2017, the Group had 299 employees which comprises management, technical staff, administration staff, accounting and human resources staff and workers in Hong Kong (2016: 539 employees). The decrease in number of employees is due to the change in composition of the type of workers hired by the Group in the year 2017. As the existing tunnel construction projects the Group participated in involve structural works which required more special skilled workers with a higher salary level than other general workers, together with the average salaries increment of the workers, the salary level for hiring each worker has increased while the number of workers has decreased in the year 2017. Taking into account the increase in salary level for each special skilled worker and the decrease in number of workers, the cost for hiring workers remain stable for years ended 31 December 2016 and 2017. Employee remuneration package is based on their previous working experience and actual performance. Apart from the basic salary, discretionary bonus and allowance will be granted to employees based on their individual performance by the executive Directors' approval. The total staff costs (included in cost of services and administrative and other expenses) and Directors' remuneration amounted to approximately HK$92,286,000 for the year ended 31 December 2017 (2016: approximately HK$88,393,000) which was due to the increase in staff costs and benefits in the administrative and other expenses due to the addition of administrative headcounts and additional Directors' fee payable by the Company since the Listing Date. Depending on the nature of works and the need of the projects, the Group will provide training to the employees from time to time. The Group's customers sometimes require the employees of the Group to attend its own on-site occupational safety trainings.

Events after the Reporting Period

No event has occurred after 31 December 2017 and up to the date of this Annual Report which would have material effect on the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

Comparison of business objectives with actual business progress

The following table is a comparison between the Group's business objectives as set out in the Prospectus and the Group's actual business progress up to 31 December 2017.

Business objectives	Actual business progress up to 31 December 2017
To further develop the Group's reputation as a quality provider of integrated tunnel construction services.	The Group has hired one engineer, two experienced foremen and 10 trained tunnel construction workers for our project team. Since the agenda and approval of certain public infrastructure projects from the Hong Kong Government has recently been postponed, the Directors are of the view that the subcontractors tendering period will also be postponed accordingly. Therefore, the Group will postpone the purchase of certain machinery for site operations to a later date when there is more certainty in the need of machinery after the public infrastructure projects are approved, as set out in the section headed "Future plan and use of proceeds" in the Prospectus.
To expand the Group's services into other high-value construction services, such as marine construction works – mainly for public construction projects.	The Group has received additional works and variation orders from our public sector projects – tunnel construction services, including marine construction projects. The Group secured a project at Tseung Kwan O-Lam Tin Tunnel in the third quarter in 2017. Moving forward, the Group will continue to explore other business opportunities in high-value construction services.
To enhance the efficiency of the Group's operations in order to better serve our customers and improve our financial results.	The Group has utilised part of the net proceeds from the IPO Placing for the rental expenses of the newly leased office. The office space refurbishment work commenced in the third quarter of 2017 to accommodate the Group's business expansion. The Group is in the process of formulating the plan for the project management system upgrade to improve the efficiency of the Group's operation. The Group replaced the computer system for the preparation of management system upgrade in the third quarter of 2017. Further information technology and project management system upgrade will be conducted after 2017 to cope with the latest business expansion.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. CHUANG Chun Ngok Boris（莊峻岳）, aged 42, is the chairman, an executive Director and the compliance officer of the Company. He is also a member of the Remuneration Committee and the Nomination Committee 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）, aged 70, is an executive Director of the Company. Mr. Chuang Wei Chu's primary responsibilities include the overall development, strategic planning and major business decisions of the Group. He is the founder of GMEHK in September 1994, and has over 40 years of experience in the civil engineering industry.

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

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

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. LAM Man Bun Alan（林文彬）, aged 65, 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 30 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 was not a director in other listed companies for the last three preceding years.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. LAU Chun Fai Douglas（劉俊輝）, aged 45, is an independent non-executive Director of the Company. Mr. Lau has over 18 years of experience in auditing and accounting.

Mr. Lau is a certified practising accountant of the Australian Society of Certified Practising Accountants (now known as CPA Australia), a fellow member of the Hong Kong Institute of Certified Public Accountants, a member of the Institute of Chartered Accountants in Australia 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 the independent non-executive director of Chanjet Information Technology Company Limited (stock code: 1588) since September 2011 and Ausnutria Dairy Corporation Ltd (stock code: 1717), a dairy industry company since January 2015.

Ir NG Wai Ming Patrick（吳惠明）, aged 58, 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 is currently serving on the Contractors Registration Committee Panel and Contractors Registration Committee of the Buildings Department in Hong Kong. He is currently 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 PRC for the year 2012. He is currently the member of the 11th Nanning Committee of the Chinese People's Political Consultative Conference（中國人民政治協商會議廣西省南寧市第十一屆委員會）.

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

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

SENIOR MANAGEMENT

Mr. HO John Kwun Fung（何冠鋒）, aged 41, is the project engineer of the Group. Mr. Ho joined our Group in March 2011 and is primarily responsible for the overall management and supervision of the projects of the Group and overseeing the progress of various projects undertaken by the Group, making recommendations to the Directors in relation to allocation of resources and purchase and/or rental of machinery necessary for our business.

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

COMPANY SECRETARY

Mr. SZE Chun Kit（施俊傑）, aged 31, is the finance director and company secretary of the Group. Mr. Sze joined our Group in March 2016 and is primarily responsible for financial management and company secretarial affairs of the Group. Mr. Sze is a member of the Hong Kong Institute of Certified Public Accountants since March 2013.

Mr. Sze graduated from Monash University in Australia in July 2009 with a degree of Bachelor of Commerce (Accounting and Finance).

CORPORATE GOVERNANCE REPORT

INTRODUCTION

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

CORPORATE GOVERNANCE PRACTICES

The Company considers the maintenance of a high standard of corporate governance important to the continuous growth of the Group. The Company's corporate governance practices are based on code provisions as set out in the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") as contained in Appendix 15 to the GEM Listing Rules. As 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 (the "**Relevant Period**") to ensure that the Group's business activities and decision making processes are regulated in a proper and prudent manner.

During the Relevant Period, the Directors considered that the Company has complied with the CG Code.

CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

On 15 March 2017, the controlling shareholders of the Company (the "**Controlling Shareholders**") namely Mr. Chuang Chun Ngok Boris, Mr. Chuang Wei Chu, Ms. To Ying Ping and Ms. Chuang Yau Ka entered into a placing agreement with two independent placing agents, pursuant to which the placing agents would on a best-effort basis, place 25,000,000 Shares held by the Controlling Shareholders, to not less than 150 independent placees at HK$0.54 per Share (the "**Vendor Placing**"). For the purpose of implementing the Vendor Placing, the Company has made an application for and the Stock Exchange has agreed to grant a waiver from strict compliance with Rules 5.56(a) and 5.59 of the GEM Listing Rules regarding the restrictions on Directors dealing in Shares during the black-out period, subject to certain conditions.

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

BOARD OF DIRECTORS

Up to 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	(appointed on 10 February 2017)
Mr. Lau Chun Fai Douglas	(appointed on 10 February 2017)
Ir Ng Wai Ming Patrick	(appointed on 10 February 2017)

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

RESPONSIBILITIES OF THE BOARD

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

According to the code provision of C.1.2 of the CG Code, the management shall provide all members of the Board with monthly updates. During the year ended 31 December 2017 and up to the date of this annual report, the executive Directors have provided, and will continue to provide, to all members of the Board (including all independent non-executive Directors, where applicable) updates on any material changes to the position and prospects of the Group, which are considered to be sufficient to provide general updates of the Group's performance, position and prospects to the Board and allow them to give a balanced and understandable assessment of the same for the purposes of code provision C.1.2 of the CG Code.

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

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

CHAIRMAN AND CHIEF EXECUTIVE

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

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

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

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

BOARD COMMITTEES

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

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

CORPORATE GOVERNANCE FUNCTION

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

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

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

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

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

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

During the Relevant Period, 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 primary duties of the Audit Committee include (i) making recommendations to the Board on the appointment, reappointment and removal of the external auditor; (ii) reviewing and supervising the financial statements and material advice in respect of financial reporting; (iii) overseeing internal control procedures and corporate governance of the Company; (iv) supervising internal control and risk management systems of the Group; and (v) monitoring continuing connected transactions (if any).

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

The following is a summary of the work during the year ended 31 December 2017:

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

(b) reviewed the audited consolidated financial statements and annual results announcement of the Group for the year ended 31 December 2016;

(c) reviewed the unaudited consolidated financial statements of the Group for the three months ended 31 March 2017, six months ended 30 June 2017 and nine months ended 30 September 2017;

(d) reviewed the first quarterly results announcement of the Group for the three months ended 31 March 2017, interim results announcement for the six months ended 30 June 2017 and third quarterly results announcement of the Group for the nine months ended 30 September 2017; and

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

During the year ended 31 December 2017, 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 of the Group; (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 2017, the Remuneration Committee held one meeting to review the remuneration policy and structure and the remuneration package of the Directors and senior management of the Group. Please refer to the subsection headed "number of meetings and attendance records" below for the attendance details.

NOMINATION COMMITTEE

The Group has established the Nomination Committee pursuant to a resolution of the Directors passed on 10 February 2017 with written terms of reference in compliance with the CG Code. The 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.

During the year ended 31 December, the Nomination Committee held one meeting to assess the structure, size, composition and diversity of the Board, the independence of independent non-executive Directors and make recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors.

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

TERMS OF APPOINTMENT AND RE-ELECTION OF DIRECTORS

Each of our executive Directors has entered into a service agreement with the Company on 10 February 2017 for an initial term of three years commencing from the Listing Date. Either party may terminate the service agreement by giving to the other not less than three months’ prior notice in writing at any time during the initial term.

Each of the independent non-executive Directors has signed a letter of appointment on 10 February 2017 for a term of three years commencing from the Listing Date. The independent non-executive Directors may terminate their letter of appointment by giving a minimum of three months’ notice in writing to the Company.

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

BOARD MEETINGS

Code provision A.1.1 of the CG Code states that Board meeting should be held at least four times each year at approximately quarterly intervals with active participation, either in person or through electronic means of communication by the majority of the Directors entitled to be present. The Board delegates necessary powers and authorities to the executive Directors to facilitate the efficient day to day management of the Group’s business. Directors who are considered having conflict of interests or material interests in the proposed transactions or issues to be discussed would not be counted in the quorum of meeting and would abstain from voting on the relevant resolutions subject to certain exceptions set out in the Articles. The company secretary of the Company (“**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 2017, eight 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 2017 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	8/8	–	1/1	1/1	1/1
Mr. Chuang Wei Chu	8/8	–	–	–	1/1
Mr. Lam Man Bun Alan	7/8	6/6	1/1	1/1	1/1
Mr. Lau Chun Fai Douglas	8/8	6/6	1/1	1/1	1/1
Ir Ng Wai Ming Patrick	8/8	6/6	1/1	1/1	1/1

As stated in code provision A.1.3, 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.

TRAINING FOR DIRECTORS AND COMPANY SECRETARY AND CONTINUING PROFESSIONAL DEVELOPMENT

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

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 2017.

AUDITOR'S REMUNERATION

The auditor's remuneration paid/payable to the auditor of the Company for the year ended 31 December 2017 is set out as follows:

Services rendered	**HK$**
Audit service	588,000
Non-audit services (mainly as the reporting accountant of the Company in relation to the IPO Placing)	490,000
Total	1,078,000

CORPORATE GOVERNANCE REPORT

COMPANY SECRETARY

Please refer to the section headed "Biographical details of Directors and senior management" of 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 and senior management" of 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 2017 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 2017, the Board has selected suitable accounting policies and applied them consistently, made judgments and estimates that are fair and reasonable.

As at 31 December 2017, the Board was not aware of any material uncertainties relating to events or conditions that might cast significant doubt upon our 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 the note 11 to the consolidated financial statements.

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

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

SHAREHOLDERS' RIGHTS AND INVESTOR RELATIONS

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

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

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

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

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

CONSTITUTIONAL DOCUMENTS

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

A copy of the amended and restated Memorandum 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.

The Articles was adopted on 10 February 2017 and took effect on the Listing Date. The Articles is available on the Company's website and the Stock Exchange's website. During the Relevant Period, there has been no change in the Company's memorandum and articles of association.

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

RISK MANAGEMENT AND INTERNAL CONTROLS

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

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

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

As at the date of this Annual Report, the Board has conducted a review of the effectiveness of the risk management and internal control system, which covered the financial, operational, compliance and risk management for the year ended 31 December 2017. The Board considered that the system of the Group to be adequate and effective for the year ended 31 December 2017. The Company did not have an internal audit function. During the year, the Group has engaged Zhonghui Anda Risk Services Limited as an independent internal control consultant to review the effectiveness of the Group's internal control system and risk management system. The internal control consultant directly reports to the Audit Committee. Going forward, the Directors will work with the internal control consultant regularly to assess and review the effectiveness of the Group's risk management and internal control system.

PROCEDURES FOR RAISING ENQUIRIES

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

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

DIRECTORS' REPORT

The Directors are pleased to present their report and the consolidated financial statements for the year ended 31 December 2017.

CORPORATE REORGANISATION AND LISTING

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 18 January 2016 under the Companies Law of the Cayman Islands. Pursuant to the corporate reorganisation of the Group to rationalise the group structure in preparation of the Company's listing of its Shares on the GEM, the Company became the holding company of the Group on 17 October 2016. Further details of the corporate reorganisation of the Group are set out in the section headed "History and Reorganisation" in the Prospectus. The Shares were listed on the GEM on 22 February 2017 by IPO Placing.

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 the note 27 to the consolidated financial statements of this Annual Report. There were no significant changes in the nature of our Group's principal activities during the Reporting Period.

PRINCIPAL PLACE OF BUSINESS

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

BUSINESS REVIEW

Discussion and analysis of the business of the Group, principal risks and uncertainties, outlook of the business and the analysis of the Group's performance for the year ended 31 December 2017 can be found out in the sections headed "Chairman's statement" and "Management discussion and analysis" of this Annual Report.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2017 are set out in the section headed "Consolidated statement of comprehensive income" of this Annual Report.

On 23 March 2018, the Board recommended a final dividend of HK0.4 cents per Share and a special dividend of HK0.8 cents per Share for the year ended 31 December 2017, which is subject to the approval of Shareholders at the AGM. The total payout will amount to HK$6,000,000.

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

DIRECTORS' REPORT

ANNUAL GENERAL MEETING AND CLOSURE OF THE REGISTER OF MEMBERS

The AGM will be held on Thursday, 3 May 2018 at 4:00 p.m.. The register of members of the Company will be closed from Friday, 27 April 2018 to Thursday, 3 May 2018 (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 shares certificates must be lodged with the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration no later than 4:30 p.m. on Thursday, 26 April, 2018.

To ascertain entitlement to the proposed final and special dividends, the register of members of the Company will also be closed on Wednesday, 9 May 2018 to Thursday, 10 May 2018. In order to qualify for the proposed final and special dividends, which is subject to approval of Shareholders at the AGM, all transfers accompanied by the relevant share certificates must be lodged with the Hong Kong branch share registrar of the Company, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 p.m. on Tuesday, 8 May 2018.

SUMMARY OF FINANCIAL INFORMATION

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

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group during the year ended 31 December 2017 are set out in note 15 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 2017 are set out in note 24 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 26 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 2017, the Company's reserves available for distribution, calculated in accordance with the Companies Law as revised of the Cayman Islands, amounted to approximately HK$73,857,000.

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 and up to the date of this Annual Report.

DIRECTORS' REPORT

DIRECTORS

The Directors of the Company during the Reporting Period up to the date of this Annual Report were:

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

Independent non-executive Directors

Mr. Lam Man Bun Alan	(appointed on 10 February 2017)
Mr. Lau Chun Fai Douglas	(appointed on 10 February 2017)
Ir Ng Wai Ming Patrick	(appointed on 10 February 2017)

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

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors entered into a service agreement with the Company on 10 February 2017 for an initial term of three years commencing from the Listing Date. Either party may terminate the service agreement by giving to the other not less than three months' prior notice in writing at any time during the initial term.

Each of the independent non-executive Directors entered into a letter of appointment with the company on 10 February 2017 for a term of three years commencing from the Listing Date and may terminate their letter of appointment by giving a minimum of three months' notice in writing to the Company.

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

PERMITTED INDEMNITY PROVISION

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

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

DIRECTORS' INTERESTS IN SIGNIFICANT TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as those disclosed in note 30 to the consolidated financial statements of this Annual Report, there were no transactions, arrangements or contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a Director or an entity connected with him has or had a material interest, whether direct or indirect, subsisting at any time during or at the end of the year 2017.

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 (1) has been entered into between the Company, or one of its subsidiaries, and a Controlling Shareholder or any entity connected with him/her; (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 11 to the consolidated financial statements of this Annual Report. The remuneration policy of the Company can be found in the subsection headed "Information on employees" in the section of "Management discussion and analysis" of this Annual Report. The Remuneration Committee has reviewed overall remuneration policy and structure relating to all Directors and senior management of the Group in reference to the Group's operating results and individual performance.

MANAGEMENT CONTRACTS

During the Reporting Period and up to the date of this Annual Report, other than the service contracts of the Directors, the Company did not enter into or have any management and administrative contracts in respect of the whole or any substantial part of the principal business of the Company.

DIRECTORS' REPORT

DISCLOSURES PURSUANT TO RULE 17.23 OF THE GEM LISTING RULES

In accordance with the disclosure requirements of Rule 17.23 of the GEM Listing Rules, the following disclosures are included in respect of the Factoring Agreement, which contain covenants requiring performance obligation of the Controlling Shareholders. Pursuant to the Factoring Agreement, a termination event would arise if the Controlling Shareholders does not remain as the single largest shareholder of the Company.

RELATED PARTIES TRANSACTIONS

Details of the related party transactions undertaken by the Group during the year ended 31 December 2017 are set out in note 30 to the consolidated financial statements of this Annual Report. None of the related party transactions constitutes disclosable connected transaction under the GEM Listing Rules.

COMPETING INTEREST

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

PENSION SCHEME ARRANGEMENTS

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

SHARE OPTION SCHEME

The Company has not granted or issued any option or adopted any share option scheme up to 31 December 2017.

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

As at 31 December 2017, the interests or short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions in which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein or which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

Long Position in Shares

Name of Directors	Notes	Directly beneficially owned	Through spouse	Acting in concert	Total	Percentage of Company's issued share capital
Mr. Chuang Chun Ngok Boris	(a)	103,000,000	–	172,000,000	275,000,000	55.0%
Mr. Chuang Wei Chu	(b)	103,000,000	34,500,000	137,500,000	275,000,000	55.0%

Notes

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

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

As at 31 December 2017, none of the Directors and chief executives of the Company have any interests in the underlying shares in respect of physically settled, cash settled or other equity derivatives of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

Saved as disclosed above, as at 31 December 2017, 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 2017, 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:

DIRECTORS' REPORT

Long Position in Shares

Name of Shareholders	Notes	Nature of interest	Total	Percentage of Company's issued share capital
Ms. To Yin Ping	(a)	Beneficial owner, interest held jointly with another person and interest of spouse	275,000,000	55.0%
Ms. Chuang Yau Ka	(b)	Beneficial owner and interest held jointly with another person	275,000,000	55.0%
Mr. Ng Kwok Lun		Beneficial owner	37,500,000	7.5%

Notes

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

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

BACKGROUND OF THE TRADING SUSPENSION IN THE SHARES, THE VENDOR PLACING AND RESUMPTION OF TRADING IN THE SHARES

Background of the trading suspension on 22 February 2017

The Company was notified by the Securities and Futures Commission (the "Commission") through the a letter on 22 February 2017 (the "**Letter**") that given the activity in the Shares in the morning session on 22 February 2017 and the significant increase in the price of the Shares, it appeared to the Commission that there may not be an open market in the trading of the Shares. Accordingly, the Commission directed the Stock Exchange to suspend all dealings in the Shares with effect from 1:00 p.m. on 22 February 2017.

The resumption proposal

To address the concerns of the Commission and with a view to resuming trading of the Shares as soon as practicable, on 15 March 2017, the Controlling Shareholders entered into a placing agreement with two independent placing agents, pursuant to which the placing agents would on a best-effort basis, place 25,000,000 Shares held by the Controlling Shareholders, to not less than 150 independent placees at HK$0.54 per Share.

The waivers

Pursuant to Rule 13.16A(1)(a) of the GEM Listing Rules, the Controlling Shareholders shall not, in the period commencing on 14 February 2017 (being the date of the Prospectus in respect of the IPO Placing) and ending on the date which is 6 months from the date of IPO Placing (i.e. 21 August 2017) (the "**Lockup Period**"), dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares which it was shown by the relevant prospectus to be the beneficial owner. Pursuant to Rule 5.56(a) of the GEM Listing Rules, the Directors must not deal in any Shares during the black-out period unless the circumstances are exceptional. As the Company published its annual results for the year ended 31 December 2016 on 27 March 2017, the black-out period during which the Directors were prohibited to deal in the Shares commenced on 22 February 2017 (i.e. the Listing Date of the Company) and ended on 27 March 2017. For the purpose of implementing the Vendor Placing, an application had been made to the Stock Exchange by the relevant Directors and Controlling Shareholders for (i) an approval pursuant to Rule 13.18 of the GEM Listing Rules to dispense with the prohibition under Rule 13.16A of the GEM Listing Rules regarding the prohibition of the Controlling Shareholders disposing of their Shares within 6 months from the date of IPO Placing; and (ii) a waiver from strict compliance with Rules 5.56(a) and 5.59 of the GEM Listing Rules regarding the restrictions on Directors' dealing in the Shares during the black-out period.

On 23 March 2017, the Stock Exchange granted (i) an approval pursuant to Rule 13.18 of the GEM Listing Rules to dispense with the prohibition under Rule 13.16A of the GEM Listing Rules regarding the prohibition of the Controlling Shareholders disposing of their Shares within 6 months from the date of IPO Placing; and (ii) a waiver from strict compliance with Rules 5.56(a) and 5.59 of the GEM Listing Rules regarding the restrictions on Directors' dealing in the Shares during the black-out period.

The Vendor Placing and the shareholding of the Company upon completion of the Vendor Placing

The Board is not aware of any recent cases of the Commission exercising its power under Rule 8(1) of the Securities and Futures (Stock Market Listing) Rules on the grounds stated in the paragraph headed "Background of the trading suspension on 22 February 2017" of this Annual Report to suspend trading in the shares of other listed companies. Given such exceptional circumstances, the Board believes that it is imperative to address the Commission's concerns as soon as practicable, with a view to a prompt resumption of trading in the Shares. Accordingly, the Company and all of its Directors (including the independent non-executive Directors) confirm that they are satisfied that there are exceptional circumstances for the implementation of the Vendor Placing before the expiry of the Lockup Period and the black-out period, and the Vendor Placing (being part of the Resumption Proposal) is the only reasonable course of action available to the Company. To the best of the Directors' knowledge after making reasonable enquiries, the Company and the Directors did not at the time when the placing agreement was entered into and were expected not to up to the resumption of trading in Shares (including the completion of the Vendor Placing which took place on 27 March 2017) possess any unpublished Inside Information (as defined in Part XIVA of the SFO).

Immediately before completion of the Vendor Placing, the Controlling Shareholders were collectively interested in 300,000,000 Shares, representing 60% of the total issued share capital of the Company. Upon completion of the Vendor Placing, the number of Shares held by the Controlling Shareholders collectively decreased from 300,000,000 Shares to 275,000,000 Shares, representing a decrease of shareholding from 60% to 55% of the total issued share capital of the Company, and the public float of the Shares will be increased by 5%. The Controlling Shareholders will remain as the controlling shareholders of the Company upon completion of the Vendor Placing.

The following is a summary of the shareholding structure of the Company immediately before and upon completion of the Vendor Placing (assuming there being no other change to the shareholding structure of the Company):

	Shareholding of the Company immediately before completion of the Vendor Placing		Shareholding of the Company immediately upon completion of the Vendor Placing	
	Number of Shares held	Percentage of Shares in issue	Number of Shares held	Percentage of Shares in issue
Controlling Shareholders	300,000,000	60.00%	275,000,000	55.00%
Public Shareholders				
• Mr. Ho John Kwun Fung	18,750,000	3.75%	18,750,000	3.75%
• Mr. Lo Tak Leung	18,750,000	3.75%	18,750,000	3.75%
• Mr. Ng Kwok Lun	37,500,000	7.50%	37,500,000	7.50%
• IPO Placing and other public Shareholders	125,000,000	25.00%	125,000,000	25.00%
• Placees under the Vendor Placing	–	–	25,000,000	5.00%
Sub-total of public Shareholders	200,000,000	40.00%	225,000,000	45.00%
Total	500,000,000	100.00%	500,000,000	100.00%

On 23 March 2017, the Company announced that the placing period of the Vendor Placing had ended on 20 March 2017 and the Company had submitted a Resumption Proposal to the Commission and the Stock Exchange.

The Commission informed the Company on 24 March 2017 that it has decided to give notice to the Stock Exchange under Rule 9(3)(c) of the Securities and Futures (Stock Market Listing) Rules (Cap. 571V of the Laws of Hong Kong) permitting dealings in the Shares to recommence with effect on 28 March 2017.

The Board had also been informed by the Controlling Shareholders that completion of the Vendor Placing took place on 27 March 2017 whereby a total of 25,000,000 existing Shares held by the Controlling Shareholders were successfully placed by the placing agents to 455 independent placees at HK$0.54 per Share pursuant to the terms and conditions of the placing agreement. The Vendor Placing had subsequently been completed on 27 March 2017.

DEED OF NON-COMPETITION

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

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

MAJOR CUSTOMERS AND SUPPLIERS

The revenue of the Group's top five customers accounted for approximately HK$155,648,000 for the year ended 31 December 2017 (2016: approximately HK$157,463,000), representing approximately 99.1% (2016: approximately 99.0%) of the Group's total revenue. The Group's largest customer accounted for approximately HK$76,868,000 (2016: approximately HK$87,031,000) or approximately 48.9% (2016: approximately 54.7%) of total revenue for the year ended 31 December 2017.

The total purchase (excluding sub-contracting charges) from the Group's top five suppliers amounted to approximately HK$12,130,000 for the year ended 31 December 2017 (2016: approximately HK$10,651,000), representing approximately 28.2% (2016: approximately 31.8%) of the Group's total purchase. The Group's largest supplier accounted for approximately HK$5,570,000 (2016: approximately HK$4,224,000) or approximately 13.0% (2016: approximately 12.6%) of total purchase for the year ended 31 December 2017.

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

SUFFICIENCY OF PUBLIC FLOAT

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

INTEREST OF THE COMPLIANCE ADVISER

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

EVENTS AFTER THE REPORTING PERIOD

The Directors are not aware of any significant event requiring disclosure that has taken place subsequent to 31 December 2017 and up to the date of this Annual Report.

PRE-EMPTIVE RIGHTS

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

DONATIONS

During the Reporting Period, our Group has made charitable donations totalling HK$700,000.

USE OF NET PROCEEDS FROM THE IPO PLACING

The shares of the Company were listed on 22 February 2017 on the GEM by the IPO Placing. The placing price was HK$0.54 per Share. The net proceeds received by the Company from the IPO Placing, after deducting underwriting fees and other expenses, were approximately HK$45.9 million, which has been/will be deployed as to:

(i) HK$16.9 million for machinery purchase;

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

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

(iv) HK$1.3 million for our newly leased office rental expenses;

(v) HK$1.2 million for the new office space refurbishment and decoration;

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

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

As at 31 December 2017, the net proceeds had been utilised as follows:

	Actual net proceeds HK$ million	**Amount utilised as at 31 December 2017** HK$ million	**Balance** HK$ million
Machinery purchase	16.9	–	16.9
Additional prospective and/or experienced employees recruitment for our projects	12.7	4.8	7.9
Repayment of overdraft facilities from a bank	9.5	9.5	–
Newly leased office rental expense	1.3	1.1	0.2
New office space refurbishment and decoration (Note)	1.2	0.1	1.1
Information technology and project management systems upgrade	1.3	0.1	1.2
Working capital and general corporate purposes	3.0	2.0	1.0
Total	45.9	17.6	28.3

Note:

The Group intends to change the unused net proceeds from the IPO Placing of approximately HK$1.1 million originally intended for new office space refurbishment and decoration as at 31 December 2017. Please refer to the section headed "Reason for the change of use of net proceeds" below.

As at the date of this Annual Report, the unused net proceeds were deposited in licensed banks in Hong Kong.

DIRECTORS' REPORT

Reason for the change of use of net proceeds

Based on the Director's recent observations on the market norm and the terms of some recently awarded construction contracts in 2017, a subcontractor may be required to take out surety bonds issued by banks or insurance companies in the amount of certain percentage of the contract sum in favour of its customers. In such case, the subcontractor may have to place certain amount of cash collateral in favour of the banks or insurance companies for the purchase of the surety bonds. To facilitate the Group to undertake more major infrastructure projects in Hong Kong which may have such requirements, the Directors consider that it is beneficial to the Group to redesignate the portion of unutilised net proceeds from the IPO Placing of approximately HK$1.1 million originally intended for new office space refurbishment and decoration as at 31 December 2017 for this purpose. The Directors anticipate that the above change of use of net proceeds is in line with the latest business environment as well as the Group's business objectives of undertaking high-value construction services.

The Directors will continuously evaluate the Group's business objectives to respond to changes in the business environment in the underground construction industry to attain sustainable business growth.

AUDITOR

The consolidated financial statements for the year ended 31 December 2017 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 2018

INDEPENDENT AUDITOR'S REPORT

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

OPINION

We have audited the consolidated financial statements of GME Group Holdings Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 44 to 90, which comprise the consolidated statement of financial position as at 31 December 2017, 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 2017 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 Accounts ("HKICPA") and have been properly prepared in compliance with the disclosure requirement of Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

Accounting for construction contracts

As described in the Significant Accounting Policies in Note 4(h) to the consolidated financial statements, the Group recognises revenue and costs associated with its construction contracts based on the stage of completion of contract activity at the end of the reporting period, when the outcome of construction contracts can be estimated reliably. The stage of completion of contracts is established by reference to surveys of contract work performed. When it is probable that total contract costs will exceed total contract revenue for a contract, the expected loss is recognised as an expense immediately.

As presented in the consolidated statement of comprehensive income, the Group's construction contract revenue and costs for the year ended 31 December 2017 amounted to approximately HK$157,121,000 and HK$129,214,000 respectively.

We identified the accounting for construction contracts as a key audit matter as it requires management to exercise significant judgement on the outcome and stage of completion of each construction contract and to estimate the profitability of each on-going construction contract during the reporting period, and the associated financial statement items are quantitatively significant to the consolidated financial statement as a whole.

How our audit addressed the Key Audit Matter:

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

- Obtaining an understanding of and evaluating internal controls on recognition of contract revenue and cost;
- Discussing with the Group's management about the progress of the construction projects;
- Checking the basis used for estimating the budgeted revenue to underlying construction contracts entered into with the customers and other relevant supporting documents in respect of variations in construction works;
- Evaluating the reasonableness of budgeted costs, 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 construction contracts; and (iii) comparing the budgeted data with the actual data recorded, taking into account the stage of completion achieved;
- Assessing the reasonableness of contract revenue recognised and stage of completion by reference to progress certificates issued by customers and other underlying documents;
- Checking, on a sample basis, the contract costs incurred to underlying supporting documents; and
- Reviewing and assessing reasonableness of financial budget prepared by management for each on-going construction contract to assess whether expected loss on contract was properly recognised as an expense immediately.

OTHER INFORMATION IN THE ANNUAL REPORT

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

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

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

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

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, related safeguards.

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

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

Hong Kong, 23 March 2018

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
Revenue	7	**157,121**	159,127
Cost of services		**(129,214)**	(116,350)
Gross profit		**27,907**	42,777
Other income		**328**	571
Administrative and other expenses		**(28,439)**	(20,097)
Finance costs	10	**(94)**	(501)
(Loss)/profit before income tax expense	8	**(298)**	22,750
Income tax expense	12	**(1,364)**	(5,042)
(Loss)/profit for the year		**(1,662)**	17,708
(Loss)/earnings per share			
– Basic and diluted (HK cents)	14	**(0.34)**	4.72

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
Non-current assets			
Property, plant and equipment	15	**9,150**	8,776
Current assets			
Amounts due from customers for contract work	16	**546**	546
Trade and other receivables	17	**68,207**	55,884
Pledged bank deposits	18	**8,000**	–
Current tax recoverable		**1,951**	–
Cash and cash equivalents	18	**26,665**	2,104
		105,369	58,534
Current liabilities			
Trade and other payables	19	**11,153**	15,520
Bank overdrafts	20	**–**	8,772
Bank borrowing, secured	21	**3,946**	–
Obligations under finance leases	22	**178**	63
Current tax liabilities		**–**	1,787
		15,277	26,142
Net current assets		**90,092**	32,392
Total assets less current liabilities		**99,242**	41,168
Non-current liabilities			
Obligations under finance leases	22	**524**	146
Deferred tax liabilities	23	**922**	1,066
		1,446	1,212
NET ASSETS		**97,796**	39,956
EQUITY			
Equity attributable to owners of the Company			
Share capital	24	**5,000**	–
Reserves	26	**92,796**	39,956
TOTAL EQUITY		**97,796**	39,956

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 2017

	Attributable to the owners of the Company					
	Share capital HK$'000	Share premium (Note 26(a)) HK$'000	Capital reserve (Note 26(d)) HK$'000	Other reserve (Note 26(b)) HK$'000	Retained earnings (Note26(c)) HK$'000	Total HK$'000
As at 31 January 2016	1,800	–	90	–	20,358	22,248
Profit and total comprehensive income for the year	–	–	–	–	17,708	17,708
Arising from group reorganisation (Note 24(c))	(1,800)	–	–	1,800	–	–
Issue of shares upon group reorganisation (Note 24(d))	–*	37,904	–	(37,904)	–	–
As at 31 December 2016	–*	37,904	90	(36,104)	38,066	39,956
Loss and total comprehensive expenses for the year	–	–	–	–	(1,662)	(1,662)
Capitalisation issue of shares (Note 24(e))	3,750	(3,750)	–	–	–	–
Issue of new shares under placing (Note 24(f))	1,250	66,250	–	–	–	67,500
Share issuance expenses	–	(7,998)	–	–	–	(7,998)
As at 31 December 2017	5,000	92,406	90	(36,104)	36,404	97,796

* Amount represented the issued share capital of the Company as at 31 December 2016 which was less than HK$1,000.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
Cash flows from operating activities			
(Loss)/profit before income tax expense		**(298)**	22,750
Adjustments for:			
Depreciation of property, plant and equipment		**4,277**	2,378
Finance costs		**94**	501
Loss on disposal of property, plant and equipment		**26**	69
Interest income		**(48)**	–
Operating profit before working capital changes		**4,051**	25,698
Decrease in amounts due from customers for contract work		**–**	(272)
Increase in trade and other receivables		**(12,275)**	(18,724)
(Decrease)/increase in trade and other payables		**(4,370)**	7,517
Decrease in amounts due to customers for contract work		**–**	(169)
Decrease in amount due from shareholders		**–**	410
Cash (used in)/generated from operations		**(12,594)**	14,460
Income tax paid, net		**(5,246)**	(3,912)
Net cash (used in)/generated from operating activities		**(17,840)**	10,548
Cash flows from investing activities			
Purchases of property, plant and equipment		**(4,335)**	(8,426)
Proceeds from sales of property, plant and equipment		**258**	391
Net cash used in investing activities		**(4,077)**	(8,035)
Cash flows from financing activities			
Proceeds from issuance of new shares under placing	24(f)	**67,500**	–
Share issuance expenses	24(e)	**(7,998)**	–
Increase in pledged bank deposits		**(8,000)**	–
Proceeds from bank borrowing, secured	21	**3,946**	–
Decrease in amounts due to a related company		**–**	(11,035)
Decrease in amounts due from related companies		**–**	3,838
Decrease in amounts due to directors		**–**	(1,866)
Interest paid		**(91)**	(388)
Repayment of obligations under finance leases		**(107)**	(48)
Net cash generated from/(used in) financing activities		**55,250**	(9,499)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
Net increase/(decrease) in cash and cash equivalents		**33,333**	(6,986)
Cash and cash equivalents at beginning of the year		**(6,668)**	318
Cash and cash equivalents at end of the year		**26,665**	(6,668)
Represented by:			
Cash and bank balances		**26,665**	2,104
Bank overdrafts		**–**	(8,772)
		26,665	(6,668)

1. GENERAL

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

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

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

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

(a) Adoption of new/revised HKFRSs – effective 1 January 2017

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Annual Improvements to HKFRSs 2014-2016 Cycle	Amendments to HKFRS 12, Disclosure of Interests in Other Entities

Amendments to HKAS 7 – Disclosure Initiative

The amendments introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.

The adoption of the amendments has led to the additional disclosure presented in the notes to the cash flow statement, note 32. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior year. Apart from the additional disclosure in note 32, the application of these amendments has had no impact on the Group's consolidated financial statements.

Amendments to HKAS 12 – Recognition of Deferred Tax Assets for Unrealised Losses

The amendments relate to the recognition of deferred tax assets and clarify some of the necessary considerations, including how to account for deferred tax assets related to debt instruments measured of fair value.

The adoption of the amendments has no impact on these financial statements as the clarified treatment is consistent with the manner in which the Group has previously recognised deferred tax assets.

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

(a) Adoption of new/revised HKFRSs – effective 1 January 2017 (Continued)

Annual Improvements to HKFRSs 2014-2016 Cycle – Amendments to HKFRS 12, Disclosure of Interests in Other Entities

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFRS 12, Disclosure of Interests in Other Entities, to clarify that the disclosure requirements of HKFRS 12, other than the requirements to disclose summarised financial information, also apply to an entity's interests in other entities classified as held for sale or discontinued operations in accordance with HKFRS 5, Non-Current Assets Held for Sale and Discontinued Operations.

The adoption of the amendments to HKFRS 12 has no impact on these financial statements as the latter treatment is consistent with the manner in which the Group has previously dealt with disclosures relating to its interests in other entities classified as held for sale or discontinued operations in accordance with HKFRS 5.

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

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

The following new/revised HKFRSs, potentially relevant to the Group's 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.

Annual Improvements to HKFRSs 2014-2016 Cycle	Amendments to HKAS 28, Investments in Associates and Joint Ventures[1]
Amendments to HKFRS 2	Classification and Measurement of Share-Based Payment Transactions[1]
HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers[1]
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15)[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[2]
HKFRS 16	Leases[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 The amendments were originally intended to be effective for periods beginning on or after 1 January 2016. The effective date has now been deferred/removed. Early application of the amendments of the amendments continue to be permitted.

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

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

Annual Improvements to HKFRSs 2014-2016 Cycle – Amendments to HKAS 28, Investments in Associates and Joint Ventures

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKAS 28, Investments in Associates and Joint Ventures, clarifying that a Venture Capital organisation's permissible election to measure its associates or joint ventures at fair value is made separately for each associate or joint venture.

The directors of the Company anticipate that the application of the amendments will have no material impact on the consolidated financial statements in the foreseeable future.

Amendments to HKFRS 2 – Classification and Measurement of Share-Based Payment Transactions

The amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; share-based payment transactions with a net settlement feature for withholding tax obligations; and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

The directors of the Company anticipate that the application of the amendments will have no material impact on the consolidated financial statements in the foreseeable future.

HKFRS 9 – Financial Instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at fair value through other comprehensive income ("FVTOCI") if the objective of the entity's business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at FVTOCI. All other debt and equity instruments are measured at fair value through profit or loss ("FVTPL").

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

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

HKFRS 9 – Financial Instruments (Continued)

HKFRS 9 includes a new expected loss impairment model for all financial assets not measured at FVTPL replacing the incurred loss model in HKAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at FVTPL, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

The directors of the Company anticipate that the application of the expected credit loss model of HKFRS 9 might result in earlier provision of credit losses in relation to the Group's trade receivables measured at amortised cost. However, management expect the effect would not be significant.

HKFRS 15 – Revenue from Contracts with customers

The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and related interpretations.

HKFRS 15 requires the application of a 5 steps approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to each performance obligation
- Step 5: Recognise revenue when each performance obligation is satisfied

HKFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under HKFRS. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

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

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

Amendments HKFRS 15 – Revenue from Contracts with Customers (Clarifications to HKFRS 15)

The amendments to HKFRS 15 included clarifications on identification of performance obligations; application of principal versus agent; licenses of intellectual property; and transition requirements.

The directors of the Company anticipate that the application of HKFRS 15 in the future may result in more disclosures, however, they do not anticipate that the application of HKFRS 15 will have a material impact on the timing and amounts of revenue recognised in the respective reporting periods.

Amendments to HKFRS 9 – Prepayment Features with Negative Compensation

The amendments clarify that prepayable financial assets with negative compensation can be measured at amortised cost or at fair value through other comprehensive income if specified conditions are met – instead of at fair value through profit or loss.

The directors of the Company anticipate that the application of the amendments will have no material impact on the consolidated financial statements in the foreseeable future.

HKFRS 16 – Leases

HKFRS 16, which upon the effective date will supersede HKAS 17 "Leases" and related interpretations, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

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

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

HKFRS 16 – Leases (Continued)

The standard will affect primarily the accounting for the Group operating leases. As at 31 December 2017, the Group had non-cancellable operating lease commitments of approximately HK1,893,000 as set out in note 22(b) to the consolidated financial statements. The interest expense on the lease liability and the depreciation expense on the right-of-use asset under HKFRS 16 will replace the rental charge under HKAS17. The operating lease commitments as shown in off-balance sheet item will be replaced by "right-of-use asset" and "lease liability" in the statement of financial position of the Group. Other than the above, the Group does not anticipate that the application of this standard will have material impact on the consolidated financial statements of the Group.

The standard will become mandatory for financial years commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

Amendments to HKFRS 10 and HKAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments clarify the extent of gains or losses to be recognised when an entity sells or contributes assets to its associate or joint venture. When the transaction involves a business the gain or loss is recognised in full, conversely when the transaction involves assets that do not constitute a business the gain or loss is recognised only to the extent of the unrelated investors' interests in the joint venture or associate.

The directors of the Company anticipate that the application of HKFRS 10 and HKAS 28 will have no material impact on the consolidated financial statements in the foreseeable future.

3. GROUP REORGANISATION AND BASIS OF PRESENTATION AND PREPARATION

(a) Group reorganisation

Prior to the group reorganisation (the "Group Reorganisation"), which took place in October 2016, Good Mind Engineering Limited ("GMEHK") was collectively controlled by a number of shareholders comprising Mr. Chuang Chun Ngok Boris ("Mr. Boris Chuang"), Mr. Chuang Wei Chu ("Mr. Stephen Chuang"), Mrs. Chuang (spouse of Mr. Stephen Chuang) and Ms. Chuang (together referred to as the "Controlling Shareholders") since 30 May 2002. After the Group Reorganisation, they collectively controlled the Group under contractual agreement. Mr. Boris Chuang and Ms. Chuang are the children of Mr. Stephen Chuang and Mrs. Chuang.

Pursuant to the Group Reorganisation carried out by the Group in preparation for the listing of shares of the Company on the GEM of the Stock Exchange, the Company became the holding company of the subsidiaries now comprising the Group on 17 October 2016.

Details of the Group Reorganisation are set out in the section headed "History and Reorganisation" to the Prospectus issued by the Company dated 14 February 2017.

3. GROUP REORGANISATION AND BASIS OF PRESENTATION AND PREPARATION (CONTINUED)

(b) Basis of presentation

The Group Reorganisation also involved inserting new holdings entities at the top of an existing company and has not resulted in any change of economic substances and were controlled by the Controlling Shareholders before and immediately after the Group Reorganisation.

Upon the completion of the Group Reorganisation, the Company holds the entire equity interests, directly or indirectly, of companies comprising the Group.

Accordingly, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows of the Group for the year ended 31 December 2016 have been prepared using the principles of merger accounting as if the current group structure had been in existence throughout those years, or since their respective dates of incorporation or establishment of the combining companies, whichever was shorter. The consolidated statement of financial position of the Group as at 31 December 2016 have been prepared to present the assets and liabilities of the companies now comprising the Group at that date, as if the current group structure had been in existence as at that date. The assets and liabilities of the Group were combined using their carrying values. All significant intra-group transactions and balances have been eliminated on consolidation.

(c) 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") issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the GEM of the Stock Exchange.

(d) Basic of measurement

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

(e) Functional and presentation currency

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

4. SIGNIFICANT ACCOUNTING POLICIES

(a) Business combination and basis of consolidation

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

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

Other than the Group Reorganisation as described in notes 3(a) and 3(b) above, which merger accounting method is used, acquisition of subsidiaries or businesses is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interests that represent present ownership interests in the subsidiary either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other non-controlling interests are measured at fair value unless another measurement basis is required by HKFRSs. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

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. Total comprehensive income is attributed to such non-controlling interests even if this results in those non-controlling interests having a deficit balance.

(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: power over the investee, exposure, or rights, to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

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

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

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

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

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

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

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

(d) Leasing

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

The Group as lessee

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Financial instruments

(i) Financial assets

The Group classifies its financial assets at initial recognition, depending on the purpose for which the asset was acquired. All of the Group's financial assets are classified as loans and receivables, which are initially measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. Regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (trade receivables), and also incorporate other types of contractual monetary asset. Subsequent to initial recognition, they are carried at amortised cost using the effective interest method, less any identified impairment losses.

(ii) Impairment loss on financial assets

The Group assesses, at the end of each reporting period, whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (as incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- granting concession to a debtor because of debtor's financial difficulty;
- it becoming probable that the debtor or the group of debtors will enter bankruptcy or other financial reorganisation.

For Loans and receivables

An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. The carrying amount of financial asset is reduced through the use of an allowance account. When any part of financial asset is determined as uncollectible, it is written off against the allowance account for the relevant financial asset.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Financial instruments (Continued)

(iii) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. All of the Group's financial liabilities are classified as financial liabilities at amortised cost, which are initially measured at fair value, net of directly attributable costs incurred. They are subsequently measured at amortised cost using the effective interest method. The related interest expense is recognised in profit or loss. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(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 a group entity are recorded at the proceeds received, net of direct issue costs.

(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 HKAS 39.

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

(vii) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Employee benefits

(i) Short term employee benefits

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.

(g) Cash and cash equivalents

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

(h) Construction contracts

Contract revenue comprises the agreed contract amount and appropriate amounts for variation orders, claims and incentive payments. Contract costs comprise direct materials, costs of subcontracting, direct labour and an appropriate portion of variable and fixed construction overheads.

When the outcome of a construction contract can be estimated reliably, revenue and contract costs associated with the construction contract are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the end of each reporting period.

When the outcome of a construction contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that will probably be recoverable, and contract costs are recognised as an expense in the period in which they are incurred.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Construction contracts (Continued)

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to contract customers.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from contract customers.

(i) Revenue recognition

Revenue from contract work is recognised based on the stage of completion of the contracts, provided that the stage of contract completion and the gross billing value of contracting work can be measured reliably. The stage of completion of a contract is established by reference to surveys of work performed.

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

(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.

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) 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 will probably 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.

(l) Impairment of non-financial assets

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

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

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

(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 borrowings 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 financial statements prepared under HKFRS 8.

5. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the consolidated financial statements of the Group requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of each reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

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) Construction contract revenue recognition

Recognised amounts of construction contract revenue and related receivables reflect management's best estimate of each contract's outcome and stage of completion, which are determined on the basis of a number of estimates. This includes the assessment of the profitability of on-going construction contracts. For more complex contracts in particular, costs to complete and contract profitability are subject to significant estimation uncertainty. The actual outcomes in terms of total cost or revenue may be higher or lower than estimated at the end of each of the reporting period, which would affect the revenue and profit recognised in future years as an adjustment to the amounts recorded to date.

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

Estimates and assumptions (Continued)

(ii) Impairment of non-financial assets

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

(iii) Impairment of trade and other receivables

Provision policy for doubtful debts of the Group is based on the ongoing evaluation of the collectability and ageing analysis of the outstanding receivables and on the management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including creditworthiness and the past collection history of each customer and the related parties. If the financial conditions of the customers and other debtors of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional impairment may be required.

(iv) 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 to utilise the tax losses carried forward. 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.

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

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

6. SEGMENT INFORMATION

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.

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.

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:

	2017 **HK$'000**	2016 HK$'000
Customer B	**18,822**	87,031
Customer C	**42,988**	56,881
Customer K	**76,868**	N/A

N/A Revenue from the customer during the year ended 31 December 2016 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 recognised in accordance with accounting policy set out in Note 4(i) above during the years ended 31 December 2017 and 2016.

8. (LOSS)/PROFIT BEFORE INCOME TAX EXPENSE

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

	2017 HK$'000	2016 HK$'000
Auditor's remuneration	**588**	550
Listing expense (included in administrative and other expenses)	**6,338**	7,666
Loss on disposal of property, plant and equipment	**26**	69
Depreciation of property, plant and equipment	**4,277**	2,378
Operating lease rentals in respect of:		
– Land and buildings	**1,795**	1,048
Finance costs:		
– Interest on borrowing wholly repayable within five years	**–**	113
– Interest on bank overdrafts	**72**	379
– Interest on bank borrowing, secured	**3**	–
– Interest on finance leases	**19**	9
Employee benefit expenses (Note 9)	**92,286**	88,393

9. EMPLOYEE BENEFIT EXPENSES, INCLUDING DIRECTORS' REMUNERATION

	2017 HK$'000	2016 HK$'000
Wages, salaries and other benefits	**89,223**	85,513
Post-employment benefits – defined contribution retirement plan contributions	**3,063**	2,880
	92,286	88,393

10. FINANCE COSTS

	2017 HK$'000	2016 HK$'000
Interest on bank overdrafts (Note a)	72	379
Interest on finance leases (Note b)	19	9
Interest on borrowing wholly repayable within five years (Note c)	–	113
Interest on bank borrowing, secured (Note d)	3	–
	94	501

Note:

(a) The bank overdraft interest expense bears interest rate at Hong Kong Prime Rate per annum (2016: Hong Kong Prime Rate per annum) (Note 20).

(b) The finance leases interest expense bears interest rate at a range of 2.25%-2.95% (2016: 2.95%) per annum (Note 22(a)).

(c) The interest expense represents loan from a related company (Note 30(a)), bears interest rate at 5.25% per annum for the year ended 31 December 2016, which was fully settled as at 31 December 2016.

(d) The bank borrowing interest expense bear interest rate at Hong Kong Interbank Offer Rate plus 2.5% per annum (Note 21).

11. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUAL

(i) Directors' remuneration

Directors' remuneration for the year is as follows:

	Fees HK$'000	Salaries and benefits HK$'000	Pension scheme contributions HK$'000	Total HK$'000
Year ended 31 December 2017				
Executive directors:				
Mr. Stephen Chuang	204	780	–	984
Mr. Boris Chuang	204	1,300	28	1,532
	408	2,080	28	2,516

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

(i) Directors' remuneration (Continued)

	Fees HK$'000	Salaries and benefits HK$'000	Pension scheme contributions HK$'000	Total HK$'000
Year ended 31 December 2017				
Independent non-executive directors:				
Mr. Lam Man Bun Alan (Note a)	**204**	**–**	**–**	**204**
Mr. Lau Chun Fai Douglas (Note a)	**204**	**–**	**–**	**204**
Ir Ng Wai Ming Patrick (Note a)	**204**	**–**	**–**	**204**
	612	**–**	**–**	**612**
Total	**1,020**	**2,080**	**28**	**3,128**
Year ended 31 December 2016				
Executive directors:				
Mr. Stephen Chuang	–	780	–	780
Mr. Boris Chuang	–	1,300	18	1,318
	–	2,080	18	2,098

Notes:

(a) Mr. Lam Man Bun Alan, Mr. Lau Chun Fai Douglas, and Ir Ng Wai Ming Patrick were appointed as the independent non-executive directors on 10 February 2017. There were no fees or other emoluments payable to independent non-executive directors during the year ended 31 December 2016.

(b) 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.

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

(ii) Five highest paid individuals

The five highest paid individuals whose emoluments were the highest in the Group included 2 executive directors of the Company for the year ended 31 December 2017 (2016: 2), whose emoluments are reflected in the analysis as shown above. The remuneration of the remaining highest paid individuals is as follows:

	2017 **HK$'000**	2016 HK$'000
Salaries, allowances and benefit in kind	**1,956**	2,902
Pension scheme contributions – defined contribution plans	**44**	54
	2,000	2,956

Their remuneration fell within the following bands:

	2017 **Number of** **employees**	2016 Number of employees
Nil to HK$1,000,000	**3**	2
HK$1,000,001 to HK$1,500,000	**–**	1

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

(iii) Senior management's emoluments

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

	Number of employees	
	2017	2016
Nil to HK$1,000,000	**1**	1

12. INCOME TAX EXPENSE

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

	2017 **HK$'000**	2016 HK$'000
Current tax – Hong Kong profits tax		
– charge for the year	**1,508**	4,301
Deferred tax (Note 23)	**(144)**	741
Income tax expense	**1,364**	5,042

Hong Kong profits tax is calculated at 16.5% of the estimated assessable profits during the year.

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

	2017 **HK$'000**	2016 HK$'000
(Loss)/profit before income tax expense	**(298)**	22,750
Tax calculated at the applicable statutory tax rate of 16.5%	**(49)**	3,754
Tax effect of non-deductible expenses	**1,413**	1,288
Income tax at the effective tax rate	**1,364**	5,042

13. DIVIDEND

No dividend has been paid or declared by the Company for the year ended 31 December 2016.

At a meeting held on 23 March 2018, the Directors of the Company recommended a final dividend of HK0.4 cents per ordinary share and special dividend of HK0.8 cents per ordinary share, in aggregate amounting to HK$2,000,000 and HK$4,000,000, respectively, for the year ended 31 December 2017, and the proposal will be submitted for formal approval by the shareholders at the forthcoming annual general meeting to be held on 3 May 2018.

14. (LOSS)/EARNINGS PER SHARE

The calculation of the basic (loss)/earnings per share attributable to the ordinary equity holders of the Group is based on the following data:

	2017 **HK$'000**	2016 HK$'000
(Loss)/earnings:		
(Loss)/earnings for the purpose of basic (loss)/earning per share	**(1,662)**	17,708

	Number of shares '000	Number of shares '000
Weighted average number of ordinary shares for the purpose of basic earnings per share	**482,192**	375,000

Note: Weighted average of 375,000,000 ordinary shares for the year ended 31 December 2016, being the number of shares in issue immediately after the completion of capitalisation issue of shares as detailed in Note 24 to the consolidated financial statements, are deemed to have been issued throughout the year ended 31 December 2016.

15. 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$'000	Total HK$'000
Cost						
As at 1 January 2016	121	96	483	5,210	1,459	7,369
Additions	–	64	152	8,044	380	8,640
Disposals	–	–	–	(312)	(316)	(628)
At 31 December 2016	121	160	635	12,942	1,523	15,381
Additions	34	93	248	3,892	668	4,935
Disposals	(121)	(85)	(371)	(2,079)	(787)	(3,443)
At 31 December 2017	34	168	512	14,755	1,404	16,873
Aggregate depreciation						
As at 1 January 2016	121	93	342	2,720	1,119	4,395
Charge for the year	–	1	52	2,186	139	2,378
Written back	–	–	–	(62)	(106)	(168)
At 31 December 2016	121	94	394	4,844	1,152	6,605
Charge for the year	4	20	111	3,888	254	4,277
Written back	(121)	(85)	(371)	(1,795)	(787)	(3,159)
At 31 December 2017	4	29	134	6,937	619	7,723
Net carrying amount						
At 31 December 2017	30	139	378	7,818	785	9,150
At 31 December 2016	–	66	241	8,098	371	8,776

The carrying amount of the Group's office equipment and motor vehicles include an amount of approximately HK$656,000 and HK$223,000 as at 31 December 2017 and 31 December 2016, respectively, in respect of assets acquired under finance leases (Note 22).

16. AMOUNTS DUE FROM CUSTOMERS FOR CONTRACT WORK

	2017 HK$'000	2016 HK$'000
Contracts in progress:		
Contract costs incurred	**169,258**	232,089
Recognised profits less recognised losses	**61,962**	65,839
	231,220	297,928
Less: progress billings	**(230,674)**	(297,382)
	546	546
Represented by:		
Amounts due from customers for contract work	**546**	546
Amounts due to customers for contract work	**–**	–
	546	546

As at 31 December 2017, retentions held by customers for contract work included in trade and other receivables (Note 17) amount of approximately HK$22,593,000 (2016: HK$17,231,000).

17. TRADE AND OTHER RECEIVABLES

	2017 HK$'000	2016 HK$'000
Trade receivables (Note (a))	**40,312**	31,857
Retention receivables (Note (b))	**22,593**	17,231
Prepayments and deposits (Note (c))	**5,302**	6,796
	68,207	55,884

17. TRADE AND OTHER RECEIVABLES (CONTINUED)

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

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

	2017 **HK$'000**	2016 HK$'000
Less than 1 month	**27,275**	31,531
1 to 3 months	**12,674**	33
More than 3 months but less than one year	**15**	268
More than one year	**348**	25
	40,312	31,857

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

	2017 **HK$'000**	2016 HK$'000
Neither past due nor impaired	**39,949**	31,564
Less than 1 month past due	**–**	–
1 to 3 months past due	**15**	268
More than 3 months past due but less than 1 year past due	**–**	–
More than 1 year past due	**348**	25
	40,312	31,857

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

Trade receivables that were past due but not impaired relate to customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment 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.

17. TRADE AND OTHER RECEIVABLES (CONTINUED)

(a) (Continued)

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

	HK$'000
As at 31 December 2016 and 1 January 2017	250
Written off of trade receivables	(250)
As at 31 December 2017	–

(b) Retention monies withheld by customers of contract works will be released after the completion of maintenance period of the relevant contracts or in accordance with the terms specified in the relevant contracts.

(c) As at 31 December 2017, the prepayments and deposits mainly comprised (i) rental deposit of machineries and equipment of approximately HK$1,539,000 (2016: HK$1,681,000), (ii) deposit to subcontractors of approximately HK$1,720,000 (2016: Nil) and (iii) rental deposit of office of approximately HK$358,000 (2016: HK$475,000). The balance of prepayments and deposits as at 31 December 2017 and 2016 were neither past due nor impaired. Financial assets included in these balances are non-interest bearing and relate to receivables for which there was no recent history of default.

18. CASH AND CASH EQUIVALENTS & PLEDGED BANK DEPOSITS

	2017	2016
	HK$'000	HK$'000
Cash and bank balances	**26,665**	2,104
Short term deposits	**8,000**	–
	34,665	2,104
Less: pledged bank deposits	**(8,000)**	–
Cash and cash equivalents	**26,665**	2,104

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

The Group pledged deposit of HK$8,000,000 as a security for its banking facility (Note 21). The effective interest rate of pledged bank deposits was 0.8% (2016: Nil) per annum as at 31 December 2017.

19. TRADE AND OTHER PAYABLES

	2017 HK$'000	2016 HK$'000
Trade payables (Note (a))	**2,097**	3,695
Other payables and accruals (Note (b))	**9,056**	11,825
	11,153	15,520

Notes:

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

	2017 HK$'000	2016 HK$'000
Current or less than 1 month	**1,286**	1,659
1 to 3 months	**712**	2,036
More than 3 months but less than one year	**99**	–
More than one year	**–**	–
	2,097	3,695

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

(b) As at 31 December 2017, other payables and accruals mainly comprise the accrued salary and wages for December 2017 of approximately HK$7,354,000 (2016: HK$9,625,000), which were fully settled in 8 January 2018. The balance of other payables and accruals are non-interest bearing and have average payment terms of one to three months.

20. BANK OVERDRAFTS

The bank overdrafts were repayable on demand and bear interest rate at Hong Kong Prime Rate per annum for the years ended 31 December 2017 and 2016.

As at 31 December 2016, the bank overdrafts were secured by (i) the personal guarantee from Mr. Boris Chuang and Mr. Stephen Chuang who are the directors of the Company and Mrs. Chuang who is the shareholder of the Company and spouse of Mr. Stephen Chuang; and (ii) the properties owned by Mr. Stephen Chuang and Mr. Boris Chuang, which were released upon listing on 22 February 2017.

21. BANK BORROWING, SECURED

	2017 HK$'000	2016 HK$'000
Bank borrowing	**3,946**	–

The bank borrowing bear interest at Hong Kong Interbank Offer Rate plus 2.5% per annum for the year ended 31 December 2017, which is secured by the corporate guarantee from the Company. The bank borrowing was fully settled on 26 January 2018.

After the listing, the Group obtained a bank facility of a revolving term loan from a bank which is secured by the corporate guarantee from the Company and the pledged bank deposit of HK$8,000,000 (Note 18) as at 31 December 2017. Such bank facility is not yet used as at 31 December 2017.

22. LEASES

(a) Finance leases

The Group leases office equipments and motor vehicles for business use. Such assets are generally classified as finance leases as the rental period amounts to the estimated useful economic life of the assets concerned and often the Group has the right to purchase the assets outright at the end of the minimum lease term by paying a nominal amount. The lease obligations are secured by the underlying leased assets.

Future lease payments are due as follows:

	Minimum lease payments HK$'000	**Interest HK$'000**	**Present value HK$'000**
As at 31 December 2017			
Not later than one year	**205**	**(27)**	**178**
Later than one year and not later than two years	**201**	**(19)**	**182**
Later than two years and not later than five years	**360**	**(18)**	**342**
	766	**(64)**	**702**
As at 31 December 2016			
Not later than one year	72	(9)	63
Later than one year and not later than two years	73	(6)	67
Later than two years and not later than five years	82	(3)	79
	227	(18)	209

22. LEASES

(a) Finance leases (Continued)

The present value of future lease payments are analysed as:

	2017 **HK$'000**	2016 HK$'000
Current liabilities	**178**	63
Non-current liabilities	**524**	146
	702	209

(b) Operating leases – lessee

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

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

	2017 **HK$'000**	2016 HK$'000
Not later than one year	**1,492**	476
Later than one year and not later than five years	**401**	–
	1,893	476

23. DEFERRED TAX LIABILITIES

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

	Accelerated depreciation allowances HK$'000
At 1 January 2016	325
Charged to profit for the year (Note 12)	741
At 31 December 2016 and 1 January 2017	1,066
Credited to profit for the year (Note 12)	(144)
At 31 December 2017	922

24. SHARE CAPITAL

	The Company Number of shares	Amount HK$'000
Authorised:		
Ordinary share of HK$0.01 each		
At 18 January 2016 (the "date of incorporation"), 31 December 2016 and 1 January 2017 (Note (a))	38,000,000	380
Increase in authorised share capital on 10 February 2017 (Note (b))	1,962,000,000	19,620
As at 31 December 2017	2,000,000,000	20,000
Issued and fully paid:		
Ordinary share of HK$0.01 each		
At the date of incorporation	1	–
Issue of share upon Group Reorganisation (Note (d))	1,799	–
As at 31 December 2016 and 1 January 2017	1,800	–
Capitalisation issue of shares (Note (e))	374,998,200	3,750
Issue of new shares under placing (Note (f))	125,000,000	1,250
As at 31 December 2017	500,000,000	5,000

Notes:

(a) The Company was incorporated in the Cayman Islands on 18 January 2016 with an authorised share capital of HK$380,000 divided into 38,000,000 ordinary shares of HK$0.01 each.

(b) Pursuant to the written resolution passed on 10 February 2017, the authorised share capital of the Company was increased from HK$380,000 to HK$20,000,000 by creation of an additional 1,962,000,000 ordinary shares.

(c) During the year ended 31 December 2016, the share capital of the Group represented the aggregate amount of the share capital of the subsidiaries and was transferred to other reserve upon the completion of the Group Reorganisation on 17 October 2016.

(d) On 17 October 2016, Mr. Stephen Chuang, Mr. Boris Chuang, Mrs. Chuang, Ms. Chuang, Mr. Ng, Mr. Lo and Mr. Ho, collectively as vendors transfer all of their shares in GMEHK to GME International Limited ("GMEBVI") in consideration for the Company, being the holding Company of GMEBVI and the legal and beneficial owner of the entire issued share capital of GMEBVI, issued and allotted, credited as fully paid, 540, 539, 180, 180, 180, 90 and 90 shares to the vendors, respectively. As a result, GMEHK became a direct wholly-owned subsidiary of GMEBVI.

(e) Pursuant to written resolutions passed on 10 February 2017, the Directors authorised to capitalize a sum of approximately HK$3,750,000 from the amount standing to the credit of the share premium account of the Company and applied such amount to pay up in full at par of 374,998,200 ordinary shares of the Company ("Capitalisation Issue").

(f) Under a placing took place during the year ended 31 December 2017, 125,000,000 new ordinary shares of HK$0.01 each were issued at a price of HK$0.54 per share for a total cash consideration (before share issuance expenses) of approximately HK$67,500,000.

25. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	**2017** **HK$'000**	2016 HK$'000
Non current assets			
Investments in subsidiaries		**37,904**	37,904
Current assets			
Prepayment and deposit		**408**	2,489
Amount due from a subsidiary		**22,166**	–
Cash and cash equivalents		**19,163**	–
		41,737	2,489
Current liabilities			
Accruals and other payables		**784**	–
Amount due to a subsidiary		**–**	10,815
		784	10,815
NET ASSETS		**78,857**	29,578
EQUITY			
Share capital	24	**5,000**	–
Reserves	26	**73,857**	29,578
TOTAL EQUITY		**78,857**	29,578

On behalf of the Board

Chuang Chun Ngok Boris
Director

Chuang Wei Chu
Director

26. 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	Total HK$'000
At 18 January 2016 (date of incorporation)	–	–	–
Issue of share upon Group Reorganisation (Note 24(d))	37,904	–	37,904
Loss for the period	–	(8,326)	(8,326)
At 31 December 2016 and 1 January 2017	37,904	(8,326)	29,578
Capitalisation issue of shares (Note 24(e))	(3,750)	–	(3,750)
Issue of new shares under placing (Note 24(f))	66,250	–	66,250
Share issuance expenses	(7,998)	–	(7,998)
Loss for the period	–	(10,223)	(10,223)
At 31 December 2017	92,406	(18,549)	73,857

The nature and purpose of reserves with in equity are as follows:

(a) Share premium

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

(b) Other reserve

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

(c) Retained earnings/accumulated losses

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

(d) Capital reserve

The amount represents capital contribution from equity holders.

27. PARTICULARS OF SUBSIDIARIES

The particulars of the Company's subsidiaries as at 31 December 2017 and as at 31 December 2016 are set out as follows:

Name of entity	Place and date of incorporation and form of business structure	Percentage of equity attributable to the Company		Issued and fully paid ordinary share capital or registered capital	Principal activities and principal place of business
		Direct	Indirect		
GMEBVI	The British Virgin Islands (the "BVI"), 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

28. MAJOR NON-CASH TRANSACTIONS

The Group entered into finance lease agreements in respect of purchase of property, plant and equipment with a capital value at the inception of the leases of HK$600,000 during the year ended 31 December 2017 (2016: HK$214,000).

29. CONTINGENT LIABILITIES

(a) Contingent liabilities in respect of legal claims

As at 31 December 2017, 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, the outflow of resources required in settling these claims if any, was remote as these claims are usually covered by insurance maintained by relevant main contractors. Therefore, the ultimate liability under these claims would not have a material adverse impact on the financial position or performance of the Group and no provision for the contingent liabilities in respect of the litigations is necessary.

29. CONTINGENT LIABILITIES (CONTINUED)

(b) Guarantee issued

At the end of each reporting period, the Group provided guarantee to an insurance company or a bank of the followings:

	2017 **HK$'000**	2016 HK$'000
Surety bond issued in favour of customers (Note (i))	**2,049**	–
Corporate guarantee for bank overdrafts (Note (ii))	**–**	12,000
	2,049	12,000

Notes:

(i) As at 31 December 2017, a surety bond at amount of approximately HK$2,049,000 was given by an insurance company in favour of the Group's customer as security for the due performance and observance of the Group's obligation under the subcontract entered into between the Group and its customer. 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 company to pay to them the sum or sums stipulated in such demand. The Group will then become liable to compensate the insurance company accordingly. The surety bond will be released upon completion of the subcontract work for the customer.

The directors are of the opinion that the amount of approximately HK$2,049,000 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 2017.

(ii) In the opinion of directors, the fair value of the corporate guarantee contract is insignificant at inception and at the end of 31 December 2016, and no provision for financial guarantee contract has been made as at 31 December 2016.

As at 31 December 2017, the corporate guarantee provided by GMEHK to a bank in respect of overdrafts facilities of HK$12,000,000 granted to a related company (Note 30(a)), GME International Company Limited, which was released.

The Controlling Shareholders have entered into a deed of indemnity on 10 February 2017 whereby they have agreed, subjected to the terms and conditions of the deed of indemnity, to indemnify the Group, among other matters, all losses and liabilities arising from any litigations against the Group prior to the Listing.

30. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in the consolidated financial statements, the Group entered into the following related party transactions during the year:

Name of related parties	Nature of transactions	**2017** **HK$'000**	2016 HK$'000
GME International Company Limited (Note (a) & (b))	Purchase of fixed assets	–	170
	Loan interest expenses	–	113

Notes:

(a) Mr. Boris Chuang and Mrs. Chuang, being the directors and shareholders of GME International Company Limited, are the shareholders of the Company. Mr. Boris Chuang is also the director of the Company.

(b) The loan interest expenses paid to GME International Company Limited at 5.25% per annum for the years ended 31 December 2017 and 2016. The interest rate was determined by reference to the bank interest rate of GME International Company Limited's banking facilities for the corresponding periods. The loan was fully settled on 1 April 2016.

(c) The transactions were conducted on terms and conditions mutually agreed between the relevant parties. The Directors are of the opinion that these related party transactions were conducted in the ordinary course of business of the Company.

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 11 to the consolidated financial statements.

31. FINANCIAL RISK MANAGEMENT

The Group's principal financial assets are trade and other receivables and cash and bank balances that derive directly from its operations. Principal financial liabilities of the Group include trade and other payables, bank borrowing and obligations under finance leases. 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.

31. FINANCIAL RISK MANAGEMENT (CONTINUED)

(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 from amounts due from a director and a related party and deposits with banks.

The credit risk of Group's trade and retention receivables is concentrated, since 94% of which was derived from five largest customers as at 31 December 2017 (2016: 92%).

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

	2017	2016
	HK$'000	HK$'000
Largest customer	**18,416**	19,398
Five largest customers	**59,133**	45,390

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in Note 17.

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

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

31. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Liquidity risk

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

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

	Carrying amount HK$'000	**Total contractual undiscounted cash flow HK$'000**	**Less than one year or repayable on demand HK$'000**	**One year or above HK$'000**
As at 31 December 2017				
Bank borrowing, secured	**3,946**	**3,960**	**3,960**	**–**
Trade and other payables	**11,153**	**11,153**	**11,153**	**–**
Obligations under finance leases	**702**	**766**	**205**	**561**
	15,801	**15,879**	**15,318**	**561**

	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 2016				
Bank overdrafts	8,772	8,772	8,772	–
Trade and other payables	15,520	15,520	15,520	–
Obligations under finance leases	209	227	72	155
	24,501	24,519	24,364	155

31. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Interest rate risk

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

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

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for variable-rate bank balances, bank overdrafts, bank borrowing, secured and loan from a related company. The analysis is prepared assuming that the amounts of assets and liabilities outstanding at the end of each of the Relevant Periods 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, bank overdrafts, bank borrowing, secured and amount due to a related company, 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 for the years ended 31 December 2017 and 2016 is as follows:

	2017 **HK$'000**	2016 HK$'000
Increase/(decrease) in profit for the year		
– as a result of increase in interest rate	**133**	11
– as a result of decrease in interest rate	**(133)**	(11)

31. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Interest rate risk (Continued)

If interest rates on bank overdrafts, bank borrowing, secured and a loan from related company had been 100 basis points higher/lower and all other variables were held constant, the potential effect on the Group's post-tax profit for the years ended 31 December 2017 and 2016 is as follows:

	2017 **HK$'000**	2016 HK$'000
(Decrease)/increase in profit for the year		
– as a result of increase in interest rate	**39**	88
– as a result of decrease in interest rate	**(39)**	(88)

32. NOTE TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

Reconciliation of liabilities arising from financing activities

	Bank borrowing, secured HK$'000	**Finance leases obligations** HK$'000	**Bank overdrafts** HK$'000	**Total** HK$'000
As at 1 January 2017	–	209	8,772	8,981
Change from cash flows:				
Proceeds from bank borrowing, secured	3,946	–	–	3,946
Repayment of finance lease	–	(107)	–	(107)
Interest paid	–	(19)	(72)	(91)
Total changes from Financing Cash Flow	3,946	83	8,700	12,729
Other changes:				
New finance leases	–	600	–	600
Interest expenses	3	19	72	94
Repayment of bank overdrafts	–	–	(8,772)	(8,772)
Accrued interest expense (including in trade and other payables)	(3)	–	–	(3)
As at 31 December 2017	3,946	702	–	4,648

33. 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 equity. Total debts are the total of other payables, bank overdrafts and obligations under finance leases and bank borrowing, secured. Capital represents equity attributable to owners of the Company.

	2017 **HK$'000**	2016 HK$'000
Total debt	**13,704**	20,806
Equity attributable to the owners of the Company	**97,796**	39,956
Gearing ratio	**14%**	52%

34. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

	2017 **HK$'000**	2016 HK$'000
Financial assets		
Loan and receivables (including cash and cash equivalents)	**102,193**	54,197
Financial liabilities at amortised cost		
Financial liabilities measured at amortised cost	**15,801**	24,501

35. CAPITAL COMMITMENTS

As at 31 December 2017, the Group did not have any capital commitment (2016: Nil).

36. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 23 March 2018.