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 2020

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Independent non-executive Directors

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

COMPLIANCE OFFICER

Mr. Chuang Chun Ngok Boris

COMPANY SECRETARY

Mr. Sze Chun Kit
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AUTHORISED REPRESENTATIVES

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Mr. Sze Chun Kit

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Certified Public Accountants
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COMPLIANCE ADVISER

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DBS Bank (Hong Kong) Limited

Dah Sing Bank, Limited

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STOCK CODE

8188

INVESTOR RELATIONS

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FINANCIAL CALENDAR

Date for the closure of register of members for the annual general meeting of the Company:
Wednesday, 23 June 2021
to Tuesday, 29 June 2021 (both days inclusive)

Date for the annual general meeting of the Company:
Tuesday, 29 June 2021

CHAIRMAN'S STATEMENT

On behalf of the board of Directors (the "**Board**") of the Company, I present this annual report (the "**Annual Report**") and the audited consolidated financial statements of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2020 (the "**Reporting Period**").

BUSINESS REVIEW

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

During the year ended 31 December 2020, the Group had secured 15 public construction projects (2019: 16) and five private sector projects (2019: four) with a secured contract sum and the amount of variation orders (the "**Secured Project Sum**") of approximately HK$219,105,000 (2019: approximately HK$307,026,000). Two of these 20 newly secured projects in 2020 relate to the provision of the construction works at Organic Waste Treatment Facilities Phase 2 with a Secured Project Sum of approximately HK$122,568,000. The Group was also awarded additional works by the main contractors for the projects at Tseung Kwan O-Lam Tin Tunnel and Central Kowloon Route with the Secured Project Sum of approximately HK$65,597,000 and approximately HK$22,627,000, respectively. The estimated revenue to be recognised from the abovementioned Secured Project Sum and the projects carried over from 2020 was approximately HK$406,439,000.

FINANCIAL PERFORMANCE

For the year ended 31 December 2020, the revenue of the Group was approximately HK$134,572,000 (2019: approximately HK$80,793,000), representing an increase of approximately HK$53,779,000 or 66.6% from the previous year. The increase in revenue was mainly attributable to the increase in revenue generated from the construction works at Central Kowloon Route and Tseung Kwan O-Lam Tin Tunnel.

The gross profit and gross profit margin of the Group for the year ended 31 December 2020 was approximately HK$19,561,000 and 14.5%, respectively (the gross loss and gross loss margin of the Group for the year ended 31 December 2019: approximately HK$5,779,000 and 7.2%, respectively). The reported gross profit and gross profit margin of the Group for the Reporting Period was due to the generally higher profit margins of work performed on tunnel construction projects.

The Group's profit and total comprehensive income for the year attributable to the owners of the Company (the "**Net Profit**") was approximately HK$1,008,000 for the year ended 31 December 2020, whereas the Group's loss and total comprehensive expenses for the year attributable to the owners of the Company ("**Net Loss**") for the year ended 31 December 2019 was approximately HK$28,217,000. The improvement of the financial performance was due to the increase in revenue and gross profit margin as discussed above.

CHAIRMAN'S STATEMENT

OUTLOOK OF TUNNEL AND CONSTRUCTION INDUSTRY IN HONG KONG

It is expected that there will be continuous demand for tunnel construction services in Hong Kong given that the construction works at Central Kowloon Route, Tseung Kwan O-Lam Tin Tunnel and the Three-runway System of Hong Kong International Airport are gearing up. As a result, the Group will continue to focus on growing its tunnel construction services business and expects this to be its major growth driver and long term sustainable source of revenue. The Group remains hopeful that these public infrastructure projects will come on stream in the foreseeable future. The Group is one of the selected few subcontractors experienced in tunnel construction in Hong Kong and is well prepared to capitalise on the opportunities from these public infrastructure projects.

APPRECIATION

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

Chuang Chun Ngok Boris
Chairman

Hong Kong, 23 March 2021

FINANCIAL HIGHLIGHTS

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

	For the year ended 31 December				
	2020	2019	2018	2017	2016
Results	**HK$'000**	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**134,572**	80,793	140,631	157,121	159,127
Gross profit/(loss)	**19,561**	(5,779)	13,050	27,907	42,777
Profit/(loss) before income tax expense	**1,395**	(28,486)	(10,800)	(298)	22,750
Net Profit/(Net Loss)	**1,008**	(28,217)	(9,859)	(1,662)	17,708
Adjusted Net Profit/(Net Loss)	**1,008**	(28,217)	(9,859)	6,279	25,374

	As at 31 December				
	2020	2019	2018	2017	2016
Assets and Liabilities	**HK$'000**	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**74,085**	70,678	88,760	114,519	67,310
Total liabilities	**20,739**	18,337	7,125	16,723	27,354
Net assets	**53,346**	52,341	81,635	97,796	39,956

Notes:

The summary of the results of the Group for the years ended 31 December 2016, 2017 and 2018 and the total assets, total liabilities and net assets of the Group as at 31 December 2016, 2017 and 2018 have been extracted from the prior years' annual reports of the Company.

The results of the Group for the year ended 31 December 2016 had been prepared using the principles of merger accounting as if the current group structure had been in existence throughout the year.

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

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

This summary does not form part of the audited consolidated financial statements of the Group for the year ended 31 December 2020 (the "**Consolidated Financial Statements**").

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is an established subcontractor engaged in civil engineering works and operating solely in Hong Kong. The Group is principally engaged in the provision of underground construction services and mainly serves main contractors in public sector infrastructure projects. Public sector projects refer to the projects in which the main contractors are employed by the 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 covered all other types of engagements.

The Group provides underground construction services, in particular, tunnel construction services (including excavation, shotcreting, shutter design and fabrication, tunnel lining services, shafts, advanced and structural works) and utility construction (mainly underground public utility works such as road and drainage works) and others (mainly structural works and construction of service buildings and support structure). The Group also provides programme design, costing and management for underground construction services. As a result, the Group works routinely with its key clients in pre-tenders for various underground construction projects.

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

During the year ended 31 December 2020, the Group had secured 15 public construction projects (2019: 16) and five private sector projects (2019: four) with a Secured Project Sum of approximately HK$219,105,000 (2019: approximately HK$307,026,000). Two of these 20 newly secured projects in 2020 relate to the provision of the construction works at Organic Waste Treatment Facilities Phase 2 with a Secured Project Sum of approximately HK$122,568,000. The Group was also awarded additional works by the main contractors for the projects at Tseung Kwan O-Lam Tin Tunnel and Central Kowloon Route with the Secured Project Sum of approximately HK$65,597,000 and approximately HK$22,627,000, respectively. The estimated revenue to be recognised from the abovementioned Secured Project Sum and the projects carried over from 2020 was approximately HK$406,439,000.

The projects at Tseung Kwan O-Lam Tin Tunnel had experienced operation disruption from 9 December 2020 to 27 December 2020 due to coronavirus disease ("**COVID-19**") outbreak. The workers who worked for these projects were subject to mandatory COVID-19 tests and temporary suspended from work. Therefore, the construction progress of these projects has been affected in December 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group's revenue was primarily generated from public sector projects for the provision of (i) tunnel construction services; and (ii) utility construction services and others for the years ended 31 December 2020 and 2019. The following table sets out the breakdown of the Group's revenue by project types:

	Year ended 31 December			
	2020	**2020**	2019	2019
	HK$'000	**% of total revenue**	HK$'000	% of total revenue
Public sector projects				
– Tunnel construction services	**57,375**	**42.6**	29,035	35.9
– Utility construction services and others	**73,989**	**55.0**	41,420	51.3
Sub-total	**131,364**	**97.6**	70,455	87.2
Private sector projects	**3,208**	**2.4**	10,338	12.8
Total	**134,572**	**100.0**	80,793	100.0

During the year ended 31 December 2020, the Group had been engaged in 32 public sector projects (2019: 22) and seven private sector projects (2019: 11).

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

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

PRINCIPAL RISKS AND UNCERTAINTIES

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

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

The Group's historical results may not be indicative of its future performance, which may vary from period to period in response to a variety of factors beyond the Group's control, including general economic conditions, regulations pertaining to the underground construction industry in Hong Kong and the ability to secure new business in the future. Besides, adverse weather conditions, natural disasters, potential wars, terrorist attacks, riots, epidemics, pandemics (such as COVID-19) and other disasters which are beyond the Group's control may reduce the number of workdays and therefore hinder the Group's operations. These events may also materially and adversely affect the economic condition in Hong Kong and in turn the Group's business and financial results. Potential wars, terrorist attacks, riots, epidemics and pandemics (such as COVID-19) may also cause uncertainties to the economic condition of Hong Kong. As a result, the Group may incur additional operational costs and the Group's profit margin may also vary from project to project due to the aforementioned factors.

MANAGEMENT DISCUSSION AND ANALYSIS

OUTLOOK OF TUNNEL AND CONSTRUCTION INDUSTRY IN HONG KONG

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

In respect of the contribution of the Central Kowloon Route, Legco had approved the funding of approximately HK$42.3 billion on 20 October 2017. As at the date of this report, the Highways Department of the Hong Kong Government has awarded seven construction contracts of Central Kowloon Route to the main contractors with a total value of approximately HK$28.9 billion, which included the construction works of (i) the shaft at Ho Man Tin; (ii) the tunnels at Kai Tak East and West; (iii) the tunnels at Yau Ma Tei East and West; (iv) the Central Tunnel; and (v) buildings, electrical and mechanical works.

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

The Airport Authority Hong Kong had awarded two major construction contracts on (i) tunnels and related works for an automatic people mover and baggage handling system; and (ii) expansion works of Terminal 2 at Hong Kong International Airport to a main contractor with the total contract sum of approximately HK$7.2 billion and HK$12.9 billion, respectively. Such construction works form major parts of the Three-runway System of Hong Kong International Airport.

The 2021-22 budget speech by the financial secretary of the Hong Kong Government on 24 February 2021 has mentioned that the Hong Kong Government will continue to invest in infrastructure. The annual capital work expenditure will exceed HK$100 billion in the coming years. The annual total construction output will increase to around HK$300 billion.

The Group remains hopeful that these public infrastructure projects will come on stream in the foreseeable future. The Group is one of the selected few subcontractors experienced in tunnel construction in Hong Kong and is well prepared to capitalise on the opportunities from these public infrastructure projects.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2020, the revenue of the Group was approximately HK$134,572,000 (2019: approximately HK$80,793,000), representing an increase of approximately HK$53,779,000 or 66.6% from the previous year.

The increase in the revenue was mainly attributable to (i) an increase in revenue generated from public sector projects – tunnel construction services from approximately HK$29,035,000 for the year ended 31 December 2019 to approximately HK$57,375,000 for the year ended 31 December 2020; and (ii) an increase in revenue generated from public sector projects – utility construction services and others from approximately HK$41,420,000 for the year ended 31 December 2019 to approximately HK$73,989,000 for the year ended 31 December 2020. The increase in revenue generated from public sector projects was mainly resulted from the construction works at Tseung Kwan O-Lam Tin Tunnel and Central Kowloon Route. The revenue generated from private sector projects decreased to approximately HK$3,208,000 for the year ended 31 December 2020 (2019: approximately HK$10,338,000).

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 costs; and (vi) other expenses.

The Group's cost of services increased from approximately HK$86,572,000 for the year ended 31 December 2019 to approximately HK$115,011,000 for the year ended 31 December 2020, representing an increase of approximately HK$28,439,000 or 32.9%. Such increase during the Reporting Period was mainly due to (i) an increase in the construction materials and supplies to approximately HK$34,962,000 (2019: approximately HK$23,745,000); (ii) an increase in staff costs to approximately HK$53,135,000 (2019: approximately HK$39,180,000); and (iii) an increase in the subcontracting costs to approximately HK$13,764,000 (2019: approximately HK$11,679,000).

During the Reporting Period, the Group participated in more structural works, which increased the total number of workers' workdays and relied heavily on the construction materials and supplies.

Gross profit and gross profit margin/(gross loss and gross loss margin)

The gross profit and gross profit margin of the Group for the year ended 31 December 2020 was approximately HK$19,561,000 and 14.5%, respectively (the gross loss and gross loss margin of the Group for the year ended 31 December 2019: approximately HK$5,779,000 and 7.2%, respectively). The reported gross profit and gross profit margin of the Group for the Reporting Period was due to the generally higher profit margins of work performed on tunnel construction projects.

MANAGEMENT DISCUSSION AND ANALYSIS

Other income

The Group's other income was approximately HK$4,728,000 for the year ended 31 December 2020 (2019: approximately HK$969,000), which was mainly attributable to the government grants of approximately HK$4,056,000 from Good Mind Engineering Limited ("**GMEHK**"), an indirect wholly-owned subsidiary of the Company. The government grants of approximately HK$3,986,000 were received by GMEHK from Employment Support Scheme ("**ESS**") under the Anti-epidemic Fund launched by the Hong Kong Government supporting the payroll of GMEHK employees. Under ESS, GMEHK committed to utilise these grants on payroll expenses, and not reduce headcount below prescribed levels for a specified period of time.

Administrative expenses

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

The Group's administrative expenses decreased from approximately HK$23,549,000 for the year ended 31 December 2019 to approximately HK$22,599,000 for the year ended 31 December 2020, representing a decrease of approximately HK$950,000 or 4.0%. The staff costs and benefits for the year ended 31 December 2020 was approximately HK$6,472,000 (2019: approximately HK$7,067,000), representing a decrease of approximately HK$595,000 or 8.4%. The decrease in staff costs and benefits was mainly attributable to the decrease in the Group's administrative headcounts. The Directors' remuneration for the year ended 31 December 2020 was approximately HK$3,414,000 (2019: approximately HK$3,414,000).

Finance costs

The Group's finance costs increased from approximately HK$127,000 for the year ended 31 December 2019 to approximately HK$295,000 for the year ended 31 December 2020 due to the interest expenses on the revolving loan of approximately HK$131,000 (2019: nil). The interest expenses on the lease liabilities was approximately HK$164,000 during the Reporting Period (2019: approximately HK$127,000).

Income tax

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

The income tax expenses for the year ended 31 December 2020 resulted from the movement of accelerated tax depreciation during the Reporting Period.

During the years ended 31 December 2019 and 2020, the Group did not generate any assessable profits in Hong Kong and did not recognise any tax losses as deferred tax assets as at 31 December 2020 (2019: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Net Profit/(Net Loss)

The Group's Net Profit was approximately HK$1,008,000 for the year ended 31 December 2020, whereas the Group's Net Loss for the year ended 31 December 2019 was approximately HK$28,217,000. The improvement of the financial performance was as a result of the increase in revenue and gross profit margin as discussed above.

Dividends

The Board does not recommend the payment of any dividend for the year ended 31 December 2020 (2019: nil).

Liquidity, financial resources and funding

As at 31 December 2020, the Group's cash and cash equivalents amounted to approximately HK$6,937,000 (2019: approximately HK$17,375,000), which were denominated in Hong Kong dollar. Such decrease was mainly due to the cash outflow for the purchases of property, plant and equipment of approximately HK$6,689,000 during the Reporting Period.

As at 31 December 2020, the Group had a banking facility of a revolving term loan granted by a licensed bank in Hong Kong of HK$3,000,000 at the interest rate of 1.25% per annum below the Hong Kong Prime Rate, which was secured by a corporate guarantee provided by the Company. The bank borrowing of HK$3,000,000 as at 31 December 2020 was subsequently repaid in January 2021.

As at 31 December 2020, the lease liabilities represented the leases arrangement of the Group's office equipment, leased buildings, a machinery, and motor vehicles amounted to approximately HK$2,307,000 (2019: approximately HK$2,052,000). During the Reporting Period, the Group acquired a machinery for a project at Organic Waste Treatment Facilities Phase 2 and leased a staff quarter under lease arrangements of approximately HK$2,090,000 and HK$715,000, respectively. Such amount represented the present value of the leases payments and recognised as right-of-use assets at the commencement date of the leases. The lease payments and interest expenses on leases liabilities were approximately HK$2,714,000 and HK$164,000, respectively, during the Reporting Period.

The Group's gearing ratio, which is calculated by total debts divided by total equity, was approximately 30.2% as at 31 December 2020 (2019: approximately 30.9%).

Capital structure

As at 31 December 2019 and 2020, the capital structure of the Company comprised issued share capital and reserves.

Commitments

Save as disclosed in note 36 to the Consolidated Financial Statements, there were no other capital commitments as at 31 December 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

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

There was no significant investments, material acquisitions or disposal of subsidiaries and associated companies by the Company for the year ended 31 December 2020.

Future plans for material investments and capital assets

The Group did not have other plans for material investment or capital assets as at 31 December 2020.

Contingent liabilities

As at 31 December 2020, there were a number of labour claims lodged against the Group arising from the ordinary course of its civil engineering construction business. No specific claim amount has been specified in the applications of these claims.

It is anticipated that the outflow of resources required in settling these claims, if any, is remote and furthermore, these claims are usually covered by insurance maintained by the relevant main contractors. Therefore, the ultimate liability under these claims would not have a material adverse impact on the financial position or performance of the Group. No provision for the contingent liabilities in respect of the litigations is necessary.

As at 31 December 2020, the Group provided guarantee to an insurance company in respect of surety bonds issued by such insurance company in favour of the Group's customers at an amount of approximately HK$9,169,000 (2019: approximately HK$12,767,000) in relation to two public construction contracts of the Group (2019: three) in the ordinary course of business. It is anticipated that this amount is the maximum exposure to the Group when the Group fails to provide satisfactory performance to its customers to whom the surety bond has been given. It is not probable that this insurance company would claim the Group for losses in respect of the guarantee contracts as it is unlikely that the Group would be unable to fulfil the performance requirements of the relevant contract. The surety bonds as at 31 December 2020 are expected to be released in accordance with the terms of the respective construction contracts. Save for the guarantee given on the surety bonds, the Group has no other material contingent liabilities.

Please refer to the note 29 to the Consolidated Financial Statements for details.

Foreign currency exposure

The Group's reporting currency is Hong Kong dollar. During the years ended 31 December 2019 and 2020, the Group's transactions were mainly denominated in Hong Kong dollar.

Charges on the Group's assets

The Group had placed cash collateral of approximately HK$3,900,000 (2019: approximately HK$4,260,000) to an insurance company in Hong Kong for the provision of the surety bonds for two of the public construction projects (2019: three). For details of the surety bonds, please refer to the paragraph headed "Contingent liabilities" above. Saved for the foregoing, the Group did not have any charges on its assets.

MANAGEMENT DISCUSSION AND ANALYSIS

Information on employees

As at 31 December 2020, the Group had 290 employees (2019: 322), which comprises 6 management (2019: 6), 10 technical staff (2019: 5), 12 administration, accounting and human resources staff (2019: 14) and 262 workers (2019: 297) in Hong Kong.

Employee remuneration package is based on previous working experience and actual performance of each individual employee. Apart from the basic salary, discretionary bonus and allowance will be granted to employees based on their individual performance subject to the executive Directors' approval. The total staff costs (included in cost of services and administrative expenses) and Directors' remuneration amounted to approximately HK$63,021,000 for the year ended 31 December 2020 (2019: approximately HK$49,661,000). Such increase was mainly resulted from the increase in staff costs in the cost of services which was in line with the increase in revenue and the increase of the average headcount of workers and their total number of workdays during the Reporting Period.

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

Events after the Reporting Period

Save as disclosed in note 37 to the Consolidated Financial Statements, no other event has occurred after 31 December 2020 and up to the date of this Annual Report which would have material effect on the Group.

BIOGRAPHICAL DETAILS OF DIRECTORS, SENIOR MANAGEMENT AND COMPANY SECRETARY

EXECUTIVE DIRECTORS

Mr. CHUANG Chun Ngok Boris (莊峻岳), aged 45, is the chairman, an executive Director and the compliance officer of the Company. Mr. Chuang Chun Ngok Boris's primary responsibilities include the overall management and administration of the business and daily operations of the Group. He joined the Group in May 2002 and had participated in the business of the Group since 2004.

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

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

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

Mr. CHUANG Wei Chu (莊偉駒), aged 73, 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 68, is an independent non-executive Director of the Company. Mr. Lam is currently a practising solicitor in Hong Kong and the sole proprietor of Alan Lam, Yam & Pe. He has been practising law in Hong Kong for over 40 years. Mr. Lam was respectively admitted to practice as a solicitor of the High Court of Hong Kong in June 1979, the Supreme Court of England and Wales in May 1983, the Supreme Court of the Australian Capital Territory in April 1989 and the Supreme Court of Republic of Singapore in May 1990. He has been an accredited general mediator of the Law Society of Hong Kong since June 2011 and an accredited general mediator of Hong Kong Mediation Accreditation Association Limited from July 2015 to June 2017. Mr. Lam has also been a part-time risk management lecturer for The Law Society of Hong Kong and has delivered hundreds of lectures on different risk management courses.

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

Mr. LAU Chun Fai Douglas (劉俊輝), aged 48, is an independent non-executive Director of the Company. Mr. Lau has over 18 years of experience in auditing and accounting.

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

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

Ir NG Wai Ming Patrick (吳惠明), aged 61, is an independent non-executive Director of the Company. Ir Patrick Ng has over 30 years of experience in building, civil, environmental and geotechnical engineering projects.

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

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

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

SENIOR MANAGEMENT

Mr. HO John Kwun Fung (**何冠鋒**), aged 44, is the project engineer of the Group. Mr. Ho joined the Group in March 2011 and is primarily responsible for the overall management and supervision of the projects of the Group and overseeing the progress of various projects undertaken by the Group, making recommendations to the executive Directors in relation to allocation of resources and purchase and/or rental of machinery necessary for its business.

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

COMPANY SECRETARY

Mr. SZE Chun Kit (**施俊傑**), aged 34, is the company secretary of the Company (the "**Company Secretary**") and the finance director of the Group. Mr. Sze joined the Group in March 2016 and is primarily responsible for accounting, financial management and company secretarial affairs of the Group.

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

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

CORPORATE GOVERNANCE REPORT

INTRODUCTION

The Board recognises the importance of 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.

BOARD OF DIRECTORS

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

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

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

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

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

CORPORATE GOVERNANCE PRACTICES

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

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

During the year ended 31 December 2020, the Directors considered that the Company has complied with the CG Code.

CORPORATE GOVERNANCE REPORT

CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

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

On 9 November 2020, the same day on which the Company published its third quarterly results for the nine months ended 30 September 2020 after market closed, Ms. To Yin Ping, a substantial shareholder of the Company under the definition of the SFO, inadvertently purchased 12,000 Shares through a broker at the consideration of HK$0.08 per Share (the "**Share Purchase**"), which occurred during the Black-out Period. Ms. To Yin Ping is the spouse of Mr. Chuang Wei Chu (an executive Director of the Company) and mother to both Mr. Chuang Chun Ngok Boris (the chairman of the Company) and Ms. Chuang Yau Ka (the "**Chuang Family**"). The Chuang Family are parties acting in concert pursuant to a deed dated 21 March 2016. Ms. To Ying Ping informed Mr. Chuang Chun Ngok Boris of the Share Purchase in the evening on the same day.

On 10 November 2020, the Company Secretary had by way of telephone orally informed the Listing Department of the Stock Exchange about the Share Purchase. The Chuang Family also submitted the disclosure of interests forms with the Stock Exchange in accordance with the requirements under the SFO in the afternoon on the same day. The Company immediately re-circulated the inside information manual and a reminder to all Directors regarding the prohibition of dealing in securities of the Company during the Black-out Period to avoid the re-occurrence of similar incidents in the future and formally submitted a notification of the non-compliance of the Required Standard of Dealings to the Stock Exchange in the evening on the same day.

On 7 December 2020, the Board, senior management of the Company ("**Senior Management**"), Company Secretary and other relevant persons (including family members) completed an internal training conducted by the legal advisors of the Company, Howse Williams, on GEM Listing Rules compliance, in particular with regard to the Required Standard of Dealings, Directors' duties and corporate governance.

On 24 December 2020, the Board reviewed and enhanced the internal control measures of the Company regarding procedures on Directors' dealing (including spouses). On 6 March 2021, the Board appointed SHINEWING Risk Services Limited as an independent internal control consultant to review and strengthen the internal controls in relation to the Required Standard of Dealings from 10 November 2020 to 31 January 2021. The independent internal control consultant reported the review results to the audit committee of the Board (the "**Audit Committee**") on 23 March 2021. Based on the review results, the Company has implemented a specific procedure to mitigate the risk of re-occurrence of incidents similar to the Share Purchase. The Company Secretary shall obtain the acknowledgement of receipt of the memorandum for the Black-out Period from the Directors, Senior Management and relevant parties (including family members) before the commencement of each Black-out Period.

The Company had made specific enquiry with the Directors. Save and except for the incident of the Share Purchase mentioned above, 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 other event of non-compliance during the year ended 31 December 2020.

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

According to code provision of C.1.2 of the CG Code, the management shall provide all members of the Board with monthly updates. During the year ended 31 December 2020 and up to the date of this Annual Report the (the "**Relevant Period**"), the management of the Company have provided, and will continue to provide, to all members of the Board (including all independent non-executive Directors, where applicable) updates on any material changes to the position and prospects of the Group, which are considered to be sufficient to provide general updates of the Group's performance, position and prospects to the Board and allow them to give a balanced and understandable assessment of the same for the purposes of code provision C.1.2 of the CG Code.

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

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

CHAIRMAN AND CHIEF EXECUTIVE

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

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

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

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

BOARD COMMITTEES

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

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

CORPORATE GOVERNANCE FUNCTION

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

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

(ii) reviewing and monitoring the training and continuous professional development of Directors and Senior Management;

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

(iv) developing, reviewing and monitoring the Code of Conduct and compliance manual applicable to employees and Directors; and

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

During the year ended 31 December 2020, the Board has reviewed, and will continue to review the Group's corporate governance manual at least annually, and considered the corporate governance function of the Group to be effective.

AUDIT COMMITTEE

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

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

The following is a summary of the work during the year ended 31 December 2020:

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

(b) reviewed the audited consolidated financial statements and annual results announcement of the Group for the year ended 31 December 2019;

(c) reviewed the unaudited consolidated financial statements of the Group for the three months ended 31 March 2020, six months ended 30 June 2020 and nine months ended 30 September 2020;

(d) reviewed the first quarterly results announcement of the Group for the three months ended 31 March 2020, interim results announcement for the six months ended 30 June 2020 and third quarterly results announcement of the Group for the nine months ended 30 September 2020; and

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

During the year ended 31 December 2020, the Audit Committee held five meetings. Please refer to the subsection headed "Number of meetings and attendance records" below for the attendance details.

REMUNERATION COMMITTEE

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

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

During the year ended 31 December 2020, the Remuneration Committee held one meeting to review the remuneration policy and structure and the remuneration package of the Directors and senior management of the Group. Please refer to the subsection headed "Number of meetings and attendance records" below for the attendance details.

NOMINATION COMMITTEE

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

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

NOMINATION POLICY

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

a) Nomination procedures and process

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

b) Selection criteria

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

(i) reputation for integrity;

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

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

BOARD DIVERSITY POLICY

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

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

The following measurable objectives were adopted by the Board:

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

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

During the year ended 31 December 2020, the Nomination Committee held one meeting to assess the structure, size, composition and diversity of the Board, the independence of independent non-executive Directors and make recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors. The Board has also achieved the measurable objectives set out in the Board diversity policy.

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

TERMS OF APPOINTMENT AND RE-ELECTION OF DIRECTORS

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

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

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, two independent non-executive Directors, being Mr. Lam Man Bun Alan and Ir Ng Wai Ming Patrick, would retire and be subjected to re-election.

CORPORATE GOVERNANCE REPORT

BOARD MEETINGS

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

During the year ended 31 December 2020, six Board meetings were held.

NUMBER OF MEETINGS AND ATTENDANCE RECORDS

The attendance of Directors at the Board meetings and the Board's committees' meetings during the year ended 31 December 2020 is set out in the table below:

	Meetings attended/Eligible to attend				
Name of Directors	**Board**	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**	**Annual General Meeting**
Mr. Chuang Chun Ngok Boris	6/6	–	1/1	1/1	1/1
Mr. Chuang Wei Chu	4/6	–	–	–	0/1
Mr. Lam Man Bun Alan	6/6	5/5	1/1	1/1	1/1
Mr. Lau Chun Fai Douglas	6/6	5/5	1/1	1/1	1/1
Ir Ng Wai Ming Patrick	5/6	5/5	1/1	1/1	1/1

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

Pursuant to code provision A.6.7 of the CG Code, independent non-executive Directors and other non-executive Directors should attend general meeting(s) of the Company. During the year ended 31 December 2020, all of the independent non-executive Directors attended the annual general meeting of the Company on Monday, 29 June 2020 in person.

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

TRAINING FOR DIRECTORS AND COMPANY SECRETARY AND CONTINUING PROFESSIONAL DEVELOPMENT

According to code provision A.6.5 of the CG Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant. During the Reporting Period, each of the Directors completed an internal training conducted by the legal advisors of the Company, Howse Williams, on GEM Listing Rules compliance, in particular with regard to the Required Standard of Dealings, Directors' duties and corporate government, and had from time to time reviewed updates on laws, rules and regulations and attended seminars which might be relevant to their roles, duties and functions as a director of a listed company. The Directors confirmed that they have complied with code provision A.6.5 of the CG Code and provided a record of training to the Company.

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

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

Mr. Sze Chun Kit, the Company Secretary, complied with the relevant professional training under Rule 5.15 of the GEM Listing Rules for the year ended 31 December 2020.

AUDITOR'S REMUNERATION

The auditor's remuneration paid/payable to the auditor of the Company for the year ended 31 December 2020 is set out as follows:

Services rendered	HK$
Audit service	660,000
Non-audit service (tax services)	41,600
Total	701,600

CORPORATE GOVERNANCE REPORT

COMPANY SECRETARY

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

COMPLIANCE OFFICER

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

DIRECTORS' RESPONSIBILITY IN PREPARING THE FINANCIAL STATEMENTS

The Directors acknowledge that it is their responsibility to prepare the financial statements for the year ended 31 December 2020 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 2020, the Board has selected suitable accounting policies and applied them consistently, made judgments and estimates that are fair and reasonable.

As at 31 December 2020, the Board was not aware of any material uncertainties relating to events or conditions that might cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the Directors continue to adopt the going concern approach in preparing the Consolidated Financial Statements.

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

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Details of the Directors' remuneration, five highest paid individual and Senior Management's emoluments are set out in note 12 to the Consolidated Financial Statements.

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

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

SHAREHOLDERS' RIGHTS AND INVESTOR RELATIONS

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

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

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

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

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

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

CONSTITUTIONAL DOCUMENTS

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

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

During the year ended 31 December 2020, there has been no change in the Company's Memorandum of Association and Articles of Association.

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

CORPORATE GOVERNANCE REPORT

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 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 2020. The Board considered that the system of the Group to be adequate and effective for the year ended 31 December 2020. The Company did not have an internal audit function. During the year, the Group has engaged SHINEWING Risk Services Limited as an independent internal audit consultant to review the effectiveness of the Group's internal control system and risk management system. The internal audit consultant directly reports to the Audit Committee. Going forward, the Directors will work with the internal audit consultant annually to assess and review the effectiveness of the Group's risk management and internal control system.

PROCEDURES FOR RAISING ENQUIRIES

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

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

DIRECTORS' REPORT

The Directors present their report and the Consolidated Financial Statements.

PRINCIPAL ACTIVITIES

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

PRINCIPAL PLACE OF BUSINESS

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

BUSINESS REVIEW

Discussion and analysis of the business of the Group, principal risks and uncertainties, outlook of the business and the analysis of the Group's performance for the year ended 31 December 2020 can be found out in the sections headed "Chairman's statement" and "Management discussion and analysis" in this Annual Report.

DIVIDEND POLICY

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

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

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

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

3. the future prospect and general market condition; and

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

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2020 are set out in the section headed "Consolidated statement of comprehensive income" in this Annual Report.

The Board did not recommend the payment of a final dividend for the year ended 31 December 2020.

DIRECTORS' REPORT

ANNUAL GENERAL MEETING AND CLOSURE OF THE REGISTER OF MEMBERS

The annual general meeting of the Company will be held on Tuesday, 29 June 2021 ("**AGM**"). The register of members of the Company will be closed from Wednesday, 23 June 2021 to Tuesday, 29 June 2021 (the "**closure period**"), both days inclusive, for the purposes of determining the entitlements of the Shareholders to attend and vote at the forthcoming AGM. During this closure period, no transfer of the Shares will be registered. In order to qualify for attending and voting at the AGM, all transfers, accompanied by the relevant Share certificates must be lodged with the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration no later than 4:30 p.m. on Tuesday, 22 June 2021.

SUMMARY OF FINANCIAL INFORMATION

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

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group during the year ended 31 December 2020 are set out in note 16 to the Consolidated Financial Statements of this Annual Report.

SHARE CAPITAL

Details of the movements in the Company's share capital for the year ended 31 December 2020 are set out in note 25 to the Consolidated Financial Statements of this Annual Report.

RESERVES

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

DISTRIBUTABLE RESERVES

As at 31 December 2020, the Company's reserves available for distribution, calculated in accordance with the Companies Law, Chapter 22 of the Cayman Islands, amounted to approximately HK$34,244,000.

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

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the Reporting Period.

DIRECTORS' REPORT

DIRECTORS

The Directors of the Company during the Relevant Period were:

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

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

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

DIRECTORS' AND SENIOR MANAGEMENT BIOGRAPHIES

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

DIRECTORS' SERVICE CONTRACTS

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

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

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

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

DIRECTORS' REPORT

PERMITTED INDEMNITY PROVISION

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

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

DIRECTORS' INTERESTS IN SIGNIFICANT TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as those disclosed in note 30 to the Consolidated Financial Statements of this Annual Report, there were no transactions, arrangements or contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a Director or an entity connected with him has or had a material interest, whether direct or indirect, subsisting at any time during or at the end of the year 2020.

CONTRACT OF SIGNIFICANCE

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

DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS AND REMUNERATION POLICY

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

MANAGEMENT CONTRACTS

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

DIRECTORS' REPORT

RELATED PARTIES TRANSACTIONS

Details of the related party transactions undertaken by the Group during the year ended 31 December 2020 are set out in note 30 to the Consolidated Financial Statements of this Annual Report. None of the related party transactions constitutes disclosable connected transaction under the GEM Listing Rules.

COMPETING INTEREST

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

PENSION SCHEME ARRANGEMENTS

A Mandatory Provident Fund (the "**MPF Scheme**") has been set up for employees in Hong Kong, in accordance to the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong). All employees in Hong Kong are required to join the MPF Scheme and the employees and its employer are each required to contribute 5% of their gross earnings with a current ceiling of HK$1,500 per month to the MPF scheme. The only obligation of the Group with respect to the MPF scheme is to make required contribution under the scheme. No forfeited contribution is available to reduce the contribution payable in the future. The contribution charged to the consolidated statement of comprehensive income represents the contribution payable to the funds by the Group.

SHARE OPTION SCHEME

The Company has not granted or issued any option or adopted any share option scheme up to 31 December 2020.

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

As at 31 December 2020, 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	–	173,596,000	276,296,000	56.6%
Mr. Chuang Wei Chu	(b)	103,000,000	35,796,000	137,500,000	276,296,000	56.6%

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 35,796,000 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 2020, 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 2020, 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 2020, 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	276,296,000	56.6%
Ms. Chuang Yau Ka	(b)	Beneficial owner and interest held jointly with another person	276,296,000	56.6%
Mr. Ng Kwok Lun		Beneficial owner	37,500,000	7.7%

Notes

(a) Ms. To Yin Ping (i) personally holds 35,796,000 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.

DEED OF NON-COMPETITION

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

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

DIRECTORS' REPORT

MAJOR CUSTOMERS AND SUPPLIERS

The revenue of the Group's top five customers accounted for approximately HK$104,034,000 for the year ended 31 December 2020 (2019: approximately HK$59,136,000), representing approximately 77.3% (2019: approximately 73.2%) of the Group's total revenue. The Group's largest customer accounted for approximately HK$28,118,000 (2019: approximately HK$24,376,000) or approximately 20.9% (2019: approximately 30.2%) of total revenue for the year ended 31 December 2020.

The total purchase from the Group's top five suppliers amounted to approximately HK$10,926,000 for the year ended 31 December 2020 (2019: approximately HK$8,356,000), representing approximately 18.9% (2019: approximately 19.4%) of the Group's total purchase. The Group's largest supplier accounted for approximately HK$3,466,000 (2019: approximately HK$2,287,000) or approximately 6.0% (2019: approximately 5.3%) of total purchase for the year ended 31 December 2020.

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 extended on 31 March 2020 and 14 August 2020; and (iii) the financial advisory mandate entered into between the Company and Altus dated 6 March 2017, neither Altus nor any of its directors, employees or associates had any interests in relation to the Group which requires to be notified to the Company pursuant to Rule 6A.32 of GEM Listing Rules.

EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in note 37 to the Consolidated Financial Statements, the Directors are not aware of any significant event requiring disclosure that has taken place subsequent to 31 December 2020 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.

DIRECTORS' REPORT

AUDITOR

The Consolidated Financial Statements for the year ended 31 December 2020 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 2021

INDEPENDENT AUDITOR'S REPORT

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永安中心25樓

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 46 to 104, which comprise the consolidated statement of financial position as at 31 December 2020, 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 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirement of Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

KEY AUDIT MATTERS (CONTINUED)

Revenue recognition for construction contracts

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

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

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

How our audit addressed the Key Audit Matter:

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

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

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

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

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

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

KEY AUDIT MATTERS (CONTINUED)

Revenue recognition for construction contracts (Continued)

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

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

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

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

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

As described in Notes 18(a) and 17 to the consolidated financial statements, the carrying amounts of the Group's trade receivables and contract assets amounted to approximately HK$24,854,000 (after provision for ECLs of HK$576,000) and HK$23,729,000 (after provision for ECLs of HK$100,000), respectively, which represented approximately 34% and 32%, respectively of the Group's total assets.

In general, the credit terms granted by the Group to the customers ranged between 21 to 60 days. Management performed periodic assessment on the recoverability of the trade receivables and contract assets and the sufficiency of provision for impairment based on information including the Group's 5 years historical credit loss experience, the number of days past due, adjusted for forward-looking factors and specific consideration (such as group size and reputation etc.) to the debtors and the economic environment, which may impact the customers' ability to repay the outstanding balances in order to estimate the ECLs for the impairment assessment.

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

How our audit addressed the Key Audit Matter:

Our procedures in relation to management's impairment assessment of the trade receivables and contract assets as at 31 December 2020:

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

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

KEY AUDIT MATTERS (CONTINUED)

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

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

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

OTHER INFORMATION IN THE ANNUAL REPORT

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

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

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

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

BDO Limited
Certified Public Accountants
Tang Tak Wah
Practising Certificate Number P06262

Hong Kong, 23 March 2021

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2020

	Notes	**2020** **HK$'000**	2019 HK$'000
Revenue	7	**134,572**	80,793
Cost of services		**(115,011)**	(86,572)
Gross profit/(loss)		**19,561**	(5,779)
Other income	8	**4,728**	969
Administrative expenses		**(22,599)**	(23,549)
Finance costs	11	**(295)**	(127)
Profit/(loss) before income tax	9	**1,395**	(28,486)
Income tax (expense)/credit	13	**(390)**	265
Profit/(loss) and total comprehensive income/(expense) for the year		**1,005**	(28,221)
Profit/(loss) and total comprehensive income/(expense) attributable to:			
Owners of the Company		**1,008**	(28,217)
Non-controlling interests		**(3)**	(4)
		1,005	(28,221)
Earnings/(loss) per share			
– Basic and diluted (HK cents)	15	**0.21**	(5.76)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	Notes	2020 HK$'000	2019 HK$'000
Non-current assets			
Property, plant and equipment	16	**10,799**	7,203
Deferred tax assets	24	**183**	573
		10,982	7,776
Current assets			
Contract assets	17	**23,729**	15,270
Trade and other receivables	18	**32,037**	29,857
Amount due from a minority shareholder of a subsidiary	19	**400**	400
Cash and cash equivalents	20	**6,937**	17,375
		63,103	62,902
Current liabilities			
Trade and other payables	21	**15,432**	13,285
Bank borrowing	22	**3,000**	3,000
Lease liabilities	23	**1,296**	1,526
		19,728	17,811
Net current assets		**43,375**	45,091
Total assets less current liabilities		**54,357**	52,867
Non-current liabilities			
Lease liabilities	23	**1,011**	526
		1,011	526
NET ASSETS		**53,346**	52,341

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	Notes	**2020** **HK$'000**	2019 HK$'000
EQUITY			
Equity attributable to owners of the Company			
Share capital	25	**4,878**	4,878
Reserves	27	**48,075**	47,067
		52,953	51,945
Non-controlling interests		**393**	396
TOTAL EQUITY		**53,346**	52,341

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 2020

	Attributable to the owners of the Company								
	Share capital HK$'000	Share premium (Note 27(a)) HK$'000	Share repurchase reserve (Note 27(e)) HK$'000	Capital reserve (Note 27(d)) HK$'000	Other reserve (Note 27(b)) HK$'000	(Accumulated losses)/ retained earnings (Note 27(c)) HK$'000	Total HK$'000	Non-controlling interests (Note 33) HK$'000	Total HK$'000
As at 1 January 2019	4,982	92,173	(51)	90	(36,104)	20,545	81,635	–	81,635
Loss and total comprehensive expense for the year	–	–	–	–	–	(28,217)	(28,217)	(4)	(28,221)
Incorporation of non-controlling interest	–	–	–	–	–	–	–	400	400
Shares repurchased and cancelled during the year ended 31 December 2019	(101)	(1,372)	–	–	–	–	(1,473)	–	(1,473)
Shares repurchased during the year ended 31 December 2018 and cancelled during the year ended 31 December 2019 (Note 25(a))	(3)	(48)	51	–	–	–	–	–	–
As at 31 December 2019	4,878	90,753	–	90	(36,104)	(7,672)	51,945	396	52,341
Profit and total comprehensive income for the year	–	–	–	–	–	1,008	1,008	(3)	1,005
As at 31 December 2020	**4,878**	**90,753**	**-**	**90**	**(36,104)**	**(6,664)**	**52,953**	**393**	**53,346**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

	Notes	2020 HK$'000	2019 HK$'000
Cash flows from operating activities			
Profit/(loss) before income tax		**1,395**	(28,486)
Adjustments for:			
Depreciation of property, plant and equipment		**6,398**	6,935
Finance costs		**295**	127
Gain on disposal of property, plant and equipment		**(55)**	(28)
Impairment loss on trade receivables		**266**	82
Impairment loss on contract assets		**14**	11
Interest income		**–**	(72)
		8,313	(21,431)
Increase in trade and other receivables		**(2,446)**	(4,317)
(Increase)/decrease in contract assets		**(8,473)**	10,114
Decrease in trade and other payables		**1,635**	7,138
Cash used in from operations		**(971)**	(8,496)
Income tax refund, net		**–**	1,497
Interest received		**–**	13
Net cash used in operating activities		**(971)**	(6,986)
Cash flows from investing activities			
Purchases of property, plant and equipment		**(6,689)**	(3,155)
Proceeds from disposal of property, plant and equipment		**55**	47
Interest received		**–**	59
Net cash used in investing activities		**(6,634)**	(3,049)
Cash flows from financing activities			
Decrease in pledged bank deposits		**–**	8,097
Proceeds from bank borrowing	22	**3,000**	3,000
Repayment of bank borrowing	22	**(3,000)**	–
Shares repurchased	25(a)	**–**	(1,473)
Interest paid on bank borrowing		**(119)**	–
Repayment of principal and interest on the lease liabilities		**(2,714)**	(2,303)
Net cash (used in)/generated from financing activities		**(2,833)**	7,321
Net decrease in cash and cash equivalents		**(10,438)**	(2,714)
Cash and cash equivalents at beginning of the year		**17,375**	20,089
Cash and cash equivalents at end of the year		**6,937**	17,375

1. GENERAL

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

The Company's controlling shareholders are Mr. Chuang Wei Chu and Mr. Chuang Chun Ngok Boris, both of whom are also executive directors of the Company and their family members entered into an acting in concert deed dated 21 March 2016 as controlling shareholders (the "Controlling Shareholders") of the Company. The Controlling Shareholders have agreed to consolidate their respective interests in the Company and to vote on any resolution to be passed at any Shareholders' meeting of the Company in a unanimous manner. Mr. Chuang Chun Ngok Boris is therefore deemed to be interested in the Shares held by Mr. Chuang Wei Chu, Ms. To Yin Ping and Ms. Chuang Yau Ka respectively under the Securities and Futures Ordinance ("SFO"). Each of Mr. Chuang Chun Ngok Boris, Mr. Chuang Wei Chu, Ms. To Yin Ping and Ms. Chuang Yau Ka is deemed to be interested in all the Shares held by them in aggregate by virtue of the SFO. Mr. Chuang Chun Ngok Boris is the son of Mr. Chuang Wei Chu and Ms. To Yin Ping and the brother of Ms. Chuang Yau Ka.

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

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

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

(a) Adoption of new/revised HKFRSs – effective 1 January 2020

The Hong Kong Institute of Certified Public Accountants ("HKICPA") has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's consolidated financial statements:

Amendments to HKFRS 3	Definition of a Business
Amendment to HKFRS 16	Covid-19-Related Rent Concessions (early applied)
Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKAS 39, HKFRS 7 and HKFRS 9	Interest Rate Benchmark Reform

Except for the amendments included in Amendments to HKAS 39, HKFRS 7 and HKFRS 9, which are not relevant to the preparation of the Group's consolidated financial statements, the nature and impact of the amendments are described below.

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

(a) Adoption of new/revised HKFRSs – effective 1 January 2020 (Continued)

Amendments to HKFRS 3, Definition of a Business

The amendments clarify the definition of a business and introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The election to apply the concentration test is made for each transaction. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. If the concentration test is met, the set of activities and assets is determined not to be a business. If the concentration test is failed, the acquired set of activities and assets is further assessed based on the elements of a business.

The Group elected to apply the amendments prospectively to acquisitions for which the acquisition date is on or after 1 January 2020.

Amendments to HKAS 1 and HKAS 8, Definition of Material

The amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make based on those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. These amendments have no impact on the Group's consolidated financial statements.

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

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

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

Amendments to HKFRS 1	Classification of Liabilities as Current or Non-current[4]
HK Interpretation 5 (2020), Presentation of Financial Statements	Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause[4]
Amendments to HKAS 16	Proceeds before Intended Use[2]
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract[2]
HKFRS 17	Insurance Contracts[4]
Amendments to HKFRS 3	Reference to the Conceptual Framework[3]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2[1]
Amendments to HKFRS Standards	Annual Improvements to HKFRS Standards 2018-2020[2]

1 Effective for annual periods beginning on or after 1 January 2021.
2 Effective for annual periods beginning on or after 1 January 2022.
3 Effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022.
4 Effective for annual periods beginning on or after 1 January 2023.
5 The amendments shall be applied prospectively to the sale or contribution of assets occurring in annual periods beginning on or after a date to be determined.

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

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

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

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

The directors expect that the adoption of the standards above will have no material impact on the consolidated financial statements in the year of initial application.

3. BASIS OF PREPARATION

(a) Statement of compliance

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

(b) Basis of measurement

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

(c) Functional and presentation currency

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

4. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of consolidation

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Subsidiaries

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

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

(c) Property, plant and equipment

Property, plant and equipment, including right-of-use assets arising from leased buildings where the Group is not registered owners of the property interests, are stated at cost less accumulated depreciation and accumulated impairment loss.

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

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

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

Leasehold improvements	Over the remaining life of the leases but not exceeding 5 years
Furniture and fixtures	20% per annum
Office equipment	20% per annum
Plant and machinery	30% per annum
Motor vehicles	30% per annum
Leased properties	Over the remaining life of the leases

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Government grant

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

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

(e) Leasing

The Group as a lessee

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

Right-of-use asset

The right-of-use asset is recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee; and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Except for right-of-use asset that meets the definition of an investment property or a class of property, plant and equipment to which the Group applies the revaluation model, the Group measures the right-of-use assets applying a cost model. Under the cost model, the Group measures the right-to-use assets at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Leasing (Continued)

Right-of-use asset (Continued)

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

Lease liability

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

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

Subsequent to the commencement date, the Group measures the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and (iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, or to reflect revised in substance fixed lease payments.

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Financial Instruments

(i) Financial assets

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

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

Debt instruments

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Financial Instruments (Continued)

(ii) Impairment loss on financial assets

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

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

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

For other debt financial assets, ECLs are based on lifetime ECLs except when there has not been a significant increase in credit risk since initial recognition, in which case the allowance will be based on the 12-months ECLs.

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Financial Instruments (Continued)

(ii) Impairment loss on financial assets (Continued)

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

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

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

Write-off policy

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

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

(iii) Financial liabilities

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

Financial liabilities at amortised cost

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Financial Instruments (Continued)

(iv) Effective interest method

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

(v) Equity instruments

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

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

(vi) Derecognition

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Employee benefits

(i) Short term employee benefit

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

(ii) Defined contribution retirement plan

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

(iii) Termination benefits

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

(h) Cash and cash equivalents

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

(i) Revenue recognition

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Revenue recognition (Continued)

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

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

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

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

a. Provision of construction services

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Revenue recognition (Continued)

a. *Provision of construction services (Continued)*

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

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

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

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

b. *Other income*

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

Contract assets and liabilities

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Revenue recognition (Continued)

Contract costs

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

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

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

(c) the costs are expected to be recovered.

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

(j) Income taxes

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

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of each reporting period. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects any uncertainty related to income tax.

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Income taxes (Continued)

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

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

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

(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 it is probable will result in an outflow of economic benefits that can be reasonably estimated.

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

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

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

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

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

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

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

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

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

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Capitalisation of borrowing costs

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

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

(o) Segment information

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

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

5. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

(a) Critical judgments in applying accounting policies

(i) 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.

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

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

(ii) Income taxes

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

(b) Estimates and assumptions

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

(i) Provision of construction services

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

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

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

(b) Estimates and assumptions (Continued)

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

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

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

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

(iv) Determining the lease term

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

6. SEGMENT INFORMATION

(a) Operating segments

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

(b) Geographical information

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

(c) Information about major customers

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

	2020 **HK$'000**	2019 HK$'000
Customer S	**28,118**	N/A
Customer B	**23,863**	24,376
Customer V	**18,436**	8,823
Customer T	**17,394**	N/A
Customer L	**16,223**	9,058

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

7. REVENUE

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

	2020 **HK$'000**	2019 HK$'000
Public tunnel projects	**57,375**	29,035
Public utilities construction services and other projects (Note)	**73,989**	41,420
Private projects	**3,208**	10,338
	134,572	80,793

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

7. REVENUE (CONTINUED)

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

	2020 **HK$'000**	2019 HK$'000
Trade receivables (Note 18(a))	**24,854**	22,597
Contract assets (Note 17)	**23,729**	15,270

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

As at 31 December 2020, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts is approximately HK$406,439,000 (2019: HK$283,179,000). This amount represents revenue expected to be recognised in the future from partially-completed long-term construction contracts. The Group will recognise the expected revenue in future when or as the work is completed, which is expected to occur in the next 1 to 2 years (2019: 1 to 2 years).

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

8. OTHER INCOME

	2020 **HK$'000**	2019 HK$'000
Bank interest income	**–**	72
Reimbursement from a main contractor	**250**	354
Gain on disposal of property, plant and equipment	**55**	28
Mandatory Provident Fund refund	**–**	158
Government grants (Note)	**4,056**	–
Sundry income	**367**	357
	4,728	969

Note:

The government grants of approximately HK$3,986,000 were received by Good Mind Engineering Limited ("GMEHK"), an indirect wholly-owned subsidiary of the Company, from Employment Support Scheme ("ESS") under the Anti-epidemic Fund launched by the Government of the Hong Kong Special Administrative Region ("the Hong Kong Government") supporting the payroll of the GMEHK's employees. Under the ESS, GMEHK committed to utilise these grants on payroll expenses, and not reduce employee headcount below prescribed levels for a specified period of time. GMEHK does not have other unfulfilled obligations relating to this program.

9. PROFIT/(LOSS) BEFORE INCOME TAX

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

	2020 **HK$'000**	2019 HK$'000
Included in cost of services:		
– Subcontracting costs	**13,764**	11,679
– Construction materials and supplies	**34,962**	23,745
Auditor's remuneration	**660**	700
Gain on disposal of property, plant and equipment	**(55)**	(28)
Impairment loss on trade receivables	**266**	82
Impairment loss on contract assets	**14**	11
Depreciation charges		
– Owned property, plant and equipment	**3,961**	4,604
– Right-of-use-assets included within		
– Leased properties	**1,578**	1,897
– Office equipment	**15**	17
– Plant and machinery	**524**	–
– Motor vehicles	**320**	417
Consultancy fees	**3,288**	2,348
Lease payment not included in the measurement of lease liabilities		
– Leased properties (included in cost of services and administrative expenses)	**804**	1,230
– Short term leases of plant and machinery (included in cost of services)	**5,937**	4,550
Employee benefit expenses (Note 10)	**63,021**	49,661

10. EMPLOYEE BENEFIT EXPENSES, INCLUDING DIRECTORS' REMUNERATION

	2020 **HK$'000**	2019 HK$'000
Wages, salaries and other benefits:		
– Administrative expenses	**9,551**	10,149
– Cost of services	**51,275**	37,822
	60,826	47,971
Post-employment benefits - defined contribution retirement plan contributions:		
– Administrative expenses	**335**	332
– Cost of services	**1,860**	1,358
	2,195	1,690
	63,021	49,661

11. FINANCE COSTS

	2020 **HK$'000**	2019 HK$'000
Interest on revolving loan	**131**	–
Interest on lease liabilities (note 23)	**164**	127
	295	127

12. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUAL

(i) Directors' remuneration

Directors' remuneration for the year are as follows:

	Fees HK$'000	Salaries and benefits HK$'000	Pension scheme contributions HK$'000	Total HK$'000
Year ended 31 December 2020				
Executive directors:				
Mr. Chuang Wei Chu	**240**	**819**	**–**	**1,059**
Mr. Chuang Chun Ngok Boris	**240**	**1,365**	**30**	**1,635**
	480	**2,184**	**30**	**2,694**
Year ended 31 December 2020				
Independent non-executive directors:				
Mr. Lam Man Bun Alan	**240**	**–**	**–**	**240**
Mr. Lau Chun Fai Douglas	**240**	**–**	**–**	**240**
Ir Ng Wai Ming Patrick	**240**	**–**	**–**	**240**
	720	**–**	**–**	**720**
Total	**1,200**	**2,184**	**30**	**3,414**
Year ended 31 December 2019				
Executive directors:				
Mr. Chuang Wei Chu	240	819	–	1,059
Mr. Chuang Chun Ngok Boris	240	1,365	30	1,635
	480	2,184	30	2,694
Year ended 31 December 2019				
Independent non-executive directors:				
Mr. Lam Man Bun Alan	240	–	–	240
Mr. Lau Chun Fai Douglas	240	–	–	240
Ir Ng Wai Ming Patrick	240	–	–	240
	720	–	–	720
Total	1,200	2,184	30	3,414

Note:

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

12. 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 (2019: 2) executive directors of the Company for the year ended 31 December 2020 whose emoluments are reflected in the analysis as shown above. The remuneration of the remaining highest paid individuals is as follows:

	2020 **HK$'000**	2019 HK$'000
Salaries and allowances	**2,256**	2,734
Pension scheme contributions – defined contribution retirement plan contributions	**54**	54
	2,310	2,788

Their remuneration fell within the following bands:

	2020 **Number of employees**	2019 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, who is also one of the five highest paid employees, were within the following bands:

	Number of employees	
	2020	2019
Nil to HK$1,000,000	**1**	1

13. INCOME TAX EXPENSE/(CREDIT)

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

	2020	2019
	HK$'000	HK$'000
Current tax – Hong Kong profits tax		
– charge for the year	**–**	–
Deferred tax (Note 24)	**390**	(265)
Income tax expenses/(credit)	**390**	(265)

Hong Kong profits tax is calculated at 16.5% (2019: 16.5%) of the estimated assessable profits for the year ended 31 December 2020. According to the Inland Revenue (Amendment) Bill 2017 (the "Bill") which was substantively enacted after passing its Third Reading in the Legislative Council of the Hong Kong Special Administrative Region (the "Legco") on 28 March 2018, the two-tiered profits tax regime (the "Regime") is first effective for the year of assessment 2018/19. Profits tax rate for the first HK$2 million of assessable profits of corporations is lowered to 8.25% with the excess assessable profits continue to be taxed at 16.5%. No nominated entity of the Group is entitled to the Regime as no such entity generated assessable profit for the years ended 31 December 2020 and 2019.

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

	2020	2019
	HK$'000	HK$'000
Profit/(loss) before income tax	**1,395**	(28,486)
Tax calculated at the applicable statutory tax rate of 16.5%	**231**	(4,700)
Tax effect of non-deductible expenses	**478**	503
Tax effect of non-taxable income for tax purpose	**(664)**	(11)
Tax effect of tax loss not recognised	**345**	3,943
Income tax at the effective tax rate	**390**	(265)

14. DIVIDEND

The Directors do not recommend the payment of any dividend in respect of the years ended 31 December 2019 and 2020.

15. EARNINGS/(LOSS) PER SHARE

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

	2020	2019
	HK$'000	HK$'000
Profit/(loss) for the year attributable to owners of the Company	**1,008**	(28,217)
	Number of shares '000	Number of shares '000
Weighted average number of ordinary shares during the year used in the basic earnings/(loss) per share calculation	**487,808**	490,211

Note:

The diluted earnings/(loss) per share was same as basic earnings/(loss) per share as there was no potential share outstanding for each of the years ended 31 December 2020 and 2019.

16. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK$'000	Furniture and fixtures HK$'000	Office equipment HK$'000	Plant and machinery HK$'000	Motor vehicles HK$'000	Leased properties HK$'000	Total HK$'000
Cost							
At 1 January 2019	34	172	609	16,722	2,356	421	20,314
Additions	–	–	143	2,965	120	2,756	5,984
Disposals	–	–	–	(776)	(40)	–	(816)
Written off	–	–	(93)	(1,456)	–	–	(1,549)
At 31 December 2019 and 1 January 2020	34	172	659	17,455	2,436	3,177	23,933
Additions	–	–	60	9,089	130	715	9,994
Disposals	–	–	–	(258)	–	–	(258)
Written off	–	–	(36)	(9,844)	(130)	–	(10,010)
At 31 December 2020	34	172	683	16,442	2,436	3,892	23,659
Aggregate depreciation							
As at 1 January 2019	11	62	242	10,828	998	–	12,141
Charge for the year	7	33	131	4,270	597	1,897	6,935
Disposal	–	–	–	(775)	(22)	–	(797)
Written-off	–	–	(93)	(1,456)	–	–	(1,549)
At 31 December 2019 and 1 January 2020	18	95	280	12,867	1,573	1,897	16,730
Charge for the year	6	33	133	4,098	550	1,578	6,398
Disposal	–	–	–	(258)	–	–	(258)
Written-off	–	–	(36)	(9,844)	(130)	–	(10,010)
At 31 December 2020	24	128	377	6,863	1,993	3,475	12,860
Net carrying amount							
At 31 December 2020	10	44	306	9,579	443	417	10,799
At 31 December 2019	16	77	379	4,588	863	1,280	7,203

16. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Right-of-Use assets (included in the property, plant and equipment)	**Leased properties HK$'000**	**Office equipment HK$'000**	**Plant and Machinery HK$'000**	**Motor Vehicles HK$'000**	**Total HK$'000**
At 1 January 2019	421	8	–	824	1,253
Additions	2,756	73	–	–	2,829
Amortisation	(1,897)	(17)	–	(417)	(2,331)
At 31 December 2019 and 1 January 2020	1,280	64	–	407	1,751
Additions	715	–	2,090	–	2,805
Amortisation	(1,578)	(15)	(524)	(320)	(2,437)
At 31 December 2020	417	49	1,566	87	2,119

The Group leases staff quarters and office premises under leases expiring from 1 to 2 years. Some leases include an option to renew the lease when all terms are renegotiated. Some of the leases for office equipment, plant and machinery and motor vehicles include an option to purchase the leased equipment at the end of the lease term at a price deemed to be a bargain purchase option. None of the leases includes variable lease payments.

Amounts recognised in statement of comprehensive income	**2020 HK$'000**	2019 HK$'000
Depreciation of right-of-use assets	**2,437**	2,331
Interest payment on lease liabilities	**164**	127
Expenses related to short term leases (included in cost of services and administrative expenses)	**6,741**	6,200

The Group had total cash outflows for leases of HK$9,455,000 (2019: HK$8,503,000), comprising HK$2,714,000 (2019: HK$2,303,000) for repayment of principal and interest on lease liabilities and HK$6,741,000 (2019: HK$5,780,000) for short term leases of leased properties and plant and machinery. Non-cash additions to right-of-use assets and lease liabilities from plant and machinery arising from new lease amounted to HK$2,090,000 (2019: HK$73,000) during the year ended 31 December 2020. The Group had also acquired machineries with an aggregate cost of HK$6,499,000 (2019: HK$2,965,000) which were not under lease arrangements and were fully paid in cash during the year ended 31 December 2020 for these purchases.

17. CONTRACT ASSETS

	2020 HK$'000	2019 HK$'000
Contract assets arising from:		
Construction services		
– Unbilled revenue recognised during the year	**428**	–
– Retention receivables from contracts with customers within the scope of HKFRS 15	**23,401**	15,356
	23,829	15,356
Less: Impairment	**(100)**	(86)
	23,729	15,270

The contract assets primarily relates to the Group's right to consideration for construction works completed but not yet billed to customers, and the retention receivables at the reporting date. The contract assets are transferred to trade receivables when the rights become unconditional, that is when the Group issue progress billings to customer based on the progress certificate agreed with customer or when the retention receivable become unconditional. As at 31 December 2020, the increase in contract assets was resulted from the increase in the provision of construction works at the end of the year.

Included within contract assets is an amount of approximately HK$23,401,000 (2019: HK$15,356,000) which relate to amounts withheld (up to 5% - 10% (2019: 5% - 10%) of the contract sum) under contractual terms from trade receivables from customers as the construction work progresses. The monies are generally released from the customers upon the certification of completion of work and/or finalisation of contract accounts, which is typically 12 to 24 months after the physical completion of the project. As these amounts are expected to be realised in the normal operating cycle, they are classified as current assets.

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

	2020 HK$'000	2019 HK$'000
Within one year	**23,716**	15,216
More than one year and less than two years	**13**	54
Total contract assets	**23,729**	15,270

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

17. CONTRACT ASSETS (CONTINUED)

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

	2020 HK$'000	2019 HK$'000
At beginning of year	**86**	75
Impairment loss recognised during the year	**14**	314
Amount written off during the year	**–**	(303)
	14	11
At end of year	**100**	86

At 31 December	2020 %	2019 %
Expected credit losses rate	**0.4**	0.6

	HK$'000	HK$'000
Gross carrying amount	**23,729**	15,270
Expected credit losses	**100**	86

18. TRADE AND OTHER RECEIVABLES

	2020 HK$'000	2019 HK$'000
Trade receivables (Note (a))	**25,430**	22,907
Less: Impairment loss	**(576)**	(310)
	24,854	22,597
Prepayments, deposits and other receivables (Note (b))	**7,183**	7,260
	32,037	29,857

Notes:

(a) Trade receivables were mainly derived from the provision of underground construction services and are non-interest bearing. The Group does not hold any collateral or other credit enhancements over these balances. The credit period granted by the Group to its customers is generally 21 to 60 days for the years ended 31 December 2020 and 2019.

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

	2020 HK$'000	2019 HK$'000
Less than 1 month	**15,254**	11,195
1 to 3 months	**9,584**	10,514
More than 3 months but less than one year	**16**	888
	24,854	22,597

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

	2020 HK$'000	2019 HK$'000
Neither past due nor impaired	**23,856**	19,366
Less than 1 month past due	**982**	2,343
1 to 3 months past due	**–**	888
More than 3 months past due but less than 1 year past due	**16**	–
	24,854	22,597

18. TRADE AND OTHER RECEIVABLES (CONTINUED)

Notes: (Continued)

(a) (Continued)

Trade receivables that were past due but not impaired relate to a number of customers that have a good track record with the Group. Except an allowance of approximately HK$576,000 (2019: HK$310,000), management believes that no impairment allowance is necessary in respect of these balances, as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

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

	2020 HK$'000	2019 HK$'000
Balance at 1 January	**310**	228
Impairment loss recognised during the year	**266**	197
Amounts written off during the year	**–**	(115)
Balance at 31 December	**576**	310

(b) As at 31 December 2020, the prepayments, deposits and other receivables mainly comprised (i) surety bond deposits of approximately HK$3,900,000 (2019: HK$4,260,000) to secure surety bond issued in favour of customers (see note 29(b); (ii) deposits to subcontractors of approximately HK$897,000 (2019: HK$730,000); (iii) rental deposit of office of approximately HK$384,000 (2019: HK$384,000) and (iv) other receivable of refund of movie right deposit of approximately HK$350,000 (2019: nil). Prepayments, deposits and other receivables as at 31 December 2020 and 2019 were neither past due nor impaired. Financial assets included in these balances are non-interest bearing and relate to receivables for which there was no recent history of default.

19. AMOUNT DUE FROM A MINORITY SHAREHOLDER OF A SUBSIDIARY

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

20. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise:

	2020 HK$'000	2019 HK$'000
Cash at banks and in hand	**6,937**	17,375

21. TRADE AND OTHER PAYABLES

	2020 HK$'000	2019 HK$'000
Trade payables (Note (a))	**4,614**	2,179
Other payables and accruals (Note (b))	**10,818**	11,106
	15,432	13,285

21. TRADE AND OTHER PAYABLES (CONTINUED)

Notes:

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

	2020 **HK$'000**	2019 HK$'000
Current or less than 1 month	**2,346**	1,097
1 to 3 months	**1,663**	803
More than 3 months but less than one year	**502**	261
More than one year	**103**	18
	4,614	2,179

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

(b) As at 31 December 2020, other payables and accruals mainly comprised (i) accrued expenses for subcontractors' costs of approximately HK$2,811,000 (2019: HK$4,417,000); (ii) accrued salaries and wages of approximately HK$5,840,000 (2019: HK$5,314,000); (iii) other payables of staff disbursements of approximately HK$509,000 (2019: HK$257,000); (iv) other payable for addition of property, plant and equipment of approximately HK$500,000 (2019: HK$nil) and (v) accrued professional fees of approximately of HK$807,000 (2019: HK$981,000). The balances of other payables and accruals are non-interest bearing and have average payment terms of one to three months.

22. BANK BORROWING

	2020 **HK$'000**	2019 HK$'000
Bank borrowing	**3,000**	3,000

The Group has a bank facility of a revolving term loan which bears an interest at 1.25% per annum below Prime Rate (2019: 1.15% per annum below Prime Rate) for the year ended 31 December 2020. Such bank facility is fully utilised as at 31 December 2020 and fully settled on 4 January 2021.

As at 31 December, the bank loan was scheduled to repay as follows:

	2020 **HK$'000**	2019 HK$'000
On demand or within one year	**3,000**	3,000
	3,000	3,000

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

23. LEASES LIABILITIES

The Group as a lessee

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

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

	Leased properties HK$'000	Office equipment HK$'000	Machinery HK$'000	Motor vehicles HK$'000	Total HK$'000
As at 1 January 2019	421	7	–	971	1,399
Additions	2,756	73	–	–	2,829
Lease payments	(1,986)	(14)	–	(303)	(2,303)
Interest expenses (Note 11)	88	1	–	38	127
As at 31 December 2019 and 1 January 2020	1,279	67	–	706	2,052
Additions	715	–	2,090	–	2,805
Lease payments	(1,621)	(17)	(817)	(259)	(2,714)
Interest expenses (Note 11)	52	4	83	25	164
As at 31 December 2020	425	54	1,356	472	2,307
Current portion	363	15	690	228	1,296
Non-Current portion	62	39	666	244	1,011
As at 31 December 2020	425	54	1,356	472	2,307
As at 31 December 2019	1,279	67	–	706	2,052

23. LEASES LIABILITIES (CONTINUED)

The Group as a lessee (Continued)

Lease Liabilities

Future lease payments are due as follows:

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

	Minimum lease payments as at 31 December 2019 HK$'000	Interest as at 31 December 2019 HK$'000	Present value as at 31 December 2019 HK$'000
Not later than one year	1,578	(52)	1,526
Later than one year and not later than two years	260	(20)	240
Later than two years and not later than five years	291	(5)	286
	2,129	(77)	2,052

23. LEASES LIABILITIES (CONTINUED)

The Group as a lessee (Continued)

Lease Liabilities (Continued)

The present value of future lease payments are analysed as:

	2020 **HK$'000**	2019 HK$'000
Current liabilities	**1,296**	1,526
Non-current liabilities	**1,011**	526
	2,307	2,052

24. DEFERRED TAX ASSETS

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

	Accelerated tax depreciation **HK$'000**	**Tax losses** **HK$'000**	**Total** **HK$'000**
At 1 January 2019	719	(1,027)	(308)
Credited to loss for the year (Note 13)	(265)	–	(265)
At 31 December 2019 and 1 January 2020	454	(1,027)	(573)
Charge to profit for the year (Note 13)	390	–	390
At 31 December 2020	844	(1,027)	(183)

Note: The Group has accumulated tax losses arising in Hong Kong of approximately HK$32,257,000 (2019: HK$30,166,000) as at the year ended 31 December 2020. Deferred tax assets have not been recognised in respect of these losses as it is not probable that sufficient taxable profits will be available to allow all or part of the deferred tax assets to be utilised. The tax loss can be carried forward in Hong Kong indefinitely. In the opinion of the directors of the Group, there are no other unrecognised deferred tax assets which will have a significant impact to the Group.

25. SHARE CAPITAL

	The Company	
	Number of shares	Amount HK'000
Authorised:		
Ordinary shares of HK$0.01 each		
As at 31 December 2019, 1 January 2020 and 31 December 2020	2,000,000,000	20,000
Issued and fully paid		
Ordinary shares of HK$0.01 each		
As at 1 January 2019	498,232,000	4,982
Shares repurchased and cancelled (Note (a))	(10,424,000)	(104)
As at 31 December 2019, 1 January 2020 and 31 December 2020	487,808,000	4,878

Notes:

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

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

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

26. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	2020 HK$'000	2019 HK$'000
Non-current assets			
Investments in subsidiaries		**22,259**	38,294
Amounts due from subsidiaries		**17,304**	28,595
		39,563	66,889
Current assets			
Prepayments and deposits		**277**	280
Cash and cash equivalents		**116**	5,673
		393	5,953
Current liabilities			
Accruals and other payables		**795**	1,030
Amount due to a subsidiary		**39**	389
		834	1,419
Net current (liabilities)/assets		**(441)**	4,543
NET ASSETS		**39,122**	71,423
EQUITY			
Share capital	25	**4,878**	4,878
Reserves	27	**34,244**	66,545
TOTAL EQUITY		**39,122**	71,423

On behalf of the Board

Chuang Chun Ngok Boris
Director

Chuang Wei Chu
Director

27. RESERVES

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

	Share premium (Note (a)) HK$'000	Accumulated losses (Note (c)) HK$'000	Share repurchase reserve (Note (e)) HK$'000	Total HK$'000
At 1 January 2019	92,173	(21,372)	(51)	70,750
Shares repurchased and shares cancelled (Note 25(a))	(1,420)	–	51	(1,369)
Loss for the year	–	(2,836)	–	(2,836)
At 31 December 2019 and 1 January 2020	90,753	(24,208)	–	66,545
Loss for the year	–	(32,301)	–	(32,301)
At 31 December 2020	**90,753**	**(56,509)**	**–**	**34,244**

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

(a) Share premium

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

(b) Other reserve

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

(c) Accumulated losses/retained earnings

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

(d) Capital reserve

The amount represents capital contribution from equity holders.

(e) Share repurchase reserve

The amount represents the shares repurchased but not yet cancelled. Own equity instruments which are reacquired and held by the Company or the Group are recognised directly in equity at cost. No gain or loss is recognised in profit or loss on the purchase and cancellation on the Company's or the Group's own equity instruments.

28. PARTICULARS OF SUBSIDIARIES

The particulars of the Company's subsidiaries as at 31 December 2020 are set out as follows:

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

29. CONTINGENT LIABILITIES

(a) Contingent liabilities in respect of legal claims

As at 31 December 2020, there were a number of labour claims lodged against the Group arising from the ordinary course of its civil engineering construction business. No specific claim amount has been specified in the applications of these claims. In the opinion of the directors of the Company, the outflow of resources required in settling these claims, if any, is remote and furthermore, these claims are usually covered by insurance maintained by the relevant main contractors. Therefore, the ultimate liability under these claims would not have a material adverse impact on the financial position or performance of the Group. No provision for the contingent liabilities in respect of the litigations is necessary.

(b) Guarantee issued

As at 31 December 2020, the Group provided guarantee to one (2019: two) insurance company in respect of the following:

	2020	2019
	HK$'000	HK$'000
Surety bonds issued in favour of customers (Note)	**9,169**	12,767

Note:

As at 31 December 2020, surety bonds at amount of approximately HK$9,169,000 (2019: HK$12,767,000) was given by an insurance company in favour of the Group's customers as security for the due performance and observance of the Group's obligation under the subcontract entered into between the Group and its customers. If the Group fails to provide satisfactory performance to its customers to whom the surety bond has been given, the customer may demand the insurance companies to pay to them the sum or sums stipulated in such demand. The Group will then become liable to compensate the insurance companies accordingly. The surety bond will be released upon completion of the subcontract work for the customers.

The directors of the Company are of the opinion that the amount of approximately HK$9,169,000 (2019: approximately HK$12,767,000) 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 2020.

30. RELATED PARTY TRANSACTIONS

The Group did not have any related party transactions during the year ended 31 December 2020 (2019: Nil) except as disclosed below and elsewhere in the consolidated financial statements.

Key management personnel compensation

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

31. FINANCIAL RISK MANAGEMENT

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

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

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

(a) Credit risk

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

The credit risk of Group's trade receivables and contract assets are concentrated, since 72% of which was derived from five largest customers as at 31 December 2020 (2019: 71%).

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

	2020 **HK$'000**	2019 HK$'000
Largest customer	**8,687**	14,060
Five largest customers	**35,408**	27,243

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

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

31. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables and contract assets as at 31 December 2020 and 2019:

ECLs for trade receivables:	Expected loss rate (%)	Gross carrying amount (HK$'000)	Loss allowance (HK$'000)
31 December 2020			
Current (Not past due)	0.42	24,944	106
31-60 days past due	–	–	–
61-90 days past due	–	–	–
More than 90 days past due	96.71	486	470
		25,430	576

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

ECLs for contract assets:	Expected loss rate (%)	Gross carrying amount (HK$'000)	Loss allowance (HK$'000)
31 December 2020			
Current (not past due)	0.07	23,733	17
31-60 days past due	–	–	–
61-90 days past due	–	–	–
More than 90 days past due	86.46	96	83
		23,829	100

31. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

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

Expected loss rates are based on actual loss experience over the past 5 years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the group's view of economic conditions over the expected lives of the receivables.

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

31. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

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

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

	Trade receivables		**Contract assets**		**Total**	
	2020	2019	**2020**	2019	**2020**	2019
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Balance at 1 January	**310**	228	**86**	75	**396**	303
Impairment losses recognised during the year	**266**	197	**14**	314	**280**	511
Amounts written off during the year	**–**	(115)	**–**	(303)	**–**	(418)
Balance at 31 December	**576**	310	**100**	86	**676**	396

The following significant changes in the gross carrying amounts of trade receivables and contract assets contributed to the decrease in the loss allowance during 2020:

- Origination of new trade receivables net of those settled resulted in an increase in loss allowance of approximately HK$266,000; and
- Increase in days past due over 30 days of contract assets resulted in an increase in loss allowance of approximately HK$14,000;

31. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

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

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

(b) Liquidity risk

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

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

31. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Liquidity risk (Continued)

	Carrying amount HK$'000	**Total contractual undiscounted cash flow HK$'000**	**Less than one year or repayable on demand HK$'000**	**One year or above HK$'000**
As at 31 December 2020				
Trade and other payables	**15,432**	**15,432**	**15,432**	**–**
Bank borrowing	**3,000**	**3,012**	**3,012**	**–**
Lease liabilities	**2,307**	**2,433**	**1,387**	**1,046**
	20,739	**20,877**	**19,831**	**1,046**

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

(c) Interest rate risk

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

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

31. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Interest rate risk (Continued)

Sensitivity analysis

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

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

If interest rates on bank balances had been 50 basis points higher/lower and all other variables were held constant, the potential effect on the Group's post-tax profit/(loss) for the years ended 31 December 2020 and 2019 is as follows:

	2020 **HK$'000**	2019 HK$'000
Decrease/(increase) in profit/(loss) for the year		
– as a result of increase in interest rate	**35**	87
– as a result of decrease in interest rate	**(35)**	(87)

If interest rates on bank borrowing had been 100 basis points higher/lower and all other variables were held constant, the potential effect on the Group's post-tax profit/(loss) for the years ended 31 December 2020 and 2019 is as follows:

	2020 **HK$'000**	2019 HK$'000
Decrease/(increase) in profit/(loss) for the year		
– as a result of increase in interest rate	**30**	30
– as a result of decrease in interest rate	**(30)**	(30)

32. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non- cash transactions

The Group entered into finance leases agreements in respect of purchase of plant and machineries with a capital value at the inception of the leases of approximately HK$2,090,000 (2019: HK$73,000) during the year ended 31 December 2020.

32. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(b) Note to the consolidated statement of cash flows

	Bank Borrowing (Note 22) HK$'000	Obligations Under Finance Lease HK$'000	Lease Liabilities (Note 23) HK$'000	Total HK$'000
As at 1 January 2019	–	978	–	978
Change from cash flows:				
Proceeds from bank borrowing	3,000	–	–	3,000
Transfer to lease liabilities	–	(978)	978	–
Lease payments	–	–	(2,303)	(2,303)
Total changes from financing cash flow	3,000	–	(1,325)	1,675
Other changes:				
Adjustment upon adoption of HKFRS16	–	–	421	421
Addition of lease liabilities	–	–	2,829	2,829
Interests expense	–	–	127	127
As at 31 December 2019	3,000	–	2,052	5,052
Change from cash flows:				
Proceed from bank borrowing	3,000	–	–	3,000
Repayment of bank borrowing	(3,000)	–	–	(3,000)
Lease payments	–	–	(2,714)	(2,714)
Interest paid	(119)	–	–	(119)
Total changes from financing cash flow	2,881	–	(662)	2,219
Other changes:				
Addition of lease liabilities	–	–	2,805	2,805
Trade and other payables	(12)	–	–	(12)
Interests expense	131	–	164	295
As at 31 December 2020	**3,000**	**–**	**2,307**	**5,307**

33. NON-CONTROLLING INTERESTS

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

Summarised financial information in relation to the NCI of GMS Construction Limited, for the year ended 31 December 2020 and 2019, before intra-group eliminations, is presented below:

	2020 HK$'000	2019 HK$'000
Revenue	**–**	–
Loss for the year	**(7)**	(9)
Total comprehensive expenses for the year	**(7)**	(9)
Loss allocated to NCI	**3**	4

34. CAPITAL RISK MANAGEMENT

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

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

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

	2020 HK$'000	2019 HK$'000
Total debt	**16,125**	16,158
Equity attributable to the owners of the Company	**53,346**	52,341
Gearing ratio	**30%**	31%

35. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

	2020 **HK$'000**	2019 HK$'000
Financial assets		
At amoristed cost (including cash and cash equivalents)	**38,690**	46,680
Financial liabilities at amortised cost		
Financial liabilities measured at amortised cost	**18,432**	16,286
Lease liabilities	**2,307**	2,052
	20,739	18,338

36. CAPITAL COMMITMENT

	2020 **HK$'000**	2019 HK$'000
Commitment for the acquisition of: short film and feature-length motion picture	**–**	3,504

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

On 11 December 2019, JP entered into the assignment agreement (the "Assignment Agreement") with the independent third parties (the "Assignors") to acquire the rights, titles, interests and benefits of the short film and the feature-length motion picture (collectively known as the "Properties") at a consideration of US$450,000. Pursuant to the Assignment Agreement, the transaction was completed immediately after the signing of this Assignment Agreement and JP has to settle 10% of the consideration in February 2020 and the remaining 90% of the consideration will be settled in 6 months after the date of the Assignment Agreement.

JP also entered into an option agreement (the "Option Agreement") with the Assignors on the same date of the Assignment Agreement, including the options whereby (i) the Assignors would grant to JP the right to assign the rights of the Properties back to the Assignors (the "Put Option") and (ii) JP would grant the Assignors the rights to assign the rights of the Properties back to the Assignors (the "Call Option"). Pursuant to the Option Agreement, the consideration was US$1 and the option exercise price was the paid consideration under the Assignment Agreement for both Put Option and Call Option. The Option Agreement will be expired in 6 months after the signing date.

36. CAPITAL COMMITMENTS (CONTINUED)

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

On 10 June 2020, JP and the Assignors entered into supplemental agreements to the Assignment Agreement and the Option Agreement, respectively, for the purpose of the extension of the payment of 90% consideration on or before 31 December 2020 and the extension of the expiry date of the Option Agreement to 31 December 2020.

On 30 December 2020, the Assignors issued a notice of exercise of the call option of the Option Agreement to JP that requested JP to assign the right of the Properties back to Assignors at the consideration of US$1 pursuant to the terms and conditions of the Option Agreement.

The paid consideration (i.e. approximately HK$350,000 or equivalent to US$45,000) should be satisfied by the Assignors by remittance immediately to JP at the exercise date, of which, JP agreed to constitute a complete discharge of the obligation for payment of the outstanding consideration (i.e. 90% of the consideration) to the Assignors. As at 31 December 2020, the Group classified the paid consideration at amount of approximately HK$350,000 in other receivable (note 18) to the consolidated financial statements.

On 9 February 2021, JP and the Assignors entered into another assignment agreement that JP wishes to assign the right of Properties to the Assignors and the Assignors agreed to accept such assignments on the terms of this assignment agreement. Based on the deed of set-off signed on 9 February 2021, both JP and the Assignors agreed to offset the outstanding consideration payable under the Assignment Agreement to the option price. In the opinion of the Directors of the Company, JP was entitled to receive the paid 10% of the consideration from the Assignors.

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

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

38. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 23 March 2021.