



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  
2016

## **CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

**GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.**

**Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.**

*Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.*

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

---

This page is intentionally left blank

---

# CONTENTS

	<i>Page</i>
Corporate Information	4
Chairman's Statement	6
Financial Highlights	8
Management Discussion and Analysis	9
Biographical Details of Directors and Senior Management	17
Corporate Governance Report	19
Directors' Report	28
Independent Auditor's Report	40
Consolidated Statement of Comprehensive Income	44
Consolidated Statement of Financial Position	45
Consolidated Statement of Changes in Equity	46
Consolidated Statement of Cash Flows	47
Notes to the Consolidated Financial Statements	49

# 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*)  
Ir Ng Wai Ming Patrick  
Mr. Lam Man Bun Alan

## REMUNERATION COMMITTEE

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

## 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 (*HKICPA*)

## AUTHORISED REPRESENTATIVES

Mr. Chuang Chun Ngok Boris  
Mr. Sze Chun Kit

## REGISTERED OFFICE

4th Floor  
Harbour Place  
103 South Church Street  
P.O. Box 10240  
Grand Cayman KY1-1002  
Cayman Islands

## HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 1001-2, 10/F  
148 Electric Road  
Hong Kong

## HONG KONG BRANCH SHARE REGISTRAR & TRANSFER OFFICE

Tricor Investor Services Limited  
Level 22, Hopewell Centre  
183 Queen's Road East  
Hong Kong

## AUDITOR

BDO Limited  
*Certified Public Accountants*  
25th Floor, Wing On Centre  
111 Connaught Road Central  
Hong Kong

## LEGAL ADVISER

Howse Williams Bowers  
27/F Alexandra House  
18 Chater Road  
Central  
Hong Kong



# CORPORATE INFORMATION

## COMPLIANCE ADVISER

Altus Capital Limited  
21 Wing Wo Street  
Central  
Hong Kong

## PRINCIPAL BANKERS

DBS Bank (Hong Kong) Limited  
G/F  
The Center  
99 Queen's Road Central  
Central  
Hong Kong

Dah Sing Bank, Limited  
36th Floor  
Dah Sing Financial Centre  
108 Gloucester Road  
Wanchai  
Hong Kong

## COMPANY WEBSITE

[www.gmehk.com](http://www.gmehk.com)

## STOCK CODE

8188

# CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board of Directors (the “**Board**”) of the Company, I am pleased to present this annual report (the “**Annual Report**”) and the audited consolidated financial statements of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 December 2016 (the “**Reporting Period**”).

## REVIEW

The shares of the Company (the “**Shares**”) were successfully listed on the GEM of the Stock Exchange on 22 February 2017 (the “**Listing**”) by way of placing (“**IPO Placing**”) representing a significant milestone for the Company. The Listing provides the Company with access to one of the world's premier capital markets and enhances its reputation.

## FINANCIAL PERFORMANCE

During the year ended 31 December 2016, the market conditions for underground construction services in Hong Kong were relatively stable and maintained a healthy development trend. The Group has been expanding its business in underground construction services since 2014 and delivered rapid growth, recording significant contribution to revenue and profit and total comprehensive income (“**Net Profit**”) for the year ended 31 December 2016.

The Group recorded revenue of approximately HK\$159,127,000 for the year ended 31 December 2016 (2015: approximately HK\$80,560,000), representing an increase of approximately HK\$78,567,000 or 97.5% from the previous year. This was driven mostly by the Group's expansion in its tunnel construction services. Gross profit margin of the Group for the year ended 31 December 2016 was approximately 26.9% and decreased slightly from the gross profit margin of 32.8% for the year ended 31 December 2015. Net Profit was approximately HK\$17,708,000 (2015: approximately HK\$15,170,000), representing a slight increase of approximately HK\$2,538,000 or 16.7% from the previous year. Non-recurring listing expenses of approximately HK\$7,666,000 were recorded for the year ended 31 December 2016 (2015: approximately HK\$660,000), which lowered the Net Profit.

## OUTLOOK

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

# CHAIRMAN'S STATEMENT

## APPRECIATION

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

**Chuang Chun Ngok Boris**  
*Chairman*

Hong Kong, 27 March 2017



# FINANCIAL HIGHLIGHTS

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

<b>Consolidated results</b>	<b>For the year ended 31 December</b>		
	<b>2016</b>	2015	2014
	<b>HK\$'000</b>	HK\$'000	HK\$'000
Revenue	<b>159,127</b>	80,560	94,193
Gross profit	<b>42,777</b>	26,398	15,717
Profit before income tax expense	<b>22,750</b>	18,406	8,549
Net Profit	<b>17,708</b>	15,170	6,935

  

<b>Consolidated assets and liabilities</b>	<b>As at 31 December</b>		
	<b>2016</b>	2015	2014
	<b>HK\$'000</b>	HK\$'000	HK\$'000
Total assets	<b>67,310</b>	44,974	29,711
Total liabilities	<b>27,354</b>	22,726	22,633
Net assets	<b>39,956</b>	22,248	7,078

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

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

The Group provides underground construction services, in particular, tunnel construction services (including excavation, shotcreting, shutter design and fabrication, tunnel lining services and advanced works) and utility construction and others (including layout and refurbishment of gas pipes and structural works). We also provide programme design, costing and management for underground construction services and as a result, we work routinely with our key clients in pre-tenders.

Our focus on the development of a complete suite of tunnel construction services since 2014 has laid a solid foundation for the Group's growth and provides the Group with a strong advantage in securing contracts.

For the year ended 31 December 2016, the Group had been engaged in 11 public sector projects and four private sector projects, of which four public sector projects and three private sector projects were newly commenced in 2016 with a total contract sum of approximately HK\$78,860,000 and HK\$4,500,000, respectively. Our Group is pursuing business line extension into related service areas such as marine construction. Our Group had secured two marine construction projects for the contract sum of approximately HK\$68,503,000 from a new customer for the year ended 31 December 2016. This is in line with our business strategies as mentioned in the prospectus of the Company dated 14 February 2017 (the "Prospectus").

	Year ended 31 December			
	2016 HK\$'000	2016 % of total revenue	2015 HK\$'000	2015 % of total revenue
Private sector projects	4,624	2.9	3,784	4.7
Public sector projects				
– Tunnel construction services	149,851	94.2	64,305	79.8
– Utility construction services and others	4,652	2.9	12,471	15.5
Sub-total	154,503	97.1	76,776	95.3
Total	159,127	100.0	80,560	100.0

The Group's revenue was primarily generated from public sector projects for our provision of (i) tunnel construction services; and (ii) utility construction services and others. Private sector projects represented the provision of services in relation to slope works, structural works and refurbishment works.

## MANAGEMENT DISCUSSION AND ANALYSIS

For the year ended 31 December 2016, the revenue of the Group was approximately HK\$159,127,000 (2015: approximately HK\$80,560,000), representing an increase of approximately HK\$78,567,000 or 97.5% from the previous year.

As shown in the table above, revenue generated from public sector projects increased from approximately HK\$76,776,000 for the year ended 31 December 2015 to approximately HK\$154,503,000 for the year ended 31 December 2016, representing an increase of approximately HK\$77,727,000 or 101.2% from the previous year. Such increase was mainly due to the combined effects of increase in revenue from the tunnel construction services and decrease in utility construction services and others.

Revenue generated from public sector projects – tunnel construction services increased to approximately HK\$149,851,000 for the year ended 31 December 2016 (2015: approximately HK\$64,305,000), representing an increase of approximately HK\$85,546,000 or 133.0% from the previous year. Such increase was mainly attributable to the fact that the customers of two projects which commenced prior to 1 January 2016 requesting for more works to be performed by the Group during 2016 which was outside the scope of the original contracts. The Group recognised revenue of these two projects amounting to approximately HK\$55,772,000 for the year ended 31 December 2016 (2015: approximately HK\$17,112,000), representing an increase of approximately HK\$38,660,000 or 225.9% from the previous year.

Revenue generated from public sector projects – utility construction services and others decreased from approximately HK\$12,471,000 for the year ended 31 December 2015 to approximately HK\$4,652,000 for the year ended 31 December 2016, representing a decrease of approximately HK\$7,819,000 or 62.7% from the previous year. The decrease was mainly due to the completion of an utility construction services and others project which commenced in 2013. Such project was completed in May 2016. The Group recognised revenue of this project amounting to approximately HK\$930,000 for the year ended 31 December 2016 (2015: approximately HK\$11,747,000), representing a decrease of approximately HK\$10,817,000 or 92.1% from the previous year.

The revenue generated from private sector projects was comparable for two years ended 31 December 2015 and 2016, without significant change.

The Group is reliant on the availability of public sector projects. Due to the fact that the public sector projects are civil engineering projects which are non-recurring in nature, the amount of revenue from the public sector projects may vary from period to period.

To maintain consistent quality services for all our customers, the Group has established a formal quality management system which is certified to be in compliance with the requirements of ISO 9001:2008. The Group has in-house quality assurance requirements specifying, amongst other things, specific work procedures for performing various types of works, responsibilities of personnel of different levels, and accident reporting. Compliance with these quality assurance requirements is mandatory for all our workers.

# MANAGEMENT DISCUSSION AND ANALYSIS

## OUTLOOK OF TUNNEL CONSTRUCTION INDUSTRY IN HONG KONG

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

The Directors anticipate that the demand for tunnel construction services in Hong Kong is expected to continue growing in the foreseeable future. The growth in tunnel construction industry will mainly be sustained by several major transport infrastructure projects including the Hong Kong–Zhuhai–Macau Bridge, the Tuen Mun–Chek Lap Kok Link, and the Central–Wan Chai Bypass, which are all expected to be completed by 2020. Other new infrastructure projects such as the Airport Third Runway, Tseung Kwan O–Lam Tin Tunnel and the Central Kowloon Route are expected to come on stream after 2017 and will provide further demand support for Hong Kong’s tunnel construction industry. Apart from transportation infrastructures, the Drainage Services Department also released the project profile for Sha Tin Cavern Sewage Treatment Works which is expected to commence construction in 2017 and will involve tunnel constructions using the drill and blast technique. All of these new projects, coupled with the ongoing projects, will provide significant revenue receipts for the tunnel construction industry in the future. The Directors are of the view that given the scale of these projects are relatively large, main contractors would continue to subcontract various tunnel construction parts of the contract to subcontractors such as the Group and therefore we will be a significant beneficiary from this demand.

## FINANCIAL REVIEW

### Revenue

For the year ended 31 December 2016, the revenue of the Group was approximately HK\$159,127,000 (2015: approximately HK\$80,560,000), representing an increase of approximately HK\$78,567,000 or 97.5% from the previous year. The increase in the revenue was mainly attributable to an increase in revenue generated from our public sector projects – tunnel construction services from approximately HK\$64,305,000 for the year ended 31 December 2015 to approximately HK\$149,851,000 for the year ended 31 December 2016, representing an increase of approximately HK\$85,546,000 or 133.0% from the previous year. Such increase was mainly attributable to the fact that the customers of two projects which commenced prior to 1 January 2016 requesting for more works to be performed by the Group during 2016 which was outside the scope of the original contracts. The Group recognised revenue of these two projects amounting to approximately HK\$55,772,000 for the year ended 31 December 2016 (2015: approximately HK\$17,112,000), representing an increase of approximately HK\$38,660,000 or 225.9% from the previous year.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Cost of services

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

For the year ended 31 December 2016, the total cost of services of the Group was approximately HK\$116,350,000 (2015: approximately HK\$54,162,000), representing an increase of approximately HK\$62,188,000 or 114.8% from the previous year. Such increase was mainly due to an increase in our staff costs from approximately HK\$33,144,000 for the year ended 31 December 2015 to approximately HK\$80,863,000 for the year ended 31 December 2016, representing an increase of approximately HK\$47,719,000 or 144.0% from the previous year. Such increase was due to more labour intensive projects during the year. The costs of construction materials and supplies were approximately HK\$17,207,000 for the year ended 31 December 2016 (2015: approximately HK\$12,821,000), representing an increase of approximately HK\$4,386,000 or 34.2% from the previous year. Such increase was mainly due to the fact that we had commenced work for a tunnel construction project in December 2015, which required us to purchase our own construction materials through a contra-charge arrangement. In general, our purchase of construction materials and supplies depends on the terms of our contracts, which may vary on a project-by-project basis. Due to the nature of the existing projects which relied heavily on machineries, we recorded a rental of plant and machinery expenses of approximately HK\$9,813,000 for the year ended 31 December 2016 (2015: approximately HK\$5,602,000), representing an increase of approximately HK\$4,211,000 or 75.2% from the previous year, which is in line with the increase in the revenue for the same year.

## Gross profit and gross profit margin

The Group's overall gross profit amounted to approximately HK\$42,777,000 for the year ended 31 December 2016 (2015: approximately HK\$26,398,000), representing a gross profit margin of approximately 26.9% (2015: approximately 32.8%).

A relatively higher gross profit margin of approximately 32.8% was recorded for the year ended 31 December 2015 (as compared to our gross profit margin of approximately 26.9% for the year ended 31 December 2016). Such higher gross profit margin in the previous year was mainly attributable to our participation in two public tunnel construction projects for the year ended 31 December 2015, which together had a high average gross profit margin of approximately 58.2% and had contributed to approximately HK\$13,147,000 of our revenue in 2015. The lower gross profit margin for the year ended 31 December 2016 was also attributable to our participation in a tunnel construction project which commenced in December 2015 and carried on throughout 2016 with a relatively lower gross profit margin.

## Other income

The Group's other income mainly consisted of the income received from the rental of our machinery and income received from the sales of scrap materials. Such income amounted to approximately HK\$571,000 for the year ended 31 December 2016 (2015: approximately HK\$794,000).

## Administrative and other expenses

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

# MANAGEMENT DISCUSSION AND ANALYSIS

The Group's administrative and other expenses increased from approximately HK\$8,443,000 for the year ended 31 December 2015 to approximately HK\$20,097,000 for the year ended 31 December 2016, representing an increase of approximately HK\$11,654,000 or 138.0%. The increase was mainly attributable to the listing expenses of approximately HK\$7,666,000 for the year ended 31 December 2016 (2015: approximately HK\$660,000). Besides, the staff costs and benefits increased from approximately HK\$2,733,000 for the year ended 31 December 2015 to approximately HK\$5,432,000 for the year ended 31 December 2016, representing an increase of approximately HK\$2,699,000 or 98.8%. The increase in staff costs and benefits was mainly attributable to (i) salary increment; (ii) increase in bonus payment which is in line with the increase in our Net Profit; and (iii) increase in our administrative headcounts.

## Finance costs

The Group's finance costs mainly comprised (i) interest expenses on loans borrowed from GME International Company Limited ("GMI"), the Group's related company; (ii) interest expenses on bank overdrafts; and (iii) finance costs of the obligations under finance leases. For the year ended 31 December 2016, the Group's finance costs amounted to approximately HK\$501,000 (2015: approximately HK\$343,000), representing an increase of approximately HK\$158,000 or 46.1% from the previous year. The increase was in line with the expansion of our business operations as reflected by the increase in our revenue for the same year.

## Income tax expense

For the year ended 31 December 2016, the Group generated income only in Hong Kong and was subject only to Hong Kong profits tax. The income tax expense was provided at the rate of 16.5% on the Group's assessable profits for the years ended 31 December 2016 and 2015. The income tax expense for the year ended 31 December 2016 was approximately HK\$5,042,000 (2015: approximately HK\$3,040,000), representing an increase of approximately HK\$2,002,000 or 65.9% from the previous year. Such increase was consistent with the increase in the Group's assessable profits for the same year.

## Net Profit

For the year ended 31 December 2016, the Group recorded Net Profit of approximately HK\$17,708,000 (2015: approximately HK\$15,170,000), representing an increase of approximately HK\$2,538,000 or 16.7% from the previous year. Such increase was mainly due to the increase in revenue as mentioned above despite the recognition of listing expenses. If the listing expenses of approximately HK\$7,666,000 (2015: approximately HK\$660,000) were excluded, the Group would have recorded a Net Profit of approximately HK\$25,374,000 (2015: approximately HK\$15,830,000).

## Dividend

The Board did not recommend the payment of final dividend for the year ended 31 December 2016 (2015: nil). No dividend was declared by the Company for the year ended 31 December 2016.

## Liquidity, financial resources and funding

As at 31 December 2016, our cash and cash equivalents amounted to approximately HK\$2,104,000 (2015: approximately HK\$318,000), which were denominated in Hong Kong dollar. The increase was mainly due to the net cash generated from the operating activities.



# MANAGEMENT DISCUSSION AND ANALYSIS

As at 31 December 2016, no balance was recorded for the amount due to GMI (2015: approximately HK\$10,922,000). The balance of the previous year mainly represented loans received by the Group for our daily operations from GMI at an interest rate of 5.25% per annum. Such balance was fully settled in April 2016. The Group had obtained overdraft banking facilities of HK\$11,000,000 and a lease facility of HK\$2,460,000 from a bank and loans from GMI were no longer required for our working capital requirements. Such banking facilities were secured by the properties owned by two of our controlling shareholders and personal guarantees by three of our controlling shareholders. The Group is procuring for the release of the above securities, as per Prospectus, which will be replaced by corporate guarantees provided by the Company. The bank overdraft facilities of approximately HK\$8,772,000 was utilised, which was repayable on demand and bore an interest rate at Hong Kong Prime Rate per annum as at 31 December 2016.

As at 31 December 2016, the obligations under finance leases amounted to approximately HK\$209,000 (2015: approximately HK\$43,000), which represented the finance leases arrangement of our office equipment and motor vehicle.

The Group's gearing ratio, which is calculated by total debts divided by total capital plus net debts, decreased from approximately 81.9% in 2015 to approximately 52.1% in 2016 due to the growth in our retained earnings from approximately HK\$20,358,000 in 2015 to approximately HK\$38,066,000 in 2016 and the settlement in amounts due to Directors of approximately HK\$1,866,000 for the year ended 31 December 2016.

We expect that our liquidity position would be further strengthened by our cash generated from our operating activities and the net proceeds received from the IPO Placing.

## Capital structure

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

## Commitments

As at 31 December 2016, the capital commitment and operating lease commitments of the Group was nil (2015: nil) and HK\$476,000 (2015: approximately HK\$935,000), respectively.

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

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

Save as disclosed in the Prospectus, there was no significant investments, material acquisitions or disposal of subsidiaries and associated companies by the Company for the year ended 31 December 2016.

## Future plans for material investments and capital assets

Save as disclosed in the section headed "Future plans and use of proceeds" in the Prospectus, the Group did not have other plans for material investment or capital assets as at 31 December 2016.

## Contingent liabilities

The Group had no material contingent liabilities as at 31 December 2016 (2015: nil).

# MANAGEMENT DISCUSSION AND ANALYSIS

## Foreign currency exposure

The Group's reporting currency is Hong Kong dollar. During the years ended 31 December 2015 and 2016, the Group's transactions were denominated in Hong Kong dollar. The Group had no material exposure to foreign currency risk.

## Charges on the Group's assets

There were no charges on the Group's assets for the years ended 31 December 2015 and 2016.

## Information on employees

As at 31 December 2016, the Group had 539 employees (2015: 160 employees) in Hong Kong. Employee remuneration package is based on their previous working experience and actual performance. Apart from the basic salary, discretionary bonus and allowance will be granted to employees based on their individual performance by the executive Directors' approval. The total staff costs (included in cost of services and administrative and other expenses) and Directors' remuneration amounted to approximately HK\$88,393,000 for the year ended 31 December 2016 (2015: approximately HK\$37,355,000) which was in line with the increase in revenue. Depending on the nature of works and the need of the projects, the Group will provide training to our employees from time to time. Our customers sometimes require our employees to attend their own on-site occupational safety trainings.

## Events after the Reporting Period

The Group was successfully listed on GEM by IPO Placing on 22 February 2017. The proceeds raised have strengthened the Group's cash flow.

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

On 15 March 2017, the Company announced that it has been working on addressing and resolving the Commission's concerns, with a view to resuming trading of the Shares as soon as practicable. On the same date, the controlling shareholders of the Company (the "**Controlling Shareholders**") entered into a placing agreement with two independent placing agents, pursuant to which the placing agents would on a best-effort basis, place 25,000,000 existing Shares held by the Controlling Shareholders, to not less than 150 independent placees at HK\$0.54 per Share (the "**Vendor Placing**").

On 23 March 2017, the Company announced that the placing period of the Vendor Placing had ended on 20 March 2017 and the Company had submitted a resumption proposal (of which the Vendor Placing forms part, the "**Resumption Proposal**") to the Commission and the Stock Exchange.

# MANAGEMENT DISCUSSION AND ANALYSIS

Further to the applications made to the Stock Exchange by the Company for the purpose of implementing the Vendor Placing, for (i) an approval pursuant to Rule 13.18 of the GEM Listing Rules to dispense with the prohibition under Rule 13.16A of the GEM Listing Rules regarding the prohibition of the Controlling Shareholders disposing of their Shares within six months from the date of the IPO Placing; and (ii) a waiver from strict compliance with Rules 5.56(a) and 5.59 of the GEM Listing Rules regarding the restrictions on Directors dealing in Shares during the black-out period (together the “**Approval and Waiver**”), the Stock Exchange has, on 23 March 2017, agreed to grant the Approval and Waiver subject to certain conditions.

The Commission wrote to the Company on 24 March 2017 that it has decided to give notice to the Stock Exchange under Rule 9(3)(c) of the Securities and Futures (Stock Market Listing) Rules, permitting dealings in the Shares to recommence with effect from 9:00 a.m. on Tuesday, 28 March 2017.

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

There was no other significant event of the Group after the Reporting Period.

## Comparison of business objectives with actual business progress

As set out in the Prospectus, the business objectives and strategies of the Group are (i) to further develop the Group’s reputation as a quality provider of integrated tunnel construction services; (ii) to extend the Group’s services into other high-value construction services, such as marine construction works – mainly for public construction projects; and (iii) to enhance the efficiency of the Group’s operations in order to better serve our customers and improve our financial results.

Given that the IPO Placing was completed after 31 December 2016, the implementation plan as set out in the section headed “Future plans and use of proceeds” of the Prospectus will commence during the year ending 31 December 2017.

Actual use of the net proceeds from the IPO Placing up to the date of this Annual Report are set out in paragraphs headed “Use of net proceeds from the IPO Placing” of the Directors’ Report in this Annual Report.

# BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

## EXECUTIVE DIRECTORS

**Mr. CHUANG Chun Ngok Boris (莊峻岳)**, aged 41, is the chairman, an executive Director and the compliance officer of the Company. He is also a member of the Remuneration Committee and the Nomination Committee of the Company. Mr. Chuang Chun Ngok Boris's primary responsibilities include the overall management and administration of the business and daily operations of the Group. He joined the Group in May 2002 and had participated in the business of the Group since 2004.

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

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

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

**Mr. CHUANG Wei Chu (莊偉駒)**, aged 69, 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 the Group 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 64, is an independent non-executive Director of the Company. Mr. Lam is currently a practising solicitor in Hong Kong and the sole proprietor of Alan Lam, Yam & Pe. He has been practising law in Hong Kong for over 30 years. Mr. Lam was respectively admitted to practice as a solicitor of the High Court of Hong Kong in June 1979, the Supreme Court of England and Wales in May 1983, the Supreme Court of the Australian Capital Territory in April 1989 and the Supreme Court of Republic of Singapore in May 1990. He has been an accredited general mediator of the Law Society of Hong Kong since June 2011 and an accredited general mediator of Hong Kong Mediation Accreditation Association Limited from July 2015 to June 2017.

Mr. Lam was the independent non-executive director of Sincere Watch (Hong Kong) Limited (stock code: 444), a company listed on the Main Board of the Stock Exchange from March 2009 to June 2012.

## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

**Mr. LAU Chun Fai Douglas** (劉俊輝), aged 44, is an independent non-executive Director of the Company. Mr. Lau has over 18 years of experience in auditing and accounting.

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

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

**Ir NG Wai Ming Patrick** (吳惠明), aged 57, is an independent non-executive Director of the Company. Ir Patrick Ng has over 20 years of experience in building, civil, environmental and geotechnical engineering projects.

Ir Patrick Ng is currently serving on the Contractors Registration Committee Panel and Contractors Registration Committee of the Buildings Department in Hong Kong, and the Buildings Energy Efficiency Disciplinary Board Panel of the Environmental Bureau in Hong Kong. He is currently the academic adviser of the Department of Civil Engineering of Chu Hai College of Higher Education. He was a member of the Election Committee of the National People's Congress, the PRC for the year 2012.

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

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

## SENIOR MANAGEMENT

**Mr. HO John Kwun Fung** (何冠鋒), aged 40, is the project engineer of the Group. Mr. Ho joined our Group in March 2011 and is primarily responsible for the overall management and supervision of the projects of the Group and overseeing the progress of various projects undertaken by the Group, making recommendations to the Directors in relation to allocation of resources and purchase and/or rental of machinery necessary for our business.

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

## COMPANY SECRETARY

**Mr. SZE Chun Kit** (施俊傑), aged 30, is the finance director and company secretary of the Group. Mr. Sze joined our Group in March 2016 and is primarily responsible for financial management and company secretarial affairs of the Group. Mr. Sze is a member of the Hong Kong Institute of Certified Public Accountants since March 2013.



# CORPORATE GOVERNANCE REPORT

## INTRODUCTION

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

## CORPORATE GOVERNANCE PRACTICES

The Company considers the maintenance of a high standard of corporate governance important to the continuous growth of the Group. The Company's corporate governance practices are based on code provisions as set out in the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") as contained in Appendix 15 to the GEM Listing Rules. As the Shares were listed on GEM of the Stock Exchange on 22 February 2017 (the "**Listing Date**") (i.e. after the financial year ended 31 December 2016 of this Annual Report), the Company has since then adopted and complied with, where applicable, the CG Code from the Listing Date up to the date of this Annual Report (the "**Relevant Period**") to ensure that the Group's business activities and decision making processes are regulated in a proper and prudent manner.

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

## CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct regarding securities transactions by the Directors in respect of the shares of the Company (the "**Code of Conduct**"). For the purpose of implementing the Vendor Placing, the Company has made an application for and the Stock Exchange has agreed to grant a waiver from strict compliance with Rules 5.56(a) and 5.59 of the GEM Listing Rules regarding the restrictions on Directors dealing in Shares during the black-out period, subject to certain conditions. The Company had made specific enquiry with the Directors and all Directors confirmed that they had fully complied with the required standard of dealings set out in the Code of Conduct and there was no event of non-compliance during the Relevant Period.

## BOARD OF DIRECTORS

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

### *Executive Directors*

Mr. Chuang Chun Ngok Boris ( <i>Chairman</i> )	(appointed on 18 January 2016)
Mr. Chuang Wei Chu	(appointed on 16 February 2016)

### *Independent non-executive Directors*

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

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



# CORPORATE GOVERNANCE REPORT

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

## RESPONSIBILITIES OF THE BOARD

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

According to the code provision of C.1.2 of the CG Code, the management shall provide all members of the Board with monthly updates. During the year ended 31 December 2016 and the Relevant Period, the executive Directors have provided, and will continue to provide, to all members of the Board (including all independent non-executive Directors, where applicable) updates on any material changes to the position and prospects of the Group, which are considered to be sufficient to provide general updates of the Group's performance, position and prospects to the Board and allow them to give a balanced and understandable assessment of the same for the purposes of code provision C.1.2 of the CG Code.

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

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

## CHAIRMAN AND CHIEF EXECUTIVE

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

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

# CORPORATE GOVERNANCE REPORT

## INDEPENDENT NON-EXECUTIVE DIRECTORS

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

## BOARD COMMITTEES

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

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

## CORPORATE GOVERNANCE FUNCTION

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

- (i) developing and reviewing the Group’s policies and practices on corporate governance;
- (ii) reviewing and monitoring the training and continuous professional development of directors and senior management;
- (iii) reviewing and monitoring the Group’s policies and practices on compliance with legal and regulatory requirements;
- (iv) developing, reviewing and monitoring the code of conduct and compliance manual applicable to employees and directors; and
- (v) reviewing the Group’s compliance with the CG Code and disclosure in of the Group.

# CORPORATE GOVERNANCE REPORT

## AUDIT COMMITTEE

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

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

As the Audit Committee was established on 10 February 2017 and the Company was listed on GEM on 22 February 2017, no Audit Committee meeting was held for the year ended 31 December 2016. During the Relevant Period, the Audit Committee held two meetings in February 2017 and March 2017 to approve the auditor's remuneration of BDO Limited for the year ended 31 December 2016 and the corresponding audit plan, recommend to the Board to re-appoint BDO Limited as the auditor of the Group for the year ending 31 December 2017, subject to approval by Shareholders at the forthcoming annual general meeting and review the audited consolidated financial statements and annual results announcement of the Group for the year ended 31 December 2016. The Audit Committee has also reviewed the financial control, internal control and risk management functions of the Group, reviewed and monitored the effectiveness of the Company's internal control system, and performed other duties under the CG Code.

The attendance record of the members of the Audit Committee meeting during the Relevant Period is set out below:

<b>Name of members</b>	<b>Attendance/ No. of Meetings</b>
Mr. Lau Chun Fai Douglas ( <i>Chairman</i> )	2/2
Mr. Lam Man Bun Alan	2/2
Ir Ng Wai Ming Patrick	2/2

## REMUNERATION COMMITTEE

The Group has established the Remuneration Committee pursuant to a resolution of the Directors passed on 10 February 2017 in compliance with Rule 5.34 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 members of the Group; (ii) reviewing other remuneration-related matters, including benefits in-kind and other compensation payable to the Directors and senior management members; (iii) making recommendations to the Board on the remuneration packages of individual executive Directors and senior management members; 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.

# CORPORATE GOVERNANCE REPORT

As the Remuneration Committee was established on 10 February 2017 and the Company was listed on GEM on 22 February 2017, no Remuneration Committee meeting was held for the year ended 31 December 2016. During the Relevant Period, the Remuneration Committee held one meeting in March 2017 to review the remuneration package of the Directors and senior management.

The attendance record of the members of the Remuneration Committee during the Relevant Period is set out below:

<b>Name of members</b>	<b>Attendance/ No. of Meetings</b>
Mr. Lam Man Bun Alan ( <i>Chairman</i> )	1/1
Mr. Chuang Chun Ngok Boris	1/1
Ir Ng Wai Ming Patrick	1/1
Mr. Lau Chun Fai Douglas	1/1

## NOMINATION COMMITTEE

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

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

As the Nomination Committee was established on 10 February 2017 and the Company was listed on GEM on 22 February 2017, no Nomination Committee meeting was held for the year ended 31 December 2016. During the Relevant Period, the Nomination Committee held one meeting in March 2017 to assess 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 attendance record of the members of the Nomination Committee during the Relevant Period is set out below:

<b>Name of Directors</b>	<b>Attendance/ No. of Meetings</b>
Ir Ng Wai Ming Patrick ( <i>Chairman</i> )	1/1
Mr. Chuang Chun Ngok Boris	1/1
Mr. Lam Man Bun Alan	1/1
Mr. Lau Chun Fai Douglas	1/1

# CORPORATE GOVERNANCE REPORT

## TERMS OF APPOINTMENT AND RE-ELECTION OF DIRECTORS

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

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

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

## BOARD MEETINGS

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

As the Company was listed on 22 February 2017, the Board was not required to hold meetings in compliance with code provision A.1.1 of the CG Code during the Reporting Period, and, therefore, did not hold regular meetings for the year ended 31 December 2016. Going forward, the Board will schedule to have at least four regular meetings per year. During the Relevant Period, one Board meeting and two Board meetings were held in February 2017 and March 2017, respectively, and the attendance record of each Director is set out below:

<b>Name of Directors</b>	<b>Attendance/ No. of Meetings</b>
Mr. Chuang Chun Ngok Boris ( <i>Chairman</i> )	3/3
Mr. Chuang Wei Chu	3/3
Mr. Lam Man Bun Alan	3/3
Mr. Lau Chun Fai Douglas	3/3
Ir Ng Wai Ming Patrick	3/3

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

# CORPORATE GOVERNANCE REPORT

## 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. For the year ended 31 December 2016 and prior to the Listing, all Directors participated in the training courses regarding directors' responsibilities and obligations under the GEM Listing Rules conducted by the Company's legal adviser, which covered among other topics the CG Code, GEM listed company and directors' continuing obligations. In addition, during the Relevant Period, each of the Directors have from time to time reviewed updates on laws, rules and regulations which might be relevant to their roles, duties and functions as a director of a listed company.

Mr. Sze Chun Kit, the company secretary of the Company, will comply with the relevant training under Rule 5.15 of the GEM Listing Rules after the Listing Date.

## AUDITOR'S REMUNERATION

The auditor's remuneration paid/payable to the auditor of the Company for the year ended 31 December 2016 is set out as follows:

<b>Services rendered</b>	<b>HK\$</b>
Audit service	550,000
Non-audit services (mainly as the reporting accountant of the Company in relation to the Listing)	1,826,000
Total	2,376,000

## COMPANY SECRETARY

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

## COMPLIANCE OFFICER

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

## 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 2016 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 2016, the Board has selected suitable accounting policies and applied them consistently, made judgments and estimates that are fair and reasonable.



# CORPORATE GOVERNANCE REPORT

As at 31 December 2016, the Board was not aware of any material uncertainties relating to events or conditions that might cast significant doubt upon our Group's ability to continue as a going concern. Therefore, the Directors continue to adopt the going concern approach in preparing the consolidated financial statements.

The responsibility of the external auditors 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 external auditor, BDO Limited, about his reporting responsibility on the consolidated financial statements of our Group is set out in the independent auditor's report of this Annual Report.

## REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Details of the Directors' remuneration, five highest paid individual and senior management's emoluments are set out in the note 11 to the consolidated financial statements.

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

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

## SHAREHOLDERS' RIGHTS AND INVESTOR RELATIONS

An annual general meeting of the Company shall be held each year and at the place as may be determined by the Board. Each general meeting, other than an annual general meeting, shall be called an extraordinary general meeting.

The annual general meeting of the Company will provide a forum between the Board and the Shareholders for communication. The Board will answer questions raised by Shareholders at the annual general meeting. For the purpose of effective communication, the Company also includes the latest information relating to the Group on its website at [www.gmehk.com](http://www.gmehk.com).

There are no provisions in the Articles for members to put forward new resolutions at general meetings. However, members of the Company who wish to propose resolutions are requested to follow Article 17 of the Articles to requisition an extraordinary general meeting. According to Article 17 of the Articles, any one or more members of the Company holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the company secretary of the Company, 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 the company secretary of the Company 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 email ([companysecretary@gmehk.com](mailto:companysecretary@gmehk.com)), requiring an extraordinary general meeting to be called by the Board and specifying business that the shareholder(s) 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.

# CORPORATE GOVERNANCE REPORT

## CONSTITUTIONAL DOCUMENTS

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

A copy of the amended and restated Memorandum and Articles of Association of the Company is posted on the Stock Exchange's website at [www.hkexnews.hk](http://www.hkexnews.hk) and the Company's website at [www.gmehk.com](http://www.gmehk.com).

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

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

## RISK MANAGEMENT AND INTERNAL CONTROLS

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

For the year ended 31 December 2016, the Board conducted a review of the effectiveness of the risk management and internal control system, which covered the financial, operational, compliance and risk management. The Board considered that the system of the Group to be adequate and effective for the year ended 31 December 2016. For the year ended 31 December 2016, the Company did not have an internal audit function. As at date the of this Annual Report, the Group is in the process of engaging an independent internal control consultant to review the effectiveness of the Group's internal control system. The internal control consultant will directly report to the Audit Committee. Going forward, the Directors will regularly assess and review the effectiveness of the Group's risk management and internal control system.

The Group 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.

## PROCEDURES FOR RAISING ENQUIRIES

Written enquiries may be sent to the Company or the Board through the company secretary of the Company 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](mailto:companysecretary@gmehk.com)

# DIRECTORS' REPORT

The Directors are pleased to present their report and the audited consolidated financial statements of the Company and the Group for the year ended 31 December 2016.

## CORPORATE REORGANISATION AND LISTING

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

## PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The Group is principally engaged in the provision of underground construction services. Details of the principal activities of its subsidiaries are set out in the note 27 to the consolidated financial statements. There were no significant changes in the nature of our Group's principal activities during the Reporting Period.

## PRINCIPAL PLACE OF BUSINESS

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

## BUSINESS REVIEW

Discussion and analysis of the business of the Group, outlook of the business and the analysis of the Group's performance for the year ended 31 December 2016 and important events affecting the Group can be found out in the sections headed "Chairman's statement" and "Management discussion and analysis" of this Annual Report.

## RESULTS AND DIVIDEND

The results of the Group for the year ended 31 December 2016 are set out in the section headed "Consolidated statement of comprehensive income" of this Annual Report.

The Board did not recommend the payment of a final dividend for the year ended 31 December 2016.

# DIRECTORS' REPORT

## ANNUAL GENERAL MEETING AND CLOSURE OF THE REGISTER OF MEMBERS

The forthcoming annual general meeting of the Company ("**AGM**") will be held on Friday, 23 June 2017 at 4:00 p.m.. The register of members of the Company will be closed from Tuesday, 20 June 2017 to Friday, 23 June 2017 (the "**closure period**"), both days inclusive, for the purposes of determining the entitlements of the Shareholders to attend and vote at the forthcoming AGM. During this closure period, no transfer of the shares will be registered. In order to qualify for attending and voting at the AGM, all transfers, accompanied by the relevant shares certificates must be lodged with the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration no later than 4:30 p.m. on Monday, 19 June 2017.

## USE OF NET PROCEEDS FROM THE IPO PLACING

The shares of the Company were listed on 22 February 2017 on the GEM by the IPO Placing. The placing price was HK\$0.54 per Share. The net proceeds received by the Company from the IPO Placing, after deducting underwriting fees and other expenses, were approximately HK\$45.9 million.

The Directors intend to use such net proceeds in the following manner:

- approximately HK\$16.9 million (approximately 36.8% of the net proceeds) will be used to purchase machinery for the tunnel construction site operations as well as to support the marine construction works projects which the Company intends to extend into;
- approximately HK\$12.7 million (approximately 27.7% of the net proceeds) will be used to recruit additional prospective and/or experienced employees to increase the capacity of the Company in order to tender for more projects and strengthen the reputation of the Company as an integrated tunnel construction services provider as well as extending into high-value construction services, such as marine construction works;
- approximately HK\$9.5 million (approximately 20.7% of the net proceeds) will be used for repayment of overdraft facilities from a bank of which interest is charged at the bank's prime rate. The utilised overdraft facilities with no maturity date is repayable on demand by the bank. The capital obtained from the overdraft facilities was used for the Group's general working capital;
- approximately HK\$1.3 million (approximately 2.8% of the net proceeds) will be used for the rental expense of the newly rented office space of the Group which is to cope with the business plan to expand the local business operations and approximately HK\$1.2 million (approximately 2.6% of the net proceeds) will be used to refurbish and decorate the new office space; and
- approximately HK\$1.3 million (approximately 2.8% of the net proceeds) will be used to upgrade the information technology and project management systems of the Company.

The remaining balance of approximately HK\$3.0 million, representing approximately 6.6% of the net proceeds, will be used for the funding of the working capital and general corporate purposes of the Group.

As at the date of this Annual Report, the Directors do not anticipate any change to the plan as to the use of proceeds. Up to the date of this Annual Report, the Group has used HK\$9.5 million for the repayment of the overdraft facilities from a bank and has started to recruit additional prospective and/or experienced employees to increase the capacity of the Group and the unused net proceeds were placed with banks in Hong Kong.

# **DIRECTORS' REPORT**

## **SUMMARY OF FINANCIAL INFORMATION**

A summary of the results, assets and liabilities of the Group for the last three years is set out in the section headed "Financial highlights" of this Annual Report.

## **PROPERTY, PLANT AND EQUIPMENT**

Details of the movements in the property, plant and equipment of the Group during the year ended 31 December 2016 are set out in note 15 to the consolidated financial statements of this Annual Report.

## **SHARE CAPITAL**

Details of the movements in the Company's share capital for the year ended 31 December 2016 are set out in note 24 to the consolidated financial statements of this Annual Report.

## **RESERVES**

Details of the movements in the reserves of the Company and the Group are set out in note 26 to the consolidated financial statements of this Annual Report.

## **DISTRIBUTABLE RESERVES**

As at 31 December 2016, there was no reserve available for distribution to the members of the Company.

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

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

# DIRECTORS' REPORT

## DIRECTORS

The Directors of the Company during the year 2016 and up to the date of this Annual Report were:

### *Executive Directors*

Mr. Chuang Chun Ngok Boris ( <i>Chairman</i> )	(appointed on 18 January 2016)
Mr. Chuang Wei Chu	(appointed on 16 February 2016)
Mr. Ng Kwok Lun	(appointed on 16 February 2016 and resigned on 11 April 2016)

### *Independent non-executive Directors*

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

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

## DIRECTORS' AND SENIOR MANAGEMENT MEMBER BIOGRAPHIES

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

## DIRECTORS' SERVICE CONTRACTS

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

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

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



# 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 statement, there was 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 2016.

## CONTRACT OF SIGNIFICANCE

Save as those disclosed in note 30 to the consolidated financial statement, no contract of significance in relation to the Group's business (1) has been entered into between the Company, or one of its subsidiaries, and a Controlling Shareholder or any entity connected with him/her; (2) has been entered into for the provision of services to the Company or any of its subsidiaries by a Controlling Shareholder or any entity connected with him/her.

## DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS AND REMUNERATION POLICY

Details of the Directors' remuneration and five highest paid individuals of the Group are set out in note 11 to the consolidated financial statements. The remuneration policy of the Company can be found out in the subsection headed information on employees in the section of Management discussion and analysis of this Annual Report. The Remuneration Committee has reviewed overall remuneration policy and structure relating to all Directors and senior management members of the Group in reference to the Group's operating results and individual performance.

## MANAGEMENT CONTRACTS

During the year ended 31 December 2016 and up to the date of this Annual Report, other than the service contracts of the Directors, the Company did not enter into or have any management and administrative contracts in respect of the whole or any substantial part of the principal business of the Company.

# DIRECTORS' REPORT

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

As at 31 December 2016, the Shares were not yet listed on the GEM.

The Company was listed on GEM on 22 February 2017. As at the date of this Annual Report, 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 Securities and Futures Ordinance Chapter 571 of the Laws of Hong Kong (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 of the Company

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),(b)	103,000,000	–	172,000,000	275,000,000	55.0%
Mr. Chuang Wei Chu	(a),(c)	103,000,000	34,500,000	137,500,000	275,000,000	55.0%

#### Notes

- (a) Please note the shareholding interest as at the date of Listing and immediately prior to completion of the Vendor Placing as defined below in the section headed "Background of the trading suspension in the Shares, the Vendor Placing and resumption of trading in the Shares".
- (b) 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.
- (c) Mr. Chuang Wei Chu (i) personally holds 103,000,000 Shares; (ii) is the spouse of Ms. To Yin Ping, who personally holds 34,500,000 Shares and is deemed to be interested in the Shares personally interested by Ms. To Yin Ping; and (iii) is a party to the Acting in Concert Deed pursuant to which each of Mr. Chuang Wei Chu, Mr. Chuang Chun Ngok Boris, Ms. To Yin Ping and Ms. Chuang Yau Ka has agreed to consolidate their respective interests in the Company and to vote on any resolution to be passed at any Shareholders' meeting of the Company in a unanimous manner. Mr. Chuang Wei Chu is therefore deemed to be interested in the Shares held by Mr. Chuang Chun Ngok Boris, Ms. To Yin Ping and Ms. Chuang Yau Ka respectively under the SFO. Each of Mr. Chuang Chun Ngok Boris, Mr. Chuang Wei Chu, Ms. To Yin Ping and Ms. Chuang Yau Ka is deemed to be interested in all the Shares held by them in aggregate by virtue of the SFO. Mr. Chuang Wei Chu is the father of Mr. Chuang Chun Ngok Boris (one of the Controlling Shareholders and executive Director and Chairman of the Company) and Ms. Chuang Yau Ka.

Saved as disclosed above, as at the date of this Annual Report, none of the Directors and chief executives of the Company had any interests or short positions in any shares, underlying shares and debenture 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.

# DIRECTORS' REPORT

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

As at 31 December 2016, the Shares were not yet listed on the GEM.

The Company was listed on GEM on 22 February 2017. As at the date of this Annual Report, the following persons' interests and short positions of the share capital and underlying shares of the Company were recorded in the register of interests required to be kept by the Company pursuant to section 336 of the SFO:

### Long Position in Shares of the Company

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

#### Notes

- (a) Please note the shareholding interest as at the date of Listing and immediately prior to completion of the Vendor Placing as defined below in the section headed "Background of the trading suspension in the Shares, the Vendor Placing and resumption of trading in the Shares".
- (b) Ms. To Yin Ping (i) personally holds 34,500,000 Shares in the Company; (ii) is the spouse of Mr. Chuang Wei Chu and is deemed to be interested in the Shares of the Company 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 of the Company in a unanimous manner. Ms. To Yin Ping is therefore deemed to be interested in the shares in the Company 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 Yan 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.
- (c) Ms. Chuang Yau Ka (i) personally holds 34,500,000 Shares in the Company; 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 of the Company in a unanimous manner. Ms. Chuang Yau Ka is therefore deemed to be interested in the Shares in the Company 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 of the Company 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.

# DIRECTORS' REPORT

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

### Background of the trading suspension on 22 February 2017

The Company announced on 22 February 2017 that it was notified by the Commission through the Letter that given the activity in the Shares in the morning session on 22 February 2017 and the significant increase in the price of the Shares, it appeared to the Commission that there may not be an open market in the trading of the Shares. Accordingly, the Commission directed the Stock Exchange to suspend all dealings in the Shares with effect from 1:00 p.m. on 22 February 2017. The Commission also requested the Company to assess what action the Company intended to take to address the concerns of the Commission.

### The resumption proposal

On 15 March 2017, the Company announced that it has been working on addressing and resolving the Commission's concerns, with a view to resuming trading in the Shares as soon as practicable. On the same date, the Controlling Shareholders entered into a placing agreement with two independent placing agents, pursuant to which the placing agents would on a best-effort basis for the Vendor Placing, pursuant to which the placing agents shall, on a best-effort basis, place 25,000,000 Shares held by the Controlling Shareholders, to not less than 150 independent placees at HK\$0.54 per Share (the "**Vendor Placing**").

### The waivers

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

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

# DIRECTORS' REPORT

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

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

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

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

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

## DIRECTORS' REPORT

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

The Commission wrote to the Company on 24 March 2017 that it has decided to give notice to the Stock Exchange under Rule 9(3)(c) of the Securities and Futures (Stock Market Listing) Rules, permitting dealings in the Shares to recommence with effect from 9:00 a.m. on Tuesday, 28 March 2017.

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

## RELATED PARTIES TRANSACTIONS

Details of the related party transactions undertaken by the Group during the year ended 31 December 2016 are set out in note 30 to the consolidated financial statements. None of the related party transactions constitutes discloseable 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) is interested in any business apart from the business operated by our Group which competes or is likely to compete, directly or indirectly with our Group's business during the Reporting Period and the Relevant Period.

## DEED OF NON-COMPETITION

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

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



# DIRECTORS' REPORT

## MAJOR CUSTOMERS AND SUPPLIERS

The revenue of the Group's top five customers accounted for approximately HK\$157,463,000 for the year ended 31 December 2016 (2015: approximately HK\$75,750,000), representing approximately 99.0% (2015: approximately 94.0%) of the Group's total revenue. Three of the top five customers in 2016 were not the top five customers in 2015. Also, two of the top five customers in 2016 were not the recurring customers. The Group's largest customer accounted for approximately HK\$87,031,000 or 54.7% of total revenue for the year ended 31 December 2016.

The total purchase (excluding sub-contracting charges) from the Group's top five suppliers amounted to approximately HK\$10,651,000 for the year ended 31 December 2016 (2015: approximately HK\$7,337,000), representing approximately 31.8% (2015: approximately 33.4%) of the Group's total purchase. The Group's largest supplier accounted for approximately HK\$4,224,000 or 12.6% of total purchase for the year ended 31 December 2016.

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

## SUFFICIENCY OF PUBLIC FLOAT

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

## INTEREST OF THE COMPLIANCE ADVISER

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

## EVENTS AFTER THE REPORTING PERIOD

Details of the significant events of the Group after the Reporting Period are set out in note 37 to the consolidated financial statements of this Annual Report, and the paragraph headed "Events after the Reporting Period" of the Management Discussion and Analysis of this Annual Report.

## PRE-EMPTIVE RIGHTS

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

## DONATIONS

During the Reporting Period, our Group did not make any charitable or other donations.

# DIRECTORS' REPORT

## AUDITOR

The consolidated financial statements for the year ended 31 December 2016 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 forthcoming annual general meeting.

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

By order of the Board

**Chuang Chun Ngok Boris**

*Chairman and executive Director*

Hong Kong, 27 March 2017

# INDEPENDENT AUDITOR'S REPORT



Tel : +852 2218 8288  
Fax: +852 2815 2239  
[www.bdo.com.hk](http://www.bdo.com.hk)

25<sup>th</sup> Floor Wing On Centre  
111 Connaught Road Central  
Hong Kong

電話 : +852 2218 8288  
傳真 : +852 2815 2239  
[www.bdo.com.hk](http://www.bdo.com.hk)

香港干諾道中111號  
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 44 to 90, which comprise the consolidated statement of financial position as at 31 December 2016, 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 2016 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of Hong Kong Companies Ordinance.

### BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") 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.

# INDEPENDENT AUDITOR'S REPORT

## ***Accounting for construction contracts***

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

We identified the accounting for construction contracts as a key audit matter as it requires management to exercise significant judgement on the outcome and stage of completion of each construction contract and to estimate the profitability of each on-going construction contract during the reporting period, and was assessed to be a significant risk of material misstatement.

How our audit addressed the key audit matter:

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

- Assessing the reasonableness of contract revenue recognised and stage of completion by reference to progress certificates issued by customers and other underlying documents;
- Checking, on a sample basis, the contract costs incurred to underlying supporting documents; and
- Reviewing and assessing the reasonableness of financial budget prepared by management for each on-going construction contract to assess whether expected loss on contract was properly recognised as an expense immediately.

## **OTHER INFORMATION IN THE ANNUAL REPORT**

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

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

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

# INDEPENDENT AUDITOR'S REPORT

## 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 of the Company (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 HKSAAs 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 HKSAAs, 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.

# INDEPENDENT AUDITOR'S REPORT

- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

**BDO Limited**

*Certified Public Accountants*

**Chan Wing Fai**

Practising Certificate Number P05443

Hong Kong, 27 March 2017



# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2016

	Notes	2016 HK\$'000	2015 HK\$'000
Revenue	7	159,127	80,560
Cost of services		(116,350)	(54,162)
Gross profit		42,777	26,398
Other income		571	794
Administrative and other expenses		(20,097)	(8,443)
Finance costs	10	(501)	(343)
Profit before income tax expense	8	22,750	18,406
Income tax expense	12	(5,042)	(3,040)
Profit for the year		17,708	15,366
<b>Other comprehensive income</b>			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translating foreign operation		-	(6)
Release of foreign exchange reserve on disposal of a subsidiary		-	(190)
Other comprehensive income, net of tax		-	(196)
Profit and total comprehensive income for the year attributable to the owners of the Company		17,708	15,170
<b>Earnings per share</b>			
- Basic and diluted (HK cents)	14	4.72	4.10

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

	Notes	2016 HK\$'000	2015 HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment	15	8,776	2,974
<b>Current assets</b>			
Amounts due from customers for contract work	16	546	274
Trade and other receivables	17	55,884	37,160
Amounts due from related companies	18	-	3,838
Amounts due from shareholders	18	-	410
Cash and cash equivalents	19	2,104	318
		<b>58,534</b>	42,000
<b>Current liabilities</b>			
Trade and other payables	20	15,520	8,003
Amounts due to directors	18	-	1,866
Amounts due to customers for contract work	16	-	169
Amount due to a related company	18	-	10,922
Bank overdrafts	21	8,772	-
Obligations under finance leases	22	63	12
Current tax liabilities		1,787	1,398
		<b>26,142</b>	22,370
<b>Net current assets</b>			
		<b>32,392</b>	19,630
<b>Total assets less current liabilities</b>			
		<b>41,168</b>	22,604
<b>Non-current liabilities</b>			
Obligations under finance leases	22	146	31
Deferred tax liabilities	23	1,066	325
		<b>1,212</b>	356
<b>NET ASSETS</b>			
		<b>39,956</b>	22,248
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	24	-	1,800
Reserves	26	39,956	20,448
<b>TOTAL EQUITY</b>			
		<b>39,956</b>	22,248

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 2016

	Attributable to the owners of the Company						Total HK\$'000
	Share capital	Share premium (Note 26(a))	Capital reserve (Note 26(d))	Other reserve (Note 26(b))	Exchange reserve	Retained earnings (Note 26(c))	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
<b>As at 1 January 2015</b>	1,800	-	90	-	196	4,992	7,078
Profit for the year	-	-	-	-	-	15,366	15,366
Exchange differences on translating foreign operation	-	-	-	-	(6)	-	(6)
Release on disposal of a subsidiary (Note 31)	-	-	-	-	(190)	-	(190)
Profit and total comprehensive income for the year	-	-	-	-	(196)	15,366	15,170
<b>As at 31 December 2015</b>	1,800	-	90	-	-	20,358	22,248
Profit and total comprehensive income for the year	-	-	-	-	-	17,708	17,708
Arising from group reorganisation (Note 24(b))	(1,800)	-	-	1,800	-	-	-
Issue of shares upon group reorganisation (Note 24(c))	-	37,904	-	(37,904)	-	-	-
<b>As at 31 December 2016</b>	-*	37,904	90	(36,104)	-	38,066	39,956

\* Represent amount less than HK\$1,000.

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2016

	Notes	2016 HK\$'000	2015 HK\$'000
<b>Cash flows from operating activities</b>			
Profit before income tax expense		22,750	18,406
Adjustments for:			
Depreciation of property, plant and equipment		2,378	1,414
Finance costs		501	343
Loss on disposal of property, plant and equipment		69	277
Gain on disposal of a subsidiary	31	-	(2)
<b>Operating profit before working capital changes</b>		<b>25,698</b>	20,438
(Decrease)/increase in amounts due from customers for contract work		(272)	91
Increase in trade and other receivables		(18,724)	(15,656)
Increase/(decrease) in trade and other payables		7,517	(712)
Decrease in amounts due to customers for contract work		(169)	(4,548)
Decrease/(increase) in amount due from a shareholder		410	(200)
Cash generated from/(used in) operations		14,460	(587)
Income tax paid, net		(3,912)	(2,681)
<b>Net cash generated from/(used in) operating activities</b>		<b>10,548</b>	(3,268)
<b>Cash flows from investing activities</b>			
Purchases of property, plant and equipment		(8,426)	(1,348)
Proceeds from disposal of property, plant and equipment		391	709
<b>Net cash used in investing activities</b>		<b>(8,035)</b>	(639)
<b>Cash flows from financing activities</b>			
(Decrease)/increase in amounts due to a related company		(11,035)	4,666
Decrease/(increase) in amounts due from related companies		3,838	(10)
Decrease in amounts due to directors		(1,866)	(684)
Interest paid		(388)	-
Repayment of obligations under finance leases		(48)	(12)
<b>Net cash (used in)/generated from financing activities</b>		<b>(9,499)</b>	3,960

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2016

	Notes	2016 HK\$'000	2015 HK\$'000
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(6,986)</b>	53
<b>Cash and cash equivalents at beginning of the year</b>		<b>318</b>	265
<b>Cash and cash equivalents at end of the year</b>		<b>(6,668)</b>	318
<b>Represented by:</b>			
Cash and bank balances		<b>2,104</b>	318
Bank overdrafts		<b>(8,772)</b>	–
		<b>(6,668)</b>	318

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

## 1. GENERAL

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

The Company's shares were listed on the Growth Enterprise Market ("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 2016

HKFRSs (Amendments)	Annual Improvements 2012-2014 Cycle
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 27	Equity Method in Separate Financial Statements
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations

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

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

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

Amendments to HKAS 7	Disclosure Initiative <sup>1</sup>
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses <sup>1</sup>
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15) <sup>2</sup>
HKFRS 9	Financial Instruments <sup>2</sup>
HKFRS 15	Revenue from Contracts with Customers <sup>2</sup>
HKFRS 16	Leases <sup>3</sup>



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

## 2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (CONTINUED)

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

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2017

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2018

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2019

Except as describe below, the Directors anticipate that the application of the new and revised HKFRSs will not have a material impact on the Group’s financial performance and financial position.

#### **HKFRS 9 (2014) – Financial Instruments**

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

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

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

The expected credit losses model under HKFRS 9 requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. Therefore, it is no longer necessary for a credit event to have occurred before credit losses are recognised. The measurement of the loss allowance generally depends on whether there has been a significant increase in credit risk since initial recognition of the instrument. HKFRS 9 requires an entity to recognise lifetime expected credit losses for all financial instruments for which there have been significant increases in credit risk since initial recognition considering all reasonable and supportable information, including that which is forward-looking. The directors of the Company anticipate that the application of HKFRS 9 in the future may have a material impact of the Group’s financial assets and financial liabilities. In particular, the new impairment requirements may result in earlier recognition of credit losses of the Group’s trade and other receivables.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

## 2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (CONTINUED)

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

#### ***HKFRS 15 – Revenue from Contracts with customers***

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

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

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

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

The directors of the Company preliminarily assess that the application of HKFRS 15 may have a significant impact on the Group’s financial performance and financial position, as compared with the current accounting policy as follows:

1. The criteria in HKFRS 15 for identifying performance obligations differ from the little guidance in HKAS 11, which could result in different conclusions about the separately identifiable components. For example, the Group may currently consider an entire construction contract to be a single component, but under HKFRS 15, it may determine that the contract contains two or more performance obligations that would be accounted for separately. This may have a significant effect on the pattern of revenue and profit recognition.
2. It is common for the scope and/or price of the Group’s construction contracts to be modified, due to changes in the scope of work or because additional services are added to the contracts. Under HKFRS 15, an entity must determine whether such modification creates a new contract or whether it will be accounted for as part of the existing contract. The determination of a new and separate contract is driven by whether the modification results in the addition of distinct services, priced at their stand-alone settling prices. These new requirements may result in significant changes to the pattern of revenue and profit recognition.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

## 2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (CONTINUED)

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

#### **HKFRS 16 – Leases**

For lessee accounting, HKFRS 16 introduces a single accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. For lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

Application of HKFRS 16 will result in the Group’s recognition of right-of-use assets and corresponding liabilities in respect of its operating lease arrangements. These assets and liabilities are currently not required to be recognised but certain relevant information is disclosed in Note 22 below.

As set out in Note 22 below, the total future minimum lease payments under non-cancellable operating leases of the Group in respect of office premises and land for storing machineries as at 31 December 2016 amounted to approximately HK\$476,000. The directors of the Company do not expect the adoption of HKFRS 16 as compared with the current accounting policy would result in significant impact on the Group’s financial performance but it is expected that the Group has to separately recognise the interest expense on the lease liabilities and the depreciation expense on the right-of-use assets, and that certain portion of the future minimum lease payments under the Group’s operating leases will be required to be recognised in the Group’s consolidated statement of financial position as right-of-use assets and lease liabilities. The Group will also be required to remeasure the lease liabilities upon the occurrence of certain events (e.g. a change in the lease term) and recognise the amount of the remeasurement of the lease liabilities as an adjustment to the right-of-use assets. In addition, payments for the principal portion of the lease liabilities will be presented within financing activities in the Group’s consolidated cash flow statement.

## 3. GROUP REORGANISATION AND BASIS OF PRESENTATION AND PREPARATION

### (a) Group reorganisation

Pursuant to a group reorganisation (the “Group Reorganisation”) carried out by the Group in preparation for the listing of shares of the Company on the GEM of the Stock Exchange, the Company became the holding company of the subsidiaries now comprising the Group on 17 October 2016. Details of the Group Reorganisation are set out in the section headed “History and Reorganisation” to the Prospectus issued by the Company dated 14 February 2017.

### (b) Basis of presentation

The Group Reorganisation only involved inserting new holdings entities at the top of an existing company and has not resulted in any change of economic substances and does involve business combination.

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

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

### (b) Basis of presentation (Continued)

Accordingly, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows of the Group for the years ended 31 December 2016 and 2015 have been prepared using the principles of merger accounting as if the current group structure had been in existence throughout those years, or since their respective dates of incorporation or establishment of the combining companies, whichever was shorter. The consolidated statement of financial position of the Group as at 31 December 2015 have been prepared to present the assets and liabilities of the companies now comprising the Group at that date, as if the current group structure had been in existence as at that date. The assets and liabilities of the Group were combined using their carrying values. All significant intra-group transactions and balances have been eliminated on consolidation.

### (c) Statement of compliance

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

### (d) Basic of measurement

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

### (e) Functional and presentation currency

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

## 4. SIGNIFICANT ACCOUNTING POLICIES

### (a) Business combination and basis of consolidation

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (a) Business combination and basis of consolidation (Continued)

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

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

Subsequent to acquisition, the carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus such non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to such non-controlling interests even if this results in those non-controlling interests having a deficit balance.

### (b) Subsidiaries

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

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

### (c) Property, plant and equipment

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (c) Property, plant and equipment (Continued)

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

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

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

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

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

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

### (d) Leasing

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

#### ***The Group as lessee***

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

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



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (e) Financial instruments

#### (i) Financial assets

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

#### *Loans and receivables*

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

#### (ii) Impairment loss on financial assets

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

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

#### *For Loans and receivables*

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (e) Financial instruments (Continued)

#### **(iii) Financial liabilities**

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

#### **(iv) Effective interest method**

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

#### **(v) Equity instruments**

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

#### **(vi) Derecognition**

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKAS 39.

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

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.

#### **(vii) Offsetting of financial instruments**

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (f) Employee benefits

#### (i) Short term employee benefits

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

#### (ii) Defined contribution retirement plan

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

#### (iii) Termination benefits

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

### (g) Cash and cash equivalents

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

### (h) Construction contracts

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

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

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (h) Construction contracts (Continued)

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

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

### (i) Revenue recognition

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

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

### (j) Income taxes

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

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

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

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

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

### (k) Provisions and contingent liabilities

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (k) Provisions and contingent liabilities (Continued)

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

### (l) Impairment of non-financial assets

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

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

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

### (m) Related parties

- (a) A person or a close member of that person's family is related to the Group if that person:
  - (i) has control or joint control over the Group;
  - (ii) has significant influence over the Group; or
  - (iii) is a member of key management personnel of the Group or the Company's parent.
- (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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (m) Related parties (Continued)

- (b) An entity is related to the Group if any of the following conditions apply: (Continued)
- (vi) The entity is controlled or jointly controlled by a person identified in (a).
  - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).
  - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

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

- (i) that person's children and spouse or domestic partner;
- (ii) children of that person's spouse or domestic partner; and
- (iii) dependents of that person or that person's spouse or domestic partner.

### (n) Capitalisation of borrowing costs

Borrowing costs attributable directly to the acquisition, construction or production of qualifying assets which require a substantial period of time to be ready for their intended use or sale, are capitalised as part of the cost of those assets. Income earned on temporary investments of specific borrowings pending their expenditure on those assets is deducted from borrowing costs capitalised. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

### (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 financial statements prepared under HKFRS 8.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

## 5. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

### Estimates and assumptions

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

#### (i) **Construction contract revenue recognition**

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

#### (ii) **Impairment of non-financial assets**

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

#### (iii) **Impairment of trade and other receivables**

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

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

### Estimates and assumptions (Continued)

#### **(iv) Income taxes**

Determining income tax provisions requires the Group to make judgement on the future tax treatment of certain transactions. The Group carefully evaluates tax implications of transactions in accordance with prevailing tax regulations and makes tax provisions accordingly. In addition, deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available 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.

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

## 6. SEGMENT INFORMATION

### Operating segments

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

### Geographical information

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

### Information about major customers

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

	2016 HK\$'000	2015 HK\$'000
Customer A	N/A	12,794
Customer B	87,031	27,185
Customer C	56,881	17,566
Customer D	N/A	11,700

N/A Revenue from the customer during the year did not exceed 10% of the Group's revenue.

## 7. REVENUE

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

## 8. PROFIT BEFORE INCOME TAX EXPENSE

Profit before income tax expense is arrived after charging:

	2016 HK\$'000	2015 HK\$'000
Auditor's remuneration	550	182
Listing expense	7,666	660
Loss on disposal of property, plant and equipment	69	277
Depreciation of property, plant and equipment	2,378	1,414
Operating lease rentals in respect of:		
– Land and buildings	1,048	388
Finance costs:		
– Interest on borrowing wholly repayable within five years	113	343
– Interest on bank overdrafts	379	–
– Interest on finance leases	9	–
Employee benefit expenses (Note 9)	88,393	37,355

## 9. EMPLOYEE BENEFIT EXPENSES, INCLUDING DIRECTORS' REMUNERATION

	2016 HK\$'000	2015 HK\$'000
Wages, salaries and other benefits	85,513	36,178
Post-employment benefits – defined contribution retirement plan contributions	2,880	1,177
	88,393	37,355

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

## 10. FINANCE COSTS

	2016 HK\$'000	2015 HK\$'000
Interest on bank overdraft (Note a)	379	–
Interest on finance lease (Note b)	9	–
Interest on borrowings wholly repayable within five years (Note c)	113	343
	<b>501</b>	343

Notes:

- (a) The bank overdraft interest expense bears interest rate at Hong Kong Prime Rate per annum (Note 21).
- (b) The finance lease interest expense bears interest rate at 2.95% per annum (Note 22(a)).
- (c) The interest expense represents loan from a related company, bears interest rate at 5.25% per annum, which is payable on demand.

## 11. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUAL

### (i) Directors' remuneration

Directors' remuneration for the year is as follows:

	Fees HK\$'000	Salaries and benefits HK\$'000	Pension scheme contributions HK\$'000	Total HK\$'000
<b>Year ended 31 December 2016</b>				
Executive directors:				
Mr. Chuang Wei Chu ("Stephen Chuang")	–	780	–	780
Mr. Chuang Chun Ngok Boris ("Boris Chuang")	–	1,300	18	1,318
	–	<b>2,080</b>	<b>18</b>	<b>2,098</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

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

### (i) Directors' remuneration (Continued)

	Fees HK\$'000	Salaries and benefits HK\$'000	Pension scheme contributions HK\$'000	Total HK\$'000
<b>Year ended 31 December 2015</b>				
Executive directors:				
Mr. Stephen Chuang	–	560	–	560
Mr. Boris Chuang	–	900	18	918
	–	1,460	18	1,478

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

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.

### (ii) Five highest paid individuals

The five highest paid individuals whose emoluments were the highest in the Group included 2 executive directors of the Company for the year ended 31 December 2016 (2015: 2), whose emoluments are reflected in the analysis as shown above. The remuneration of the remaining highest paid individuals is as follows:

	2016 HK\$'000	2015 HK\$'000
Salaries, allowances and benefit in kind	2,902	2,125
Pension scheme contributions – defined contribution plans	54	54
	2,956	2,179



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

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

### (ii) Five highest paid individuals (Continued)

Their remuneration fell within the following bands:

	2016 Number of employees	2015 Number of employees
Nil to HK\$1,000,000	2	3
HK\$1,000,001 to HK\$2,000,000	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 members of senior management, other than the five highest paid employees were within the following bands:

	Number of employees	
	2016	2015
Nil to HK\$1,000,000	1	–

## 12. INCOME TAX EXPENSE

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

	2016 HK\$'000	2015 HK\$'000
Current tax – Hong Kong profits tax – charge for the year	4,301	3,120
Deferred tax (Note 23)	741	(80)
Income tax expense	5,042	3,040

Hong Kong profits tax is calculated at 16.5% (2015: 16.5%) of the estimated assessable profits during the year.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

## 12. INCOME TAX EXPENSE (CONTINUED)

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

	2016 HK\$'000	2015 HK\$'000
Profit before income tax expense	22,750	18,406
Tax calculated at the applicable statutory tax rate of 16.5%	3,754	3,037
Tax effect of non-deductible expenses	1,288	5
Others	-	(2)
Income tax at the effective tax rate	5,042	3,040

## 13. DIVIDEND

No dividend has been paid or declared by the Company during the period from 18 January 2016 (the "date of incorporation") to 31 December 2016.

## 14. EARNINGS PER SHARE

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

	2016 HK\$'000	2015 HK\$'000
Earnings:		
Earnings for the purpose of basic earnings per share	17,708	15,366

  

	2016 Number of shares '000	2015 Number of shares '000
Weighted average number of ordinary shares for the purpose of basic earnings per share (Note)	375,000	375,000

Note: The weighted average number of 375,000,000 ordinary shares for the year ended 31 December 2016 and 2015, being the number of shares in issue immediately after the completion of capitalisation issue of shares as detailed in Note 37 to the consolidated financial statements, are deemed to have been issued throughout the years ended 31 December 2016 and 2015.

Diluted earnings per share is same as basic earnings per share as there was no dilutive potential shares for the years ended 31 December 2016 and 2015.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

## 15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK\$'000	Furniture and fixtures HK\$'000	Office equipments HK\$'000	Plant and machinery HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
<b>Cost</b>						
As at 1 January 2015	121	92	425	5,398	1,515	7,551
Additions	–	4	58	1,088	198	1,348
Disposals	–	–	–	(1,276)	(254)	(1,530)
At 31 December 2015	121	96	483	5,210	1,459	7,369
Additions	–	64	152	8,044	380	8,640
Disposals	–	–	–	(312)	(316)	(628)
At 31 December 2016	121	160	635	12,942	1,523	15,381
<b>Aggregate depreciation</b>						
As at 1 January 2015	121	88	306	1,907	1,103	3,525
Charge for the year	–	5	36	1,201	172	1,414
Written back	–	–	–	(388)	(156)	(544)
At 31 December 2015	121	93	342	2,720	1,119	4,395
Charge for the year	–	1	52	2,186	139	2,378
Written back	–	–	–	(62)	(106)	(168)
At 31 December 2016	121	94	394	4,844	1,152	6,605
<b>Net carrying amount</b>						
At 31 December 2016	–	66	241	8,098	371	8,776
At 31 December 2015	–	3	141	2,490	340	2,974

The carrying amount of the Group's office equipments and motor vehicles include an amount of approximately HK\$44,000 and HK\$223,000 for the year ended 31 December 2015 and 2016, respectively, in respect of assets acquired under finance lease (Note 22 (a)).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

## 16. AMOUNTS DUE FROM/(TO) CUSTOMERS FOR CONTRACT WORK

	2016 HK\$'000	2015 HK\$'000
Contracts in progress:		
Contract costs incurred	<b>232,089</b>	157,681
Recognised profits less recognised losses	<b>65,839</b>	33,130
	<b>297,928</b>	190,811
Less: progress billings	<b>(297,382)</b>	(190,706)
	<b>546</b>	105
Represented by:		
Amounts due from customers for contract work	<b>546</b>	274
Amounts due to customers for contract work	<b>-</b>	(169)
	<b>546</b>	105

As at 31 December 2016, retentions held by customers for contract work included in trade and other receivables (Note 17) amount of approximately HK\$17,231,000 (2015: HK\$11,279,000).

## 17. TRADE AND OTHER RECEIVABLES

	2016 HK\$'000	2015 HK\$'000
Trade receivables (Note (a))	<b>31,857</b>	25,217
Retention receivables (Note (b))	<b>17,231</b>	11,279
Prepayments and deposits (Note (c))	<b>6,796</b>	664
	<b>55,884</b>	37,160

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

## 17. TRADE AND OTHER RECEIVABLES (CONTINUED)

- (a) Trade receivables were mainly derived from provision of underground construction services and non-interest bearing. The Group does not hold any collateral or other credit enhancements over these balances. The credit period granted by the Group to its customers is generally 21 to 60 days for the years ended 31 December 2016 and 2015.

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

	2016 HK\$'000	2015 HK\$'000
Less than 1 month	31,531	24,907
1 to 3 months	33	81
More than 3 months but less than one year	268	204
More than one year	25	25
	<b>31,857</b>	25,217

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

	2016 HK\$'000	2015 HK\$'000
Neither past due nor impaired	31,564	24,922
Less than 1 month past due	–	66
1 to 3 months past due	268	104
More than 3 months past due but less than 1 year past due	–	100
More than 1 year past due	25	25
	<b>31,857</b>	25,217

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

Trade receivables that were past due but not impaired relate to customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

## 17. TRADE AND OTHER RECEIVABLES (CONTINUED)

(a) (Continued)

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

	HK\$'000
As at 1 January 2015, 31 December 2015 and 1 January 2016	250
Impairment loss recognised	–
As at 31 December 2016	250

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

(c) Prepayments and deposits as at 31 December 2016 and 2015 were neither past due nor impaired. Financial assets included in these balances are non-interest bearing and relate to receivables for which there was no recent history of default.

## 18. AMOUNTS DUE FROM/(TO) RELATED COMPANIES, SHAREHOLDERS AND DIRECTORS

Particulars of amounts due from related companies and shareholders are disclosed as follows:

	Balance at 1 January 2016 HK\$'000	Maximum amount outstanding during the year HK\$'000	Balance at 31 December 2016 HK\$'000
<b>Related companies</b>			
GME International Trading Company Limited (Note a)	3,175	3,175	–
Toprate Associates Limited (Note b)	165	165	–
Excel Steel Pty Ltd (Note c)	11	11	–
Ming Kee Property Development Limited ("Ming Kee") (Note g)	487	487	–
<b>Shareholders</b>			
Mrs. Chuang (Note d)	60	60	–
Ms. Chuang (Note e)	60	60	–
Mr. Lo (Note f)	60	60	–
Mr. Ng (Note f)	230	230	–



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

## 18. AMOUNTS DUE FROM/(TO) RELATED COMPANIES, SHAREHOLDERS AND DIRECTORS (CONTINUED)

	Balance at 1 January 2015 HK\$'000	Maximum amount outstanding during the year HK\$'000	Balance at 31 December 2015 HK\$'000
<b>Related companies</b>			
GME International Trading Company Limited (Note a)	3,170	3,175	3,175
Toprate Associates Limited (Note b)	160	165	165
Excel Steel Pty Ltd (Note c)	11	11	11
Ming Kee Property Development Limited ("Ming Kee") (Note g)	–	487	487
<b>Shareholders</b>			
Mrs. Chuang (Note d)	60	60	60
Ms. Chuang (Note e)	60	60	60
Mr. Lo (Note f)	60	60	60
Mr. Ng (Note f)	30	230	230

An analysis of the amounts due to Directors and a related company is as follows:

	<b>As at 31 December</b>	
	<b>2016</b>	2015
	<b>HK\$'000</b>	HK\$'000
<b>Directors</b>		
Mr. Boris Chuang	–	185
Mr. Stephen Chuang	–	1,681
	–	1,866
<b>Related company</b>		
GME International Company Limited (Note h)	–	10,922

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

## 18. AMOUNTS DUE FROM/(TO) RELATED COMPANIES, SHAREHOLDERS AND DIRECTORS (CONTINUED)

Notes:

- (a) Mr. Boris Chuang, Mr. Stephen Chuang and Mr. Ng, being the directors and shareholders of GME International Trading Company Limited (Mr. Ng had resigned from his position as a director on 11 November 2016), are the shareholders of the Company. Mr. Boris Chuang and Mr. Stephen Chuang are also the directors of the Company.
- (b) Mr. Boris Chuang and Ms. Chuang, being the beneficial owners of Toprate Associates Limited, are the shareholders of the Company. Mr. Boris Chuang is also the director of the Company.
- (c) Mr. Ng, being a director and a shareholder of Excel Steel Pty Ltd, is a shareholder of the Company and director of Good Mind Engineering Limited ("GMEHK"). Mr. Ng resigned as director of GMEHK on 11 April 2016.
- (d) Mrs. Chuang is the spouse of Mr. Stephen Chuang, a director and a shareholder of the Company.
- (e) Ms. Chuang is the child of Mr. Stephen Chuang and the sibling of Mr. Boris Chuang. Mr. Stephen Chuang and Mr. Boris Chuang are the directors and shareholders of the Company.
- (f) Mr. Lo and Mr. Ng, being the directors of GMEHK, a wholly-owned subsidiary of the Company, are also the shareholders of the Company. Mr. Lo and Mr. Ng resigned as directors of GMEHK on 18 March 2016 and 11 April 2016, respectively.
- (g) Mr. Ng, being a director and shareholder of Ming Kee, is a shareholder of the Company and director of GMEHK. Mr. Ng resigned as director of GMEHK on 11 April 2016.
- (h) Mr. Boris Chuang, Mrs. Chuang and Mr. Ng, being the directors and shareholders of GME International Company Limited (Mr. Ng had resigned from his position as a director on 11 November 2016), are the shareholders of the Company. Mr. Boris Chuang is also the director of the Company. The amounts represent loan from a related company as at 31 December 2015 which bear interest at 5.25% per annum. The loan is free of security and is fully repaid on 1 April 2016.
- (i) The amounts due from related companies, shareholders and the balances with the Directors are unsecured, interest-free and repayable on demand.

## 19. CASH AND CASH EQUIVALENTS

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

## 20. TRADE AND OTHER PAYABLES

	2016 HK\$'000	2015 HK\$'000
Trade payables (Note (a))	3,695	2,618
Other payables and accruals (Note (b))	11,825	5,385
	<b>15,520</b>	8,003

Notes:

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

	2016 HK\$'000	2015 HK\$'000
Current or less than 1 month	1,659	1,795
1 to 3 months	2,036	747
More than 3 months but less than one year	-	66
More than one year	-	10
	<b>3,695</b>	2,618

The Group's trade payables are non-interest bearing and generally have payment terms of 0 to 30 days for the years ended 31 December 2016 and 2015.

- (b) Other payables are non-interest bearing and have average payment terms of one to three months for the years ended 31 December 2016 and 2015.

## 21. BANK OVERDRAFTS

The bank overdrafts were repayable on demand and bear interest rate at Hong Kong Prime Rate per annum as at 31 December 2016, which are secured by the personal guarantee from Mr. Boris Chuang, Mrs. Chuang and Mr. Stephen Chuang and the properties owned by Mr. Stephen Chuang and Mr. Boris Chuang. The Group is procuring for the release of the above securities which will be replaced by corporate guarantees to be issued by the Company.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

## 22. LEASES

### (a) Finance leases

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

Future lease payments are due as follows:

	Minimum lease payments HK\$'000	Interest HK\$'000	Present value HK\$'000
<b>As at 31 December 2016</b>			
Not later than one year	72	9	63
Later than one year and not later than two years	73	6	67
Later than two years and not later than five years	82	3	79
	<b>227</b>	<b>18</b>	<b>209</b>
<b>As at 31 December 2015</b>			
Not later than one year	12	–	12
Later than one year and not later than two years	12	–	12
Later than two years and not later than five years	19	–	19
	43	–	43

The present value of future lease payments are analysed as:

	2016 HK\$'000	2015 HK\$'000
Current liabilities	63	12
Non-current liabilities	146	31
	<b>209</b>	43

Note:

Pursuant to the finance lease agreement of the Group's office equipments, no interest was charged within the lease period.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

## 22. LEASES (CONTINUED)

### (b) Operating leases – lessee

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

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

	<b>2016</b> <b>HK\$'000</b>	2015 HK\$'000
Not later than one year	<b>476</b>	575
Later than one year and not later than five years	–	360
	<b>476</b>	935

## 23. DEFERRED TAX LIABILITIES

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

	<b>Accelerated depreciation allowances HK\$'000</b>
At 1 January 2015	405
Credited to profit for the year (Note 12)	(80)
At 31 December 2015 and 1 January 2016	325
Charged to profit for the year (Note 12)	741
At 31 December 2016	1,066

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

## 24. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Authorised:		
Ordinary share of HK\$0.01 each		
At the date of incorporation and 31 December 2016	38,000,000	380
Issued and fully paid:		
Ordinary share of HK\$0.01 each		
At the date of incorporation	1	–
Issue of share upon Group Reorganisation (Note c)	1,799	–
As at 31 December 2016	1,800	–

### Notes:

- (a) The Company was incorporated in the Cayman Islands on 18 January 2016 with an authorised share capital of HK\$380,000 divided into 38,000,000 ordinary shares of HK\$0.01 each.
- (b) The share capital of the Group as at 31 December 2015 represented the aggregate amount of the share capital of the subsidiaries and was transferred to other reserve upon the Group Reorganisation.
- (c) On 17 October 2016, Mr. Stephen Chuang, Mr. Boris Chuang, Mrs. Chuang, Ms. Chuang, Mr. Ng, Mr. Lo and Mr. Ho, collectively as vendors transfer all of their shares in GMEHK to GMEBVI in consideration of which the Company, being the holding Company of GMEBVI and the legal and beneficial owner of the entire issued share capital of GMEBVI, issued and allotted, credited as fully paid, 540, 539, 180, 180, 180, 90 and 90 shares to the vendors, respectively. As a result, GMEHK became a direct wholly-owned subsidiary of GMEBVI.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

## 25. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	2016 HK\$'000
<b>Non current assets</b>		
Investments in subsidiaries		37,904
<b>Current assets</b>		
Prepayment and deposit		2,489
Amount due from a subsidiary		-
Cash and cash equivalents		-
		2,489
<b>Current liabilities</b>		
Amount due to a subsidiary		10,815
<b>NET ASSETS</b>		<b>29,578</b>
<b>EQUITY</b>		
Share capital	24	-
Reserves	26	29,578
<b>TOTAL EQUITY</b>		<b>29,578</b>

On behalf of the Board

**Chuang Chun Ngok Boris**  
*Director*

**Chuang Wei Chu**  
*Director*

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

## 26. RESERVES

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

	Share premium (Note (a)) HK\$'000	Accumulated losses (Note (c)) HK\$'000	Total HK\$'000
At 18 January 2016 (date of incorporation)	-	-	-
Issue of shares upon Group Reorganisation (Note 24(c))	37,904	-	37,904
Loss for the period	-	(8,326)	(8,326)
At 31 December 2016	37,904	(8,326)	29,578

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

### (a) Share premium

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

### (b) Other reserve

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

### (c) Retained earnings/accumulated losses

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

### (d) Capital reserve

The amount represents capital contribution from equity holders.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

## 27. PARTICULARS OF SUBSIDIARIES

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

Name of entity	Place and date of incorporation and form of business structure	Percentage of equity attributable to the Company		Issued and fully paid ordinary share capital or registered capital	Principal activities and principal place of business
		Direct	Indirect		
GME International Limited	The British Virgin Islands (the "BVI"), 23 February 2016, limited liability company	100%	–	1 ordinary share of HK\$1	Investment holding, Hong Kong
GMEHK	Hong Kong, 22 March 1994, limited liability company	–	100%	1,800,000 ordinary shares of HK\$1,800,000	Provision of underground construction services, Hong Kong

## 28. MAJOR NON-CASH TRANSACTIONS

The Group entered into finance lease agreements in respect of purchase of property, plant and equipment with a capital value at the inception of the leases of HK\$214,000 during the year ended 31 December 2016 (2015: Nil).

## 29. CONTINGENT LIABILITIES

At the end of each reporting period, GMEHK provided corporate guarantee to a bank in respect of banking facilities granted to a related company, GME International Company Limited.

	2016 HK\$'000	2015 HK\$'000
Corporate guarantee		
– Overdrafts	12,000	13,000
– Other facilities	–	10,000
	12,000	23,000

The Directors represent that the bank has agreed in principal to release the corporate guarantee upon listing.

The Group has requested the relevant bank to proceed and the relevant bank is still in the process of the aforesaid action up to the date of this report.

In the opinion of Directors, the fair value of the corporate guarantee contract is insignificant at inception and at the end of Relevant Periods, and no provision for financial guarantee contract has been made at the end of each reporting periods.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

## 30. RELATED PARTY TRANSACTIONS

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

Name of related parties	Nature of transactions	2016	2015
		HK\$'000	HK\$'000
GME International Company Limited (Note (a) & (b))	Purchase of fixed assets	170	–
	Purchase of materials	–	147
	Loan interest expenses	113	343

Notes:

- Mr. Boris Chuang, Mrs. Chuang, and Mr. Ng, being the directors and shareholders of GME International Company Limited, are the shareholders of the Company. Mr. Boris Chuang is also the director of the Company.
- The loan interest expenses paid to GME International Company Limited at 5.25% per annum for the year ended 31 December 2015 and 2016. The interest rate was determined by reference to the bank interest rate of GME International Company Limited's banking facilities for the corresponding periods. (Note 29)
- The transactions were conducted on terms and conditions mutually agreed between the relevant parties. The Directors are of the opinion that these related party transactions were conducted in the ordinary course of business of the Company.

## Key management personnel compensation

The key management personnel of the Group are the Directors of the Company. Details of the remuneration paid to them during the current and prior years are set out in Note 11 to the consolidated financial statements.

## 31. DISPOSAL OF A SUBSIDIARY

On 11 September 2015, the GMEHK entered into an agreement (the "Transfer Agreement") to transfer its entire equity interest in Good Mind Engineering Ltd. (駿傑(上海)建築工程諮詢有限公司) ("GME Shanghai"), a wholly-owned subsidiary incorporated in the People's Republic of China ("PRC"), to an independent third party (the "Purchaser"). GME Shanghai was engaged in the provision of construction consultancy services in the PRC and had ceased all business operations since 2012. The disposal was completed on 27 October 2015, the date on which the control of the GME Shanghai passed to the Purchaser.

Based on the Transfer Agreement and the supplemental agreement to the Transfer Agreement entered into between the Group and the Purchaser on dated 18 April 2016, the consideration for the transfer has been mutually agreed to be nil.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

## 31. DISPOSAL OF A SUBSIDIARY (CONTINUED)

The net assets of GME Shanghai at the date of transfer and the gain of disposal were as follows:

	2015 HK\$'000
Amount due from a director and net assets of GME Shanghai disposed of	188
Release of foreign exchange reserve	(190)
Gain on disposal of GME Shanghai	2
<b>Total consideration</b>	<b>–</b>
Satisfied by cash:	
Consideration	–
Net cash inflow arising on disposal	
Cash consideration	–

## 32. FINANCIAL RISK MANAGEMENT

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

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

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

### (a) Credit risk

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

The credit risk of Group's trade and retention receivables is concentrated, since 92% of which was derived from five largest customers as at 31 December 2016 (2015: 98%).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

## 32. FINANCIAL RISK MANAGEMENT (CONTINUED)

### (a) Credit risk (Continued)

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

	2016 HK\$'000	2015 HK\$'000
Largest customer	19,398	15,460
Five largest customers	45,390	35,792

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

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

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



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

## 32. FINANCIAL RISK MANAGEMENT (CONTINUED)

### (b) Liquidity risk

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

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

	Carrying amount HK\$'000	Total contractual undiscounted cash flow HK\$'000	Less than one year or repayable on demand HK\$'000	One year or above HK\$'000
<b>As at 31 December 2016</b>				
Bank overdrafts	8,772	8,772	8,772	–
Trade and other payables	15,520	15,520	15,520	–
Obligations under finance leases	209	227	72	155
	<b>24,501</b>	<b>24,519</b>	<b>24,364</b>	<b>155</b>
	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
<b>As at 31 December 2015</b>				
Trade and other payables	8,003	8,003	8,003	–
Amount due to a related company	10,922	11,495	11,495	–
Amount due to Directors	1,866	1,866	1,866	–
Obligations under finance leases	43	43	12	31
	20,834	21,407	21,376	31

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

## 32. FINANCIAL RISK MANAGEMENT (CONTINUED)

### (c) Interest rate risk

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

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

#### ***Sensitivity analysis***

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

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

If interest rates on bank balances had been 50 basis points higher/lower and all other variables were held constant, the potential effect on the Group's post-tax profit for the years ended 31 December 2016 and 2015 is as follows:

	2016 HK\$'000	2015 HK\$'000
Increase/(decrease) in profit for the year		
– as a result of increase in interest rate	11	2
– as a result of decrease in interest rate	(11)	(2)

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

## 32. FINANCIAL RISK MANAGEMENT (CONTINUED)

### (c) Interest rate risk (Continued)

If interest rates on bank overdrafts and a loan from related company had been 100 basis points higher/lower and all other variables were held constant, the potential effect on the Group's post-tax profit for the years ended 31 December 2016 and 2015 is as follows:

	2016 HK\$'000	2015 HK\$'000
(Decrease)/increase in profit for the year		
– as a result of increase in interest rate	88	109
– as a result of decrease in interest rate	(88)	(109)

## 33. CAPITAL RISK MANAGEMENT

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

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

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

	2016 HK\$'000	2015 HK\$'000
Total debt	20,806	18,216
Equity attributable to the owners of the Company	39,956	22,248
Gearing ratio	52%	82%

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

## 34. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

	2016 HK\$'000	2015 HK\$'000
<b>Financial assets</b>		
Loan and receivables (including cash and cash equivalents)	54,197	41,399
<b>Financial liabilities at amortised cost</b>		
Financial liabilities measured at amortised cost	24,501	20,834

## 35. LITIGATION

As at 31 December 2016, there were a number of labour claims lodged against the Group arising from the ordinary course of its civil engineering construction business. No specific claim amount has been specified in the applications of these claims. In the opinion of the Directors, the outflow of resources required in settling these claims if any, are usually covered by insurance maintained by relevant main contractor. Therefore, the ultimate liability under these claims would not have a material adverse impact on the financial position or performance of the Group.

Mr. Boris Chuang, Mr. Stephen Chuang, Ms. Chuang Yau Ka and Ms. To Yin Ping (collectively referred as the "Controlling Shareholders"), have entered into a deed of indemnity on 10 February 2017 whereby they have agreed, subjected to the terms and conditions of the deed of indemnity, to indemnify the Group, among other matters, all losses and liabilities arising from any litigations against the Group prior to the Listing.

## 36. CAPITAL COMMITMENTS

As at 31 December 2016, the Group did not have any capital commitment (2015: Nil).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2016*

## 37. SUBSEQUENT EVENTS

Subsequent to 31 December 2016 and up to the date of this report, the following significant events have taken place:

- (a) On 10 February 2017, the authorised share capital of the Company increased from HK\$380,000 to HK\$20,000,000 by creation of an additional 1,962,000,000 shares.
- (b) On 22 February 2017, the capitalisation issue was completed. The Company capitalised an amount of HK\$3,749,982 standing to the credit of the share premium account of the Company and to appropriate such amount as to capital to pay up in full at par of 374,998,200 ordinary shares of the Company.
- (c) On 22 February 2017, the Company's shares were listed on the GEM of the Stock Exchange by way of a placing ("IPO Placing"). In connection to the IPO Placing, 125,000,000 ordinary shares are issued at HK\$0.54 per share.

Save as disclosed above, there are no other significant events which have taken place subsequent to 31 December 2016.

## 38. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 27 March 2017.