



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
2023

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

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

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Independent non-executive Directors

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

COMPLIANCE OFFICER

Mr. Chuang Chun Ngok Boris

COMPANY SECRETARY

Mr. Sze Kevin Chun Kit HKFCG(PE) FCPA
E-mail: companysecretary@gmehk.com
Fax: +852 3105 1881

AUTHORISED REPRESENTATIVES

Mr. Chuang Chun Ngok Boris
Mr. Sze Kevin 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
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Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

CORPORATE INFORMATION

AUDITOR

BDO Limited
Certified Public Accountants
Registered Public Interest Entity Auditor
25th Floor, Wing On Centre
111 Connaught Road Central
Hong Kong

LEGAL ADVISERS AS TO HONG KONG LAWS

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

COMPLIANCE ADVISER

Altus Capital Limited
21 Wing Wo Street
Central
Hong Kong

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited

Citibank, N.A., Hong Kong Branch

Dah Sing Bank, Limited

DBS Bank (Hong Kong) Limited

COMPANY WEBSITE

www.gmehk.com

STOCK CODE

8188

INVESTOR RELATIONS

E-mail: ir@gmehk.com
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WHISTLEBLOWING

E-mail: whistleblowing@gmehk.com

FINANCIAL CALENDAR

Date for the closure of register of members for the annual general meeting of the Company:
Monday, 20 May 2024
to Friday, 24 May 2024 (both days inclusive)

Date for the annual general meeting of the Company:
Friday, 24 May 2024

Date for the closure of register of members for the proposed final dividends*
Thursday, 30 May 2024 to Friday, 31 May 2024
(both days inclusive)

Payment date of proposed final dividends
Thursday, 20 June 2024

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

CHAIRMAN'S STATEMENT

On behalf of the board of Directors (the “**Board**”), I present this annual report (the “**Annual Report**”) and the audited consolidated financial statements of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 December 2023 (the “**Reporting Period**”).

BUSINESS REVIEW

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

During the Reporting Period, the Group had secured 10 public construction projects and five private sector projects with aggregate secured contract sums and confirmed variation orders of approximately HK\$518,262,000 and approximately HK\$26,583,000, respectively (the “**Newly Awarded Contracts**”).

During the Reporting Period, the Group had been engaged in 39 public sector projects (2022: 43) and six private sector projects (2022: six), including Newly Awarded Contracts. The total backlog of the Newly Awarded Contracts and contracts carried over from 2023 to be recognised as revenue after the Reporting Period was approximately HK\$1,065,177,000.

FINANCIAL PERFORMANCE

The Group's revenue increased from approximately HK\$440,528,000 for the year ended 31 December 2022 to approximately HK\$549,554,000 for the year ended 31 December 2023, representing an increase of approximately HK\$109,026,000 or 24.7%. Such significant increase in revenue was mainly attributable to the gearing up of the construction works for the Group's Newly Awarded Contracts during the Reporting Period.

The gross profit and gross profit margin of the Group for the year ended 31 December 2023 was approximately HK\$110,022,000 and 20.0%, respectively (2022: approximately HK\$13,927,000 and 3.2%, respectively). During the Reporting Period, the increases in gross profit and gross profit margin were mainly attributable to the positive progress made on construction works of the Newly Awarded Contracts for the Group's tunnel construction services, which generally have higher profit margins.

The Group's profits and total comprehensive income attributable to the owners of the Company (the “**Net Profit**”) for the year ended 31 December 2023 was approximately HK\$61,479,000 (2022: approximately HK\$5,804,000). Such increase in the Net Profit was mainly due to the increase in revenue and gross profit during the Reporting Period as discussed above.

The Directors recommended a final dividend of HK5.0 cents per share of the Company (the “**Shares**”, each a “**Share**”) for the year ended 31 December 2023, which is subjected to the approval of the shareholders of the Company (the “**Shareholders**”, each a “**Shareholder**”) at the annual general meeting of the Company on Friday, 24 May 2024 (“**AGM**”). The total payout will amount to HK\$24,390,400.

CHAIRMAN'S STATEMENT

OUTLOOK OF TUNNEL AND CONSTRUCTION INDUSTRY IN HONG KONG

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

The Group is one of the few selected subcontractors experienced in tunnel construction in Hong Kong and is well prepared to capitalise on the opportunities from these public infrastructure projects.

APPRECIATION

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

Chuang Chun Ngok Boris

Chairman

Hong Kong, 21 March 2024

FINANCIAL HIGHLIGHTS

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

Results	For the year ended 31 December				
	2023 HK\$'000	2022 HK\$'000	2021 HK\$'000	2020 HK\$'000	2019 HK\$'000
Revenue	549,554	440,528	443,548	134,572	80,793
Gross profit/(loss)	110,022	13,927	32,373	19,561	(5,779)
Profit/(loss) before income tax expense	70,863	4,757	11,049	1,395	(28,486)
Net Profit/(Net Loss)	61,479	5,804	10,451	1,008	(28,217)

Assets and Liabilities	As at 31 December				
	2023 HK\$'000	2022 HK\$'000	2021 HK\$'000	2020 HK\$'000	2019 HK\$'000
Total assets	273,097	156,946	148,349	74,085	70,678
Total liabilities	142,026	87,350	84,555	20,739	18,337
Net assets	131,071	69,596	63,794	53,346	52,341

Notes:

The summary of the results of the Group for the years ended 31 December 2019, 2020 and 2021 and the total assets, total liabilities and net assets of the Group as at 31 December 2019, 2020 and 2021 have been extracted from the prior years' annual reports of the Company.

This summary does not form part of the audited consolidated financial statements of the Group for the year ended 31 December 2023 (the "**Consolidated Financial Statements**").

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

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

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

During the year ended 31 December 2023, the Group had secured 10 public construction projects and five private sector projects with aggregate secured contract sums and confirmed variation orders of approximately HK\$518,262,000 and approximately HK\$26,583,000, respectively.

During the year ended 31 December 2023, the Group had been engaged in 39 public sector projects (2022: 43) and six private sector projects (2022: six), including the Newly Awarded Contracts. Please refer to the subsection headed "Financial Review" below for the analysis on the Group's revenue. The total backlog of the Newly Awarded Contracts and contracts carried over from 2023 to be recognised as revenue after the Reporting Period was approximately HK\$1,065,177,000.

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

MANAGEMENT DISCUSSION AND ANALYSIS

PRINCIPAL RISKS AND UNCERTAINTIES

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

The Group operates solely in Hong Kong and derived all its income in Hong Kong during the Reporting Period. Accordingly, the Group's business, financial results and prospects are affected by policies of the Hong Kong Government, political environment, economic and legal development in Hong Kong. The budgeting and funding approval process on public infrastructure and construction projects may be lengthened and the expected timetable of projects may be delayed. The Hong Kong Government's policy and public spending patterns on the civil engineering construction industry may also affect the availability of construction projects in Hong Kong.

The Group's historical results may not be indicative of its future performance, which may vary from period to period in response to a variety of factors beyond the Group's control, including general economic conditions, regulations pertaining to the underground construction industry in Hong Kong and the ability to secure new business in the future. Besides, adverse weather conditions, natural disasters, potential wars, terrorist attacks, riots, epidemics, pandemics and other disasters which are beyond the Group's control may also affect the Group's performance.

MANAGEMENT DISCUSSION AND ANALYSIS

OUTLOOK OF TUNNEL AND CONSTRUCTION INDUSTRY IN HONG KONG

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

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

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

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

The Water Service Department of the Hong Kong Government has awarded a construction contract for the relocation of Diamond Hill Fresh Water and Salt Water Service Reservoirs to caverns on 28 November 2022. This cavern tunnel is a drill and blast project, and the estimated works completion date is in December 2027.

The Civil Engineering and Development Department of the Hong Kong Government has awarded a construction contract of approximately HK\$3,970 million for the relocation of the Public Works Central Laboratory and the Government Records Service’s Archives Centre and the demolition of the existing Public Works Central Laboratory Building in Kowloon Bay to caverns on 11 July 2023. This cavern tunnel is a drill and blast project, and the estimated works completion is in 2028.

Besides, the Group is actively adopting advanced construction technology (such as automation, and artificial intelligence) to its construction projects, which can improve site safety, enhance environmental performance, uplift build quality, and boost productivity. The Group is one of the few selected subcontractors experienced in tunnel construction in Hong Kong and is well prepared to capitalise on the opportunities from these public infrastructure projects.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

The Group's revenue was primarily generated from public sector projects for the provision of (i) tunnel construction services; and (ii) utility construction services and others for the year ended 31 December 2023. The following table sets out the breakdown of the Group's revenue by project types for the periods indicated:

	For the year ended 31 December			
	2023	2023	2022	2022
	HK\$'000	% of total revenue	HK\$'000	% of total revenue
Public sector projects				
– Tunnel construction services	325,178	59.2	223,521	50.7
– Utility construction services and others	220,781	40.1	209,705	47.6
Sub-total	545,959	99.3	433,226	98.3
Private sector projects	3,595	0.7	7,032	1.7
Total	549,554	100.0	440,528	100.0

The Group's revenue increased from approximately HK\$440,528,000 for the year ended 31 December 2022 to approximately HK\$549,554,000 for the year ended 31 December 2023, representing an increase of approximately HK\$109,026,000 or 24.7%. The increase in revenue was mainly due to the increase in revenue generated from tunnel construction projects in the public sector from approximately HK\$223,521,000 for the year ended 31 December 2022 to approximately HK\$325,178,000 for the year ended 31 December 2023, representing an increase of approximately HK\$101,657,000 or 45.5%. Such significant increase in revenue was mainly attributable to the gearing up of the construction works for the Group's Newly Awarded Contracts during the Reporting Period.

MANAGEMENT DISCUSSION AND ANALYSIS

Cost of services

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

The Group's cost of services increased from approximately HK\$426,601,000 for the year ended 31 December 2022 to approximately HK\$439,532,000 for the year ended 31 December 2023, representing an increase of approximately HK\$12,931,000 or 3.0%. Such increase was mainly due to net effect of: (i) a decrease in the staff costs from approximately HK\$233,673,000 for the year ended 31 December 2022 to approximately HK\$188,197,000 for the year ended 31 December 2023, representing a decrease of approximately HK\$45,476,000 or 19.5%; (ii) the decrease in the subcontracting costs from approximately HK\$40,853,000 for the year ended 31 December 2022 to approximately HK\$22,338,000 for the year ended 31 December 2023, representing a decrease of approximately HK\$18,515,000 or 45.3%; (iii) the decrease in the short-term lease of plant and machinery from approximately HK\$37,098,000 for the year ended 31 December 2022 to approximately HK\$29,952,000 for the year ended 31 December 2023, representing a decrease of approximately HK\$7,146,000 or 19.3%; and (iv) an increase in the construction materials and supplies from approximately HK\$99,016,000 for the year ended 31 December 2022 to approximately HK\$180,580,000 for the year ended 31 December 2023, representing an increase of approximately HK\$81,564,000 or 82.4%.

The purchase arrangement of construction materials and supplies, subcontracting costs and the short-term lease of plant and machinery depend on the terms of the contracts, which may vary on a project-by-project basis. The decrease in staff costs was due to the decrease in number of skilled construction workers during the Reporting Period despite an overall increase in number of general and skilled workers as at the end of the Reporting Period.

Gross profit and gross profit margin

The gross profit and gross profit margin of the Group for the year ended 31 December 2023 was approximately HK\$110,022,000 and 20.0%, respectively (2022: approximately HK\$13,927,000 and 3.2%, respectively). During the Reporting Period, the increases in gross profit and gross profit margin were mainly attributable to the positive progress made on construction works of the Newly Awarded Contracts for the Group's tunnel construction services, which generally have higher profit margins.

Other income

The Group's other income was approximately HK\$1,310,000 for the year ended 31 December 2023 (2022: approximately HK\$17,251,000), which was mainly attributable to the government grants of approximately HK\$728,000 from the Construction Innovation and Technology Fund launched by the Construction Industry Council in Hong Kong during the Reporting Period. Last year's balance was mainly due to the government grants of approximately HK\$14,546,000 from the Employment Support Scheme under the Anti-epidemic Fund launched by the Hong Kong Government for Good Mind Engineering Limited ("**GMEHK**"), an indirect wholly-owned subsidiary of the Company.

Provision of the impairment loss on trade receivables and contract assets

During the Reporting Period, the provision of the impairment loss on trade receivables and contract assets was approximately HK\$8,744,000, based on the impairment assessment under the requirements of HKFRS 9 Financial Instruments.

MANAGEMENT DISCUSSION AND ANALYSIS

Administrative expenses

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

The Group's administrative expenses increased slightly from approximately HK\$25,547,000 for the year ended 31 December 2022 to approximately HK\$28,013,000 for the year ended 31 December 2023, representing an increase of approximately HK\$2,466,000 or 9.7%. The staff costs and benefits for the year ended 31 December 2023 were approximately HK\$9,485,000 (2022: approximately HK\$9,143,000), representing an increase of approximately HK\$342,000 or 3.7%. The Directors' remuneration was approximately HK\$3,414,000 (2022: approximately HK\$3,414,000) during the Reporting Period. The increase in administrative expenses was in line with the increase in revenue during the Reporting Period.

Finance costs

The Group's finance costs increased from approximately HK\$1,267,000 for the year ended 31 December 2022 to approximately HK\$3,712,000 for the year ended 31 December 2023 due to the increase in interest expenses on the bank borrowings during the Reporting Period.

Income tax

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

The income tax for the year ended 31 December 2023 mainly resulted from the profits tax for the assessable profits during the Reporting Period.

Net Profit

The Group's Net Profit for the year ended 31 December 2023 was approximately HK\$61,479,000 (2022: approximately HK\$5,804,000). Such increase in the Net Profit was mainly due to the increase in revenue and gross profit during the Reporting Period as discussed above.

Dividends

On 21 March 2024, the Board recommended a final dividend of HK5.0 cents per Share for the year ended 31 December 2023, which is subjected to the approval of Shareholders at the AGM. The total payout will amount to HK\$24,390,400. No dividend was declared by the company for the year ended 31 December 2022.

Liquidity, financial resources and funding

As at 31 December 2023, the Group's cash at banks and in hand amounted to approximately HK\$4,467,000 (2022: approximately HK\$11,431,000), which were denominated in Hong Kong dollar. Such decrease was mainly due to the cash used in the operating and investing activities during the Reporting Period.

On 23 August 2021, GMEHK received a banking facility letter of a revolving loan granted by a licensed bank in Hong Kong of HK\$18,000,000 at an interest rate of 1% per annum below the Hong Kong Prime Rate under the SME Financing Guarantee Scheme, which is secured by personal guarantees executed by Mr. Chuang Chun Ngok Boris, Mr. Chuang Wei Chu, Ms. To Yin Ping and Ms. Chuang Yau Ka (together, the **"Controlling Shareholders"**, each a **"Controlling Shareholder"**). On 9 December 2022, GMEHK has entered into another bank facility letter with the same bank, for which the bank provided bank facilities of revolving loan and import invoice discounting for two construction contracts of GMEHK up to an aggregate amount of HK\$30,000,000 at an interest rate of 0.5% per annum below the Hong Kong Prime Rate, which is secured by personal guarantees executed by Chuang Chun Ngok Boris and Mr. Chuang Wei Chu, the executive Directors, and a corporate guarantee by the Company. Pursuant to this facility letter, the Controlling Shareholders shall at all time collectively maintain not less than 50% of the issued share capital of the Company. Besides, Mr. Chuang Chun Ngok Boris shall remain as the chairman of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

Besides, on 9 December 2022, GMEHK signed a banking facility letter of export invoice discounting with another licensed bank in Hong Kong of HK\$12,000,000 at an interest rate of 3.0% per annum over the higher of HIBOR and the bank's cost of fund and revolving short-term loan of HK\$6,000,000 at an interest rate of 3.5% per annum over the higher of HIBOR at the bank's cost of fund, which are secured by a corporate guarantee by the Company and pledged bank deposits of HK\$3,000,000.

As at 31 December 2023, the Group had bank borrowings of HK\$66,000,000.

As at 31 December 2023, the lease liabilities represented the leases arrangement of the Group's office equipment, office premise and staff quarters, machineries, and motor vehicles amounted to approximately HK\$6,124,000 (2022: approximately HK\$1,305,000). For the year ended 31 December 2023, the lease payments and interest expenses on leases liabilities amounted to approximately HK\$3,130,000 (2022: approximately HK\$2,847,000) and approximately HK\$332,000 (2022: approximately HK\$118,000), respectively.

As at 31 December 2023, the amount due to a Director was approximately HK\$8,000,000. Such balance was subsequently settled after the Reporting Period.

The Group's gearing ratio, which is calculated by total debts divided by total equity, was approximately 78% as at 31 December 2023 (2022: approximately 102%).

The Group did not carry out any hedging activities by using any financial instruments during the Reporting Period.

Capital structure

As at 31 December 2022 and 2023, the capital structure of the Company comprised issued share capital and reserves.

Commitments

Save as disclosed in note 37 to the Consolidated Financial Statements, there were capital commitments of approximately HK\$669,000 (2022: approximately HK\$2,386,000) for the acquisition of property, plant and equipment as at 31 December 2023.

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

There were no significant investments, material acquisitions or disposal of subsidiaries and associated companies by the Company for the year ended 31 December 2023.

Future plans for material investments and capital assets

The Group did not have other plans for material investment or capital assets as at 31 December 2023.

Contingent liabilities

As at 31 December 2023, there were a number of labour claims lodged against the Group arising from the ordinary course of its civil engineering construction business. No specific claim amount has been specified in the applications of these claims.

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

Please refer to the note 30(a) to the Consolidated Financial Statements for details.

MANAGEMENT DISCUSSION AND ANALYSIS

Foreign currency exposure

The Group's reporting currency is Hong Kong dollar. During the years ended 31 December 2022 and 2023, the Group's transactions were mainly denominated in Hong Kong dollar. The Company therefore considers the Group is exposed to minimal foreign exchange risk.

Charges on the Group's assets

As at 31 December 2023, the Group had pledged bank deposits of HK\$3,000,000 to secure the export invoice discounting bank facility as of 31 December 2023 (2022: approximately HK\$2,004,000).

Information on employees

As at 31 December 2023, the Group had 662 employees (2022: 542), which comprises 6 management staff (2022: 6), 22 technical staff (2022: 22), 14 administration, accounting and human resources staff (2022: 10) and 620 general and skilled construction workers (2022: 504) in Hong Kong.

Employee remuneration package is based on previous working experience and actual performance of each individual employee. Apart from the basic salary, discretionary bonus and allowance will be granted to employees based on their individual performance subject to the executive Directors' approval. The total staff costs (included in cost of services and administrative expenses) and Directors' remuneration amounted to approximately HK\$201,096,000 for the year ended 31 December 2023 (2022: approximately HK\$246,230,000). Such decrease was mainly resulted from the decrease in staff costs in the cost of services during the Reporting Period.

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

Events after the Reporting Period

No event has occurred after 31 December 2023 and up to the date of this Annual Report which would have material effect on the Group.

BIOGRAPHICAL DETAILS OF DIRECTORS, SENIOR MANAGEMENT AND COMPANY SECRETARY

EXECUTIVE DIRECTORS

Mr. CHUANG, Chun Ngok Boris (莊峻岳先生), aged 48, is the chairman, an executive Director and the compliance officer of the Company. Mr. Chuang Chun Ngok Boris's primary responsibilities include the overall management and administration of the business and daily operations of the Group. He joined the Group in May 2002 and had participated in the business of the Group since 2004.

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

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

Mr. Chuang Chun Ngok Boris is the son of Mr. Chuang Wei Chu and the brother of Ms. Chuang Yau Ka, who is a Controlling Shareholder.

Mr. CHUANG, Wei Chu (莊偉駒先生), aged 76, is an executive Director of the Company. Mr. Chuang Wei Chu's primary responsibilities include the overall development, strategic planning and major business decisions of the Group. He is the founder of GMEHK in September 1994, and has over 45 years of experience in the civil engineering industry.

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

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

Mr. Chuang Wei Chu is the father of Mr. Chuang Chun Ngok Boris and Ms. Chuang Yau Ka, who is a Controlling Shareholder.

Please refer to the section headed "Directors' and Chief Executives' Interest and Short Positions in Shares, Underlying Shares and Debentures" in this Annual Report for details of the Directors' interests in the share capital of the Company which fall to be disclosed under the provisions in Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) ("**SFO**").

BIOGRAPHICAL DETAILS OF DIRECTORS, SENIOR MANAGEMENT AND COMPANY SECRETARY

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. LAM, Man Bun Alan (林文彬先生), aged 71, is an independent non-executive Director of the Company. Mr. Lam is currently a practising solicitor in Hong Kong and the sole proprietor of Alan Lam, Yam & Pe. He has been practising law in Hong Kong for over 40 years. Mr. Lam was respectively admitted to practice as a solicitor of the High Court of Hong Kong in June 1979, the Supreme Court of England and Wales in May 1983, the Supreme Court of the Australian Capital Territory in April 1989 and the Supreme Court of Republic of Singapore in May 1990. He has been an accredited general mediator of the Law Society of Hong Kong since June 2011 and an accredited general mediator of Hong Kong Mediation Accreditation Association Limited from July 2015. Mr. Lam has also been a part-time risk management lecturer for The Law Society of Hong Kong and has delivered hundreds of lectures on different risk management courses.

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

Mr. LAU, Chun Fai Douglas (劉俊輝先生), aged 51, is an independent non-executive Director of the Company. Mr. Lau has over 20 years of experience in auditing and accounting.

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

Mr. Lau has been an independent non-executive director of Chanjet Information Technology Company Limited (stock code: 1588) since September 2011 and Ausnutria Dairy Corporation Ltd (stock code: 1717) from January 2015 to April 2022.

Ir NG, Wai Ming Patrick (吳惠明工程師), aged 64, is an independent non-executive Director of the Company. Ir Patrick Ng has over 40 years of experience in building, civil, environmental and geotechnical engineering projects.

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

Ir Patrick Ng is appointed as the Member of Appeal (Building) Tribunal under the Buildings Ordinance (Chapter 123 of the Laws of Hong Kong); and Member of the Authorised Persons', Registered Structural Engineers' and Registered Geotechnical Engineers' Disciplinary Board Panel under the Buildings Ordinance (Chapter 123 of the Laws of Hong Kong).

Ir Patrick Ng is currently a Registered Professional Engineer (Building, Civil, Environmental, Geotechnical) under the Engineers Registration Board, an Authorised Person, and a Registered Geotechnical Engineer and Registered Structural Engineer under the Buildings Ordinance (Chapter 123 of the Laws of Hong Kong). He is a member and a fellow of the Hong Kong Institution of Engineers and Registered Inspector since May 1988 and February 1998 respectively, and is currently an Authorised Signatory on the Register of General Building Contractors and the Register of Specialist Contractors (Sub-register of Foundation Works Category, Sub-register of Demolition Works Category, Sub-register of Site Formation Works Category and Sub-register of Ground Investigation Field Works Category).

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

BIOGRAPHICAL DETAILS OF DIRECTORS, SENIOR MANAGEMENT AND COMPANY SECRETARY

Save as disclosed, each of the Directors, confirmed, to the best of his knowledge, information and belief having made all reasonable enquiries, there was no information relating to him required to be disclosed under Rule 17.50A(1) of the GEM Listing Rules.

Save as disclosed, each of the Directors had no other relationship with any Directors, senior management of the Company (the “**Senior Management**”) or substantial Shareholders as at the date of this Annual Report.

SENIOR MANAGEMENT

Mr. HO, John Kwun Fung (何冠鋒先生), aged 47, is the Senior Management and the project engineer of the Group. Mr. Ho joined the Group in March 2011 and is primarily responsible for the overall management and supervision of the projects of the Group and overseeing the progress of various projects undertaken by the Group, making recommendations to the executive Directors in relation to allocation of resources and purchase and/or rental of machinery necessary for its business.

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

COMPANY SECRETARY

Mr. SZE, Kevin Chun Kit (施俊傑先生), aged 37, is the company secretary of the Company (the “**Company Secretary**”) and the finance director of the Group. Mr. Sze joined the Group in March 2016 and is primarily responsible for accounting, financial management and company secretarial affairs.

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

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

CORPORATE GOVERNANCE REPORT

INTRODUCTION

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

BOARD OF DIRECTORS

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

Executive Directors

Mr. Chuang Chun Ngok Boris (*Chairman*)

Mr. Chuang Wei Chu

Independent non-executive Directors

Mr. Lam Man Bun Alan

Mr. Lau Chun Fai Douglas

Ir Ng Wai Ming Patrick

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

Biographical details of the Directors are set out in the section headed "Biographical details of Directors, Senior Management and Company Secretary" in this Annual Report. The updated list of Directors and their roles and functions is posted on the Stock Exchange's website at www.hkexnews.hk and the Company's website at www.gmehk.com.

CORPORATE GOVERNANCE PRACTICES

The Company considers the maintenance of a high standard of corporate governance important to the continuous growth of the Group. The Company's corporate governance practices are based on the code provisions as set out in the Corporate Governance Code (the "**CG Code**") as contained in Appendix C1 to the GEM Listing Rules. The Shares were listed on GEM of the Stock Exchange on 22 February 2017 (the "**Listing Date**"). The Company has since then adopted and complied with, where applicable, the CG Code from the Listing Date up to the date of this Annual Report to ensure that the Group's business activities and decision making processes are regulated in a proper and prudent manner and enable the evaluation by the Shareholders of such application.

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

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

CORPORATE GOVERNANCE REPORT

CORPORATE STRATEGY, BUSINESS MODEL AND CULTURE

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

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

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

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

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

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

CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

The Company had made specific enquiry with the Directors and all Directors confirmed that they had fully complied with the Required Standard of Dealings set out in the Code of Conduct during the Reporting Period.

CORPORATE GOVERNANCE REPORT

RESPONSIBILITIES OF THE BOARD

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

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

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

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

CHAIRMAN AND CHIEF EXECUTIVE

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

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

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

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

CORPORATE GOVERNANCE REPORT

INDEPENDENT NON-EXECUTIVE DIRECTORS

The independent non-executive Directors are mainly responsible for advising on issues such as corporate governance, audit, remuneration and nomination of Directors and Senior Management. In compliance with 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. Based on such confirmation and not aware of any adverse event, the Company considers that all the independent non-executive Directors are independent and have met the independence guidelines as set out in Rule 5.09 of the GEM Listing Rules.

BOARD COMMITTEES

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

All Board committees are provided with sufficient resources to perform their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstance at the Company’s expenses. The Company has established channels through formal and informal means whereby the independent non-executive Directors can express their views in an open and confidential manner should circumstances require. During the Reporting Period and up to the date of this Annual Report, the Board reviewed the implementation and effectiveness of such mechanism with satisfactory results. The Board committees will regularly report to the Board on decisions or recommendations made.

CORPORATE GOVERNANCE FUNCTION

The Board is responsible for the corporate governance functions under code provision A.2.1 of the CG Code. The Board has reviewed and discussed the corporate governance policy of the Group and is satisfied with the effectiveness of the corporate governance policy, such responsibilities include:

- (i) developing and reviewing the Group’s policies and practices on corporate governance;
- (ii) reviewing and monitoring the training and continuous professional development of the Directors and Senior Management;
- (iii) reviewing and monitoring the Group’s policies and practices on compliance with legal and regulatory requirements;
- (iv) developing, reviewing and monitoring the Code of Conduct and compliance manual applicable to employees and Directors; and
- (v) reviewing the Group’s compliance with the CG Code and relevant disclosure in the Corporate Governance Report.

During the Reporting Period, the Board has reviewed, and will continue to review the Group’s corporate governance manual at least annually, and considered the corporate governance function of the Group to be effective.

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

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

The following is a summary of the work during the Reporting Period:

- (a) made recommendations to the Board about BDO Limited's reappointment as the external auditor of the Company and discussed the corresponding audit plans, auditor's remuneration, terms of engagement and non-audit services;
- (b) reviewed the audited consolidated financial statements and annual results announcement of the Group for the year ended 31 December 2022;
- (c) reviewed the unaudited consolidated financial statements of the Group for the three months ended 31 March 2023, six months ended 30 June 2023 and nine months ended 30 September 2023;
- (d) reviewed the first quarterly results announcement of the Group for the three months ended 31 March 2023, interim results announcement of the Group for the six months ended 30 June 2023 and third quarterly results announcement of the Group for the nine months ended 30 September 2023; and
- (e) reviewed and monitored the effectiveness of the Group's financial control, internal control and risk management functions and performed other duties under the CG Code.

During the Reporting Period, the Audit Committee held five meetings. Please refer to the subsection headed "Number of meetings and attendance records" below for the attendance details.

CORPORATE GOVERNANCE REPORT

REMUNERATION COMMITTEE

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

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

During the Reporting Period, the Remuneration Committee held one meeting to review the remuneration policy and structure and make recommendations to the Board about the remuneration package of the Directors and Senior Management based on their individual performance. Please refer to the subsection headed “Number of meetings and attendance records” below for the attendance details.

NOMINATION COMMITTEE

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

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

CORPORATE GOVERNANCE REPORT

NOMINATION POLICY

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

(a) Nomination procedures and process

The Nomination Committee shall review the structure, size, composition and diversity of the Board and assess whether any vacancy of the Board has been created or is expected on a regular basis. The Nomination Committee may identify potential candidate(s) to the Board by using various methods but not limited to, making full use of intermediary agencies for identifying qualified Director candidate(s) at the Company's expenses and/or considering recommendations from the Board or Senior Management. The Nomination Committee should follow the selection criteria below to assess the potential candidate(s) by reference to his/her personal information in the prescribed form. The Nomination Committee shall undertake adequate due diligence regarding such individuals and make recommendations for the Board's consideration and approval. The Board shall have the final decision on all matters relating to its recommendation of candidates to stand for election at a general meeting of the Company.

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

(b) Selection criteria

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

- (i) reputation for integrity;
- (ii) commitment in respect of sufficient time and relevant interest to the Company; and
- (iii) diversity in all aspects, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service.

CORPORATE GOVERNANCE REPORT

BOARD DIVERSITY POLICY

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

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

The following measurable objectives were adopted by the Board:

- (i) at least one-third of the members of the Board shall be independent non-executive Directors; and
- (ii) at least two of the members of the Board shall have obtained accounting or other professional qualifications.

Gender diversity of the Board and the workforce is essential for the Group to attain its strategic objectives and achieve sustainable and balanced development. Therefore, the Nomination Committee recommended a female candidate to join the Board under the existing nomination policy on 20 March 2024. On 21 March 2024, the Board resolved to propose the appointment of Ms. Chuang Yan Ka as a non-executive Director at the AGM. Ms. Chuang Yau Ka is the daughter of Mr. Chuang Wei Chu, the executive Director and the sister of Mr. Chuang Chun Ngok Boris, the chairman and executive Director.

In addition, the Board also discussed with the environment, social, and governance (“**ESG**”) working group on the importance of gender diversity across the workforce of the Group. In general, the male workforce dominates the construction industry due to the heavy work nature. However, the Group welcomes all female talents to join the Group to work together to provide high-value construction services to the public. Nevertheless, the Group will also constantly identify female individuals who possess relevant and competent qualities to become the Board members while will be reviewed by the Nomination Committee in order to develop a pipeline of potential successors to the Board to promote gender diversity of the Board. The relevant gender diversity information and targets will be disclosed in the ESG report for 31 December 2023 (“**ESG Report**”).

During the Reporting Period, the Nomination Committee held one meeting to assess the structure, size, composition and diversity of the Board and the independence of independent non-executive Directors, review the Board diversity policy, and make recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors. The Board has also achieved the measurable objectives set out in the Board diversity policy. During the period from the Listing Date up to the date of this Annual Report, the independent non-executive Directors have served the Company for more than seven years. During the Relevant Period, the Nomination Committee assessed the independence of independent non-executive Directors by reference to their independence confirmation and concluded that no independence issues were noted.

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

TERMS OF APPOINTMENT AND RE-ELECTION OF DIRECTORS

Each of the executive Directors has renewed the service agreement with the Company on 10 February 2023 for a term of three years. Either party may terminate the service agreement by giving to the other not less than three months’ prior notice in writing at any time.

Each of the independent non-executive Directors has renewed the letter of appointment on 10 February 2023 for a term of three years. The independent non-executive Directors may terminate their letter of appointment by giving a minimum of three months’ notice in writing to the Company.

CORPORATE GOVERNANCE REPORT

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

According to the Article 25 of the second amended and restated Articles of Association of the Company (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 AGM, an executive Director, being Mr. Chuang Wei Chu, and an independent non-executive Director, being Ir Ng Wai Ming Patrick, would retire and be subjected to re-election.

BOARD MEETINGS

Code provision C.5.1 of the CG Code states that Board meeting should be held at least four times each year at approximately quarterly intervals with active participation, either in person or through electronic means of communication by the majority of the Directors entitled to be present. The Board delegates necessary powers and authorities to the executive Directors to facilitate the efficient day to day management of the Group's business. Directors who are considered having conflict of interests or material interests in the proposed transactions or issues to be discussed would not be counted in the quorum of meeting and would abstain from voting on the relevant resolutions subject to certain exceptions set out in the Articles. The Company Secretary maintains minutes of the Board meetings for inspection by Directors. All Directors have access to the services of the Company Secretary who regularly updates the Board on corporate governance and regulatory matters. Any Director, Audit Committee members, Remuneration Committee members and Nomination Committee members may take independent professional advice at the expense of the Company should they so wish. The Board will schedule to have at least four regular meetings per year.

During the Reporting Period, five Board meetings were held.

NUMBER OF MEETINGS AND ATTENDANCE RECORDS

The attendance of Directors at the Board meetings and the Board's committees' meetings during the Reporting Period is set out in the table below:

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

As stated in code provision C.5.3 of the CG Code, notice of regular Board meetings will be given to all Directors at least 14 days prior to the scheduled Board meeting. For all other Board meetings, reasonable notice will be given.

Pursuant to code provision C.1.6 of the CG Code, independent non-executive Directors and other non-executive Directors should attend general meeting(s) of the Company. During the Reporting Period, all independent non-executive Directors attended the annual general meeting of the Company on Tuesday, 19 May 2023 in person.

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

CORPORATE GOVERNANCE REPORT

TRAINING FOR DIRECTORS AND COMPANY SECRETARY AND CONTINUING PROFESSIONAL DEVELOPMENT

According to code provision C.1.4 of the CG Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant. The Directors confirmed that they have complied with code provision C.1.4 of the CG Code and provided a record of training to the Company.

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

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

Mr. Sze Kevin Chun Kit, the Company Secretary, complied with the relevant professional training under Rule 5.15 of the GEM Listing Rules for the year ended 31 December 2023.

AUDITOR'S REMUNERATION

The auditor's remuneration paid/payable to the auditor of the Company for the Reporting Period is set out as follows:

Services rendered	HK\$
Audit service	710,000
Non-audit service (tax services provided by network firm of the auditor of the Company)	43,800
Total	753,800

COMPANY SECRETARY

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

CORPORATE GOVERNANCE REPORT

COMPLIANCE OFFICER

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

DIRECTORS’ RESPONSIBILITY IN PREPARING THE FINANCIAL STATEMENTS

The Directors acknowledge that it is their responsibility to prepare the financial statements for the year ended 31 December 2023 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 2023, the Board has selected suitable accounting policies and applied them consistently, made judgments and estimates that are fair and reasonable.

As at 31 December 2023, the Board was not aware of any material uncertainties relating to events or conditions that might cast significant doubt upon the Group’s ability to continue as a going concern. Therefore, the Directors continue to adopt the going concern approach in preparing the Consolidated Financial Statements.

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

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

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

ESG REPORT

The Company will issue a separate ESG Report on the Stock Exchange’s website at www.hkexnews.hk and under “INVESTOR RELATIONS” section of the Company’s website at www.gmehk.com at the same time as the publication of this Annual Report in compliance with the Appendix C2 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.

CORPORATE GOVERNANCE REPORT

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

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

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

The Company discloses information in compliance with the GEM Listing Rules. The Company believes that information disclosures in timely, accurate and complete manners can enhance the corporate transparency. For the purpose of effective communication, the Company has published the Shareholders' communication policy and the latest information relating to the Group on its website at www.gmehk.com. Besides, through the communication with Shareholders during the annual general meeting of the Company and the stakeholders' engagement conducted by the ESG working group, the Board can solicit and understand their view to achieve sustainable and balanced development. Shareholders and other stakeholders of the Company (the "**Stakeholders**"), who would like to communicate their views on various matters affecting the Company to the Board or the Company may send their views by post to the principal place of business in Hong Kong or via E-mail (ir@gmehk.com). During the Relevant Period, the Board discussed and reviewed the Shareholders' communication policy and considered it to be effectively implemented.

Pursuant to code provision F.1.1 of the CG Code, the Company should have a policy on payment of dividends. Please refer to the section headed "Directors' Report – Dividend policy" in this Annual Report for details.

CONSTITUTIONAL DOCUMENTS

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

On 19 May 2023, the Company adopted the Second Amended and Restated Memorandum of Association and Articles of Association of the Company. Save as disclosed, during the Reporting Period, there has been no other change in the Company's Memorandum of Association and Articles of Association.

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

CORPORATE GOVERNANCE REPORT

RISK MANAGEMENT AND INTERNAL CONTROLS

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

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

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

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

As at the date of this Annual Report, the Board has conducted a review of the effectiveness of the risk management and internal control systems under code provision D.2.1, which covered the financial, operational, compliance and risk management for Reporting Period. The Board considered that the system of the Group to be adequate and effective for Reporting Period. The Company did not have an internal audit function. During Reporting Period, the Group engaged Viricorn Consulting and Appraisal Limited as an independent internal audit consultant to review the effectiveness of the Group's risk management and internal control system. The internal control consultant directly reports to the Audit Committee. Going forward, the Directors will work with the internal control consultant annually to assess and review the effectiveness of the Group's risk management and internal control system.

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

CORPORATE GOVERNANCE REPORT

PROCEDURES FOR RAISING ENQUIRIES

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

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

Fax: +852 3105 1881

E-mail: companysecretary@gmehk.com

DIRECTORS' REPORT

The Directors present their report and the Consolidated Financial Statements.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The Group is principally engaged in the provision of underground construction services. Details of the principal activities of its subsidiaries are set out in note 29 to the Consolidated Financial Statements of this Annual Report. There were no significant changes in the nature of the Group's principal activities during the Reporting Period.

PRINCIPAL PLACE OF BUSINESS

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

BUSINESS REVIEW

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

DIVIDEND POLICY

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

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

1. the Group's earnings and its general financial conditions;
2. the future cash requirements and availability of the Group;
3. the future prospect and general market condition; and
4. any other factors that the Board deems appropriate, subject to the Articles of Association and any applicable laws of the Cayman Islands.

RESULTS AND DIVIDENDS

The results of the Group for the Reporting Period are set out in the section headed "Consolidated statement of comprehensive income" in this Annual Report.

On 21 March 2024, the Board recommended a final dividend of HK5.0 cents per Share for the year ended 31 December 2023, which is subject to the approval of Shareholders at the AGM. The total payout will amount to HK\$24,390,400. No dividend was declared by the Company for the year ended 31 December 2022.

DIRECTORS' REPORT

ANNUAL GENERAL MEETING AND CLOSURE OF THE REGISTER OF MEMBERS

The AGM will be held on Friday, 24 May 2024. The register of members of the Company will be closed from Monday, 20 May 2024 to Friday, 24 May 2024 (the “**closure period**”), both days inclusive, for the purposes of determining the entitlements of the Shareholders to attend and vote at the forthcoming AGM. During this closure period, no transfer of the Shares will be registered. In order to qualify for attending and voting at the AGM, all transfers, accompanied by the relevant Share certificates must be lodged with the Company’s Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration no later than 4:30 p.m. on Friday, 17 May 2024.

To ascertain entitlement to the proposed final dividends, the register of members of the Company will also be closed from Thursday, 30 May 2024 to Friday, 31 May 2024, both days inclusive. In order to qualify for the proposed final dividends, which is subject to approval of Shareholders at the AGM, all transfers accompanied by the relevant share certificates must be lodged with the Hong Kong branch share registrar of the Company, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong no later than 4:30 p.m. on Wednesday, 29 May 2024.

SUMMARY OF FINANCIAL INFORMATION

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

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group during the year ended 31 December 2023 are set out in note 16 to the Consolidated Financial Statements of this Annual Report.

SHARE CAPITAL

Details of the movements in the Company’s share capital for the year ended 31 December 2023 are set out in note 26 to the Consolidated Financial Statements of this Annual Report.

RESERVES

Details of the movements in the reserves of the Company and the Group during the year are set out in note 28 to the Consolidated Financial Statements and in the consolidated statement of changes in equity of this Annual Report, respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2023, the Company’s reserves available for distribution, calculated in accordance with the Companies Act (Revised), Cap 22 of the Cayman Islands, amounted to approximately HK\$26,710,000.

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

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

DIRECTORS' REPORT

DIRECTORS

The Directors of the Company during the Relevant Period were:

Executive Directors

Mr. Chuang Chun Ngok Boris (*Chairman*)

Mr. Chuang Wei Chu

Independent non-executive Directors

Mr. Lam Man Bun Alan

Mr. Lau Chun Fai Douglas

Ir Ng Wai Ming Patrick

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

DIRECTORS' AND SENIOR MANAGEMENT BIOGRAPHIES

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

DIRECTORS' SERVICE CONTRACTS

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

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 31 to the Consolidated Financial Statements of this Annual Report, there were no transactions, arrangements or contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a Director or an entity connected with him has or had a material interest, whether direct or indirect, subsisting at any time during or at the end of the year 2023.

DIRECTORS' REPORT

CONTRACT OF SIGNIFICANCE

Save as those disclosed in note 31 to the Consolidated Financial Statements of this Annual Report, no contract of significance in relation to the Group's business (1) has been entered into between the Company, or one of its subsidiaries, and a controlling Shareholder or any entity connected with him/her; and (2) has been entered into for the provision of services to the Company or any of its subsidiaries by a controlling Shareholder or any entity connected with him/her.

DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS AND REMUNERATION POLICY

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

MANAGEMENT CONTRACTS

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

RELATED PARTIES TRANSACTIONS

Details of the related party transactions undertaken by the Group during the year ended 31 December 2023 are set out in note 31 to the Consolidated Financial Statements of this Annual Report. None of the related party transactions constitutes disclosable connected transaction under the GEM Listing Rules.

COMPETING INTEREST

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

PENSION SCHEME ARRANGEMENTS

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

DIRECTORS' REPORT

SHARE OPTION SCHEME

The Company has not granted or issued any option or adopted any share option scheme up to 31 December 2023.

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

As at 31 December 2023, the interests or short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions in which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein or which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

Long Position in Shares

Name of Directors	Notes	Directly beneficially owned	Through spouse	Acting in concert	Total	Percentage of the Company's issued share capital
Mr. Chuang Chun Ngok Boris	(a)	103,000,000	–	187,120,000	290,120,000	59.5%
Mr. Chuang Wei Chu	(b)	103,000,000	49,620,000	137,500,000	290,120,000	59.5%

Notes:

- (a) Mr. Chuang Chun Ngok Boris (i) personally holds 103,000,000 Shares; and (ii) is a party to the Acting in Concert Deed pursuant to which each of Mr. Chuang Wei Chu, Mr. Chuang Chun Ngok Boris, Ms. To Yin Ping and Ms. Chuang Yau Ka has agreed to consolidate their respective interests in the Company and to vote on any resolution to be passed at any Shareholders' meeting of the Company in a unanimous manner. Mr. Chuang Chun Ngok Boris is therefore deemed to be interested in the Shares held by Mr. Chuang Wei Chu, Ms. To Yin Ping and Ms. Chuang Yau Ka respectively under the SFO. Each of Mr. Chuang Chun Ngok Boris, Mr. Chuang Wei Chu, Ms. To Yin Ping and Ms. Chuang Yau Ka is deemed to be interested in all the Shares held by them in aggregate by virtue of the SFO. Mr. Chuang Chun Ngok Boris is the son of Mr. Chuang Wei Chu and Ms. To Yin Ping and the brother of Ms. Chuang Yau Ka.
- (b) Mr. Chuang Wei Chu (i) personally holds 103,000,000 Shares; (ii) is the spouse of Ms. To Yin Ping, who personally holds 49,620,000 Shares and is deemed to be interested in the Shares personally interested by Ms. To Yin Ping; and (iii) is a party to the Acting in Concert Deed pursuant to which each of Mr. Chuang Wei Chu, Mr. Chuang Chun Ngok Boris, Ms. To Yin Ping and Ms. Chuang Yau Ka has agreed to consolidate their respective interests in the Company and to vote on any resolution to be passed at any Shareholders' meeting of the Company in a unanimous manner. Mr. Chuang Wei Chu is therefore deemed to be interested in the Shares held by Mr. Chuang Chun Ngok Boris, Ms. To Yin Ping and Ms. Chuang Yau Ka respectively under the SFO. Each of Mr. Chuang Chun Ngok Boris, Mr. Chuang Wei Chu, Ms. To Yin Ping and Ms. Chuang Yau Ka is deemed to be interested in all the Shares held by them in aggregate by virtue of the SFO. Mr. Chuang Wei Chu is the father of Mr. Chuang Chun Ngok Boris and Ms. Chuang Yau Ka.

As at 31 December 2023, none of the Directors and chief executives of the Company had any interests in the underlying shares in respect of physically settled, cash settled or other equity derivatives of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

Saved as disclosed above, as at 31 December 2023, none of the Directors and chief executives of the Company had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions in which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

DIRECTORS' REPORT

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

As at 31 December 2023, so far as is known to the Directors, the following persons' interests and short positions of the share capital and underlying shares of the Company, other than a Director or chief executive of the Company, were recorded in the register of interests required to be kept by the Company pursuant to section 336 of the SFO:

Long Position in Shares

Name of Shareholders	Notes	Nature of interest	Total	Percentage of the Company's issued share capital
Ms. To Yin Ping	(a)	Beneficial owner, interest held jointly with another person and interest of spouse	290,120,000	59.5%
Ms. Chuang Yau Ka	(b)	Beneficial owner and interest held jointly with another person	290,120,000	59.5%
Mr. Ng Kwok Lun		Beneficial owner	39,500,000	8.1%

Notes:

- (a) Ms. To Yin Ping (i) personally holds 49,620,000 Shares; (ii) is the spouse of Mr. Chuang Wei Chu and is deemed to be interested in the Shares which are deemed to be interested by Mr. Chuang Wei Chu under the SFO; and (iii) is a party to the Acting in Concert Deed pursuant to which each of Mr. Chuang Chun Ngok Boris, Mr. Chuang Wei Chu, Ms. To Yin Ping and Ms. Chuang Yau Ka has agreed to consolidate their respective interests in the Company and to vote on any resolution to be passed at any Shareholders' meeting in an unanimous manner. Ms. To Yin Ping is therefore deemed to be interested in the Shares held by Mr. Chuang Wei Chu, Mr. Chuang Chun Ngok Boris and Ms. Chuang Yau Ka respectively under the SFO. Each of Mr. Chuang Wei Chu, Mr. Chuang Chun Ngok Boris, Ms. To Yin Ping and Ms. Chuang Yau Ka deemed to be interested in all the Shares held by them in aggregate by virtue of the SFO. Ms. To Yin Ping is the mother of Mr. Chuang Chun Ngok Boris and Ms. Chuang Yau Ka.
- (b) Ms. Chuang Yau Ka (i) personally holds 34,500,000 Shares; and (ii) is a party to the Acting in Concert Deed pursuant to which each of Mr. Chuang Chun Ngok Boris, Mr. Chuang Wei Chu, Ms. To Yin Ping and Ms. Chuang Yau Ka has agreed to consolidate their respective interests in the Company and to vote on any resolution to be passed at any Shareholders' meeting in an unanimous manner. Ms. Chuang Yau Ka is therefore deemed to be interested in the Shares held by Mr. Chuang Wei Chu, Ms. To Yin Ping and Mr. Chuang Chun Ngok Boris respectively under the SFO. Each of Mr. Chuang Wei Chu, Mr. Chuang Chun Ngok Boris, Ms. To Yin Ping and Ms. Chuang Yau Ka is deemed to be interested in all the Shares held by them in aggregate by virtue of the SFO. Ms. Chuang Yau Ka is the daughter of Mr. Chuang Wei Chu and Ms. To Yin Ping and the sister of Mr. Chuang Chun Ngok Boris.

Save as disclosed above, as at 31 December 2023, the Directors were not aware of any person who had an interest or short positions in any Shares, underlying Shares and debenture of the Company as recorded in the register required to be kept pursuant to section 336 of the SFO.

DIRECTORS' REPORT

DEED OF NON-COMPETITION

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

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

MAJOR CUSTOMERS AND SUPPLIERS

The revenue of the Group's top five customers accounted for approximately HK\$517,165,000 for the year ended 31 December 2023 (2022: approximately HK\$397,550,000), representing approximately 94.1% (2022: approximately 90.2%) of the Group's total revenue. The Group's largest customer accounted for approximately HK\$189,767,000 (2022: approximately HK\$94,934,000) or approximately 34.5% (2022: approximately 21.6%) of total revenue for the year ended 31 December 2023.

The total purchase from the Group's top five suppliers amounted to approximately HK\$20,694,000 for the year ended 31 December 2023 (2022: approximately HK\$29,295,000), representing approximately 8.5% (2022: approximately 15.7%) of the Group's total purchase. The Group's largest supplier accounted for approximately HK\$5,039,000 (2022: approximately HK\$8,332,000) or approximately 2.1% (2022: approximately 4.5%) of total purchase for the year ended 31 December 2023.

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

SUFFICIENCY OF PUBLIC FLOAT

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

INTEREST OF THE COMPLIANCE ADVISER

As at the date of this Annual Report, except for (i) the participation of Altus Capital Limited ("**Altus**") as the sponsor in relation to the listing of the Company on GEM; (ii) the compliance adviser agreement entered into between the Company and Altus dated 26 April 2016 and extended on 31 March 2020, 14 August 2020, 24 March 2021, 11 August 2021, 24 March 2022, 16 August 2022, 31 March 2023 and 16 August 2023; 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.

EVENTS AFTER THE REPORTING PERIOD

The Directors are not aware of any significant event requiring disclosure that has taken place subsequent to 31 December 2023 and up to the date of this Annual Report.

DIRECTORS' 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.

DISCLOSURES PURSUANT TO RULE 17.23 OF THE GEM LISTING RULES

In accordance with the disclosure requirements of Rule 17.23 of the GEM Listing Rules, the following disclosures are included in this Annual Report, where GMEHK entered into a facility letter with a licensed bank in Hong Kong which is effective and ready to be used on 21 December 2022 (the “**Letter**”), which contains covenants requiring specific performance obligations of the Controlling Shareholders. Pursuant to the Letter, a termination event would arise if the Controlling Shareholders maintain less than 50% of the issued shares. Besides, Mr. Chuang Chun Ngok Boris shall remain as the chairman of the Company. For more details, please refer to the Company’s announcement dated 21 December 2022.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to fulfilling social responsibility, promoting employee benefits and development, protecting the environmental and giving back to community and achieving sustainable growth. The environmental policies and performances and the Company’s relationships with employees, customers, suppliers and other that have a significant impact on the Company and on which the Company’s success depends are to be discussed in the ESG Report.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

During the Reporting Period, to the best knowledge of the Directors, there was no material breach of or non-compliance with the applicable laws and regulations by the Group that has a significant impact on the businesses and operations of the Group.

AUDITOR

The Consolidated Financial Statements for the year ended 31 December 2023 has been audited by BDO Limited. BDO Limited will retire and a resolution for their reappointment as auditor of the Company will be proposed at the AGM.

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

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

Hong Kong, 21 March 2024

INDEPENDENT AUDITOR'S REPORT



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香港干諾道中111號
永安中心25樓

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF GME GROUP HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of GME Group Holdings Limited (the "Company") and its subsidiaries (together the "Group") set out on page 46 to 100, which comprise the consolidated statement of financial position as at 31 December 2023, 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 material accounting policy information.

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 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS (CONTINUED)

Revenue recognition from construction contracts

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

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

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

Our response:

- Understanding of and evaluating the design and implementation of key controls related to estimation of revenue recognised on construction contracts;
- Assessing the appropriateness of the Group's revenue recognition policy under the requirements of HKFRS 15 "Revenue from contracts with customers";
- Evaluating the estimation of revenue recognised from construction contracts, on a sample basis.
- Agreeing contract sum and variations, if any, to contracts;
- Assessing, on sample basis, the reasonableness of contract revenue recognised by checking to surveys of work performed and progress certificates issued by customers;
- Discussing with the Group's management about the progress of the construction projects for any potential disputes, variation order claims or significant events that could impact the estimated contract costs. For projects which are expected to be loss-making, we reviewed management's assessment and assessed if adequate provision for onerous contracts has been recognised; and
- Assessing the reliability of approved budgets by comparing the actual outcome against the management's establish of construction contracts, on a sample basis.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (CONTINUED)

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

As described in Notes 18(a) and 17 to the consolidated financial statements, the carrying amounts of the Group's trade receivables and contract assets amounted to approximately HK\$138,897,000 (after provision for ECLs of HK\$778,000) and HK\$98,833,000 (after provision for ECLs of HK\$8,805,000), respectively, which represented approximately 51% and 36%, respectively of the Group's total assets.

In general, the credit terms granted by the Group to the customers ranged between 21 to 60 days. The management of the Group estimates the amount of lifetime ECL of trade receivables and contract assets individually for certain debtors with significant balances and/or collectively through grouping of various debtors that have similar loss patterns, after considering internal credit ratings of trade debtors based on ageing, repayment history and/or past due status of respective trade receivables. Estimated loss rates are based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is reasonable and supportable available without undue costs or effort. In addition, trade receivables and contract assets that are credit impaired are assessed for ECL individually. The loss allowance amount of the credit-impaired trade receivables and contract assets is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows.

We identified impairment of trade receivables and contract assets as key audit matter as the impairment assessment of trade receivables and contract assets under the ECLs model involved the use of significant management judgements and estimates. The Group's impairment loss on financial assets and contract assets policy and key sources of estimation uncertainty are set out in Notes 4(c)(ii) and 5(b)(iii) to the consolidated financial statements.

Our response:

- Evaluating the independent external valuer's competency, capability and objectivity;
- Understanding the processes and controls on how the management estimates the credit loss allowance for trade receivables and contract assets;
- Inquiring of management for the status of each of the material trade receivables past due as at year end and corroborating explanations from management with supporting evidence, such as performing public search of credit profile of selected customers, understanding on-going business relationship with the customers based on trade records, checking historical settlement record and correspondence with the customers;
- Assessing the appropriateness of management's estimates of loss allowance by examining the information used by management to derive such estimates, including testing the accuracy of category of customer groups and aging of debtors by comparing a sample of individual items with the related progress certificates, and obtaining historical credit loss data and evaluating whether the historical loss rates are appropriately adjusted based on current economic conditions and forward-looking information; and
- Recalculating the loss allowance, to assess if this is consistent with the Group's policies.

INDEPENDENT AUDITOR'S REPORT

OTHER INFORMATION IN THE ANNUAL REPORT

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

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

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

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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.

INDEPENDENT AUDITOR'S REPORT

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

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

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

BDO Limited

Certified Public Accountants

Lau Kin Tat, Terry

Practising Certificate no. P07676

Hong Kong, 21 March 2024

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2023

	Notes	2023 HK\$'000	2022 HK\$'000
Revenue	7	549,554	440,528
Cost of services		(439,532)	(426,601)
Gross profit		110,022	13,927
Other income	8	1,310	17,251
(Provision)/reversal of impairment loss on trade receivables and contract assets		(8,744)	393
Administrative expenses		(28,013)	(25,547)
Finance costs	11	(3,712)	(1,267)
Profit before income tax	9	70,863	4,757
Income tax (expense)/credit	13	(9,388)	1,045
Profit and total comprehensive income for the year		61,475	5,802
Profit and total comprehensive income attributable to:			
Owners of the Company		61,479	5,804
Non-controlling interests		(4)	(2)
		61,475	5,802
Earnings per share			
– Basic and diluted (HK cents)	15	12.60	1.19

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	Notes	2023 HK\$'000	2022 HK\$'000
Non-current assets			
Property, plant and equipment	16	19,300	13,744
Deposits	18	436	–
Deferred tax assets	25	–	627
		19,736	14,371
Current assets			
Contract assets	17	98,833	83,782
Trade and other receivables	18	146,661	44,958
Amount due from a minority shareholder of a subsidiary	19	400	400
Pledged bank deposits	20	3,000	2,004
Cash at bank and in hand	20	4,467	11,431
		253,361	142,575
Current liabilities			
Trade and other payables	21	53,141	36,045
Bank borrowings, secured	22	66,000	40,000
Amount due to a director	23	8,000	10,000
Lease liabilities	24	2,957	779
Tax payable		7,642	–
		137,740	86,824
Net current assets		115,621	55,751
Total assets less current liabilities		135,357	70,122
Non-current liabilities			
Lease liabilities	24	3,167	526
Deferred tax liabilities	25	1,119	–
		4,286	526
NET ASSETS		131,071	69,596

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	Notes	2023 HK\$'000	2022 HK\$'000
EQUITY			
Equity attributable to owners of the Company			
Share capital	26	4,878	4,878
Reserves	28	125,809	64,330
		130,687	69,208
Non-controlling interests		384	388
TOTAL EQUITY		131,071	69,596

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 2023

	Attributable to the owners of the Company					Total HK\$'000	Non-controlling interests (Note 34) HK\$'000	Total HK\$'000
	Share capital	Capital reserve (Note 28(a))	Capital reserve (Note 28(d))	Other reserve (Note 28(b))	Retained earnings (Note 28(c))			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000			
At 1 January 2022	4,878	90,753	90	(36,104)	3,787	63,404	390	63,794
Profit and total comprehensive income for the year	-	-	-	-	5,804	5,804	(2)	5,802
At 31 December 2022 and 1 January 2023	4,878	90,753	90	(36,104)	9,591	69,208	388	69,596
Profit and total comprehensive income for the year	-	-	-	-	61,479	61,479	(4)	61,475
At 31 December 2023	4,878	90,753	90	(36,104)	71,070	130,687	384	131,071

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

	Notes	2023 HK\$'000	2022 HK\$'000
Cash flows from operating activities			
Profit before income tax		70,863	4,757
Adjustments for:			
Depreciation of property, plant and equipment		10,712	9,050
Finance costs		3,712	1,267
Loss/(gain) on disposal of property, plant and equipment		75	(22)
Bank interest income		(20)	(8)
Provision/(reversal of) impairment loss on trade receivables, net		149	(155)
Provision/(reversal) of impairment loss on contract assets, net		8,595	(238)
Operating profit before working capital changes		94,086	14,651
(Increase)/decrease in trade and other receivables		(103,758)	37,437
Increase in contract assets		(23,646)	(40,884)
Increase/(decrease) in trade and other payables		18,043	(26,064)
Cash used in operating activities		(15,275)	(14,860)
Interest received		20	4
Net cash used in operating activities		(15,255)	(14,856)
Cash flows from investing activities			
Purchases of property, plant and equipment		(8,358)	(6,269)
Proceeds from disposal of property, plant and equipment		155	22
Net cash used in investing activities		(8,203)	(6,247)
Cash flows from financing activities			
Proceeds from bank borrowings	33(b)	192,175	40,000
Repayment of bank borrowings	33(b)	(166,175)	(17,000)
Interest paid on bank borrowings	33(b)	(3,380)	(1,045)
(Repayment to)/cash advances from director	33(b)	(2,000)	10,000
Increase in pledged bank deposit		(996)	(2,004)
Payment of lease liabilities	33(b)	(3,130)	(2,847)
Net cash generated from financing activities		16,494	27,104
Net (decrease)/increase in cash and cash equivalents		(6,964)	6,001
Cash and cash equivalents at beginning of year		11,431	5,430
Cash and cash equivalents at end of year	20	4,467	11,431

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

1. GENERAL

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

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

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

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

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

(a) Adoption of new/revised HKFRSs – effective 1 January 2023

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

HKFRS 17	Insurance Contracts
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform – Pillar Two Model Rules

Except as described below, the directors expect that these new HKFRSs and the amendments to HKFRSs have no material impact on the Group's results and financial position for the current or prior period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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

(a) Adoption of new/revised HKFRSs – effective 1 January 2023 (Continued)

Amendments to HKAS 1 Presentation of Financial Statements and HKFRS Practice Statement 2 Making Materiality Judgements – Disclosure of Accounting Policies

The amendments change the requirements in HKAS 1 and guidance on HKFRS Practice Statement 2 with regard to disclosure of accounting policies and providing guidance and examples. The amendments replace all instances of the term ‘significant accounting policies’ with ‘material accounting policy’. Accounting policy information is material if, when considered together with other information included in an entity’s financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The supporting paragraphs in HKAS 1 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

These amendments have no effect on the measurement or presentation of any items in the consolidated financial statements of the Group but affect the disclosure of accounting policies of the Group.

(b) New guidance on accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong issued by HKICPA

In June 2022, Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (‘the Amendment Ordinance’) was gazetted. The Amendment Ordinance abolishes the use of the accrued benefits derived from employers’ mandatory contributions under the mandatory provident fund (‘MPF’) to offset severance payment (‘SP’) and long service payments (‘LSP’) (‘the Abolition’). Subsequently, the Government of HKSAR announced that the Abolition will take effect on 1 May 2025 (‘the Transition Date’).

The following key changes will take effect since the Transition Date:

- Accrued benefits derived from employers’ mandatory MPF contributions cannot be used to offset the LSP/SP in respect of the employment period after the Transition Date.
- The pre-transition LSP/SP is calculated using the last month’s salary immediately preceding the Transition Date, instead of using the salary of employment termination date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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

(b) New guidance on accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong issued by HKICPA (Continued)

Due to the complexities of the accounting for the offsetting of employer’s MPF contributions and its LSP obligation and the accounting for the offsetting mechanism could become material in light of the Abolition, the HKICPA published ‘Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong’ (‘the Guidance’) in July 2023 to provide guidance to account for the offsetting mechanism and the Abolition. The HKICPA concluded that there are two acceptable accounting approaches, being:

- Approach 1: Account for the amount expected to be offset as a deemed employee contribution towards that employee’s LSP benefits in terms of HKAS 19.93(a).
- Approach 2: Account for the employer MPF contributions and the offsetting mechanism as a funding mechanism for the LSP obligation

For the year ended 31 December 2023 and 2022, the Group’s LSP liability is immaterial. Application of the Guidance had no material effect on the consolidated financial statements of the Group.

(c) Revised HKFRSs that have been issued but are not yet effective

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

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current, Non-Current Liabilities with Covenants ¹
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback ¹
HK Int 5 (Revised)	Hong Kong Interpretation 5 (Revised) Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ¹
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements ¹
Amendment to HKAS 21	Lack of Exchangeability ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³

¹ Effective for annual periods beginning on or after 1 January 2024.

² Effective for annual periods beginning on or after 1 January 2025.

³ Effective for annual periods beginning on or after a date to be determined.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

3. BASIS OF PREPARATION

(a) Statement of compliance

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

(b) Basis of measurement

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

(c) Functional and presentation currency

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

4. MATERIAL ACCOUNTING POLICIES

(a) Property, plant and equipment

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

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

4. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(b) Leasing

The Group as a lessee

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

Right-of-use asset

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

The Group measures the right-of-use assets applying a cost model. Under the cost model, the Group measures the right-of-use assets at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability.

Lease liability

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

4. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(c) Financial Instruments

(i) **Financial assets**

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, transaction costs that are directly attributable to its acquisition or issue. Trade receivable without a significant financing component is initially measured at the transaction price.

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

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

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

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

(ii) **Impairment loss on financial assets and contract assets**

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

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

The Group measure loss allowances for trade receivables and contract assets using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The ECL on these assets are assessed individually for certain debtors with different historical loss patterns or credit-impaired are assessed for ECL individually (see Note 32(a)).

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

4. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(c) Financial Instruments (Continued)

(ii) Impairment loss on financial assets and contract assets (Continued)

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; and
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definitions.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

4. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(c) Financial Instruments (Continued)

(ii) Impairment loss on financial assets and contract assets (Continued)

(II) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(III) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- (a) significant financial difficulty of the issuer or the borrower;
- (b) a breach of contract, such as a default or past due event;
- (c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- (e) the disappearance of an active market for that financial asset because of financial difficulties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

4. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(c) Financial Instruments (Continued)

(ii) Impairment loss on financial assets and contract assets (Continued)

(IV) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables and contract receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(V) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Lifetime ECL for certain trade receivables and contract receivables are considered on a collective basis taking into consideration past due information and relevant credit information such as forward-looking macroeconomic information.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

4. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(c) Financial Instruments (Continued)

(ii) Impairment loss on financial assets and contract assets (Continued)

(v) Measurement and recognition of ECL (Continued)

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- Nature of financial instruments (i.e. the Group's trade receivables, contract receivables and certain other receivables are each assessed as a separate group.);
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where applicable.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

(vi) Derecognition of Financial Assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

(iii) Financial liabilities

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

4. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(c) Financial Instruments (Continued)

(iv) *Effective interest method*

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

(v) *Equity instruments*

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

(vi) *Derecognition*

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

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

(d) Employee benefits

(i) *Short term employee benefit*

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

(ii) *Defined contribution retirement plan*

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

4. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(e) Revenue recognition

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

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

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

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

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

a. Provision of construction services

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

4. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(e) Revenue recognition (Continued)

a. *Provision of construction services (Continued)*

For contracts that contain variable consideration, the Group estimate the amount of consideration to which it will be entitled using the expected value method, rather than the most likely amount method, which better predicts the amount of consideration to which the Group will be entitled.

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

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

Contract assets

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

Contract assets are recognised when (i) the Group completes the construction services under such services contracts but yet certified by architects, surveyors or other representatives appointed by customers, or (ii) the customers retain retention money to secure the due performance of the contracts. Any amount previously recognised as a contract assets are reclassified to trade receivables at the point at which it is invoiced to the customer.

(f) Income taxes

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Group's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects any uncertainty related to income tax.

Deferred income tax

Deferred income tax is provided, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

4. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(g) Provision and contingent liabilities

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

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

5. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

(a) Critical judgements in applying accounting policies

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.

(b) Estimates and assumptions

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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

(b) Estimates and assumptions (Continued)

(i) *Provision of construction services*

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

The Group defines the confirmed and unpriced variation orders (VOs) as variable consideration. During the construction progress, VOs may be received and these VOs were highly inter-related and regard as modification to former contracts, i.e. contract modification and made cumulative catch-up adjustment on such. The Group estimates the amount of variable consideration to which it will be entitled using the expected value method, rather than the most likely amount method which better predicts the amount of consideration to which the Group will be entitled. In estimating the variable consideration, the key input used by the Group is the surveys of work. The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty associated with the variable consideration is subsequently resolved and only record these approved VOs when the Group agreed and/or received interim payment from the customers.

(ii) *Impairment of non-financial assets*

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

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

As described in the policy in note 4(c)(ii), trade receivables and contract assets with different historical loss patterns or credit-impaired are assessed for ECL individually. In addition, when the Group does not have reasonable and supportable information that is available without undue cost or effort to measure ECL on individual basis, collective assessment is performed by grouping debtors that have similar loss patterns, after considering internal credit ratings of trade debtors based on ageing, repayment history and/or past due status of respective trade receivables.

The Group has considered all the possible default events over the expected life of the trade receivables and contract assets and assessed individually and/or collectively through grouping of various debtors that have similar loss patterns, after considering internal credit ratings of trade debtors based on ageing, repayment history and/or past due status of respective trade receivables. Estimated loss rates are based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is reasonable and supportable available without undue costs or effort. In addition, trade receivables and contract assets that are credit impaired are assessed for ECL individually. The loss allowance amount of the credit impaired trade receivables and contract assets is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows with the consideration of expected future credit losses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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

(b) Estimates and assumptions (Continued)

(iv) Determining the lease term

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

6. SEGMENT INFORMATION

(a) Operating segments

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

(b) Geographical information

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

(c) Information about major customers

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

	2023 HK\$'000	2022 HK\$'000
Customer M	189,767	N/A
Customer B	186,027	92,349
Customer C	110,690	94,934
Customer L	N/A	88,816
Customer S	N/A	80,188

NA: The revenue for the year ended 31 December 2023 and 2022 did not exceed 10% of the Group's revenue.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

7. REVENUE

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

	2023 HK\$'000	2022 HK\$'000
Public tunnel projects	325,178	223,521
Public utilities construction services and other projects (Note)	220,781	209,705
Private projects	3,595	7,302
	549,554	440,528

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

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

	2023 HK\$'000	2022 HK\$'000
Trade receivables (Note 18(a))	138,897	36,178
Contract assets (Note 17)	98,833	83,782

As at 31 December 2023, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts is approximately HK\$1,065,177,000 (2022: HK\$985,703,000). This amount represents revenue expected to be recognised in the future from partially-completed long-term construction contracts. The Group will recognise the expected revenue in future when or as the work is completed, which is expected to occur in the next 1 to 2 years (2022: 1 to 2 years).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

8. OTHER INCOME

	2023 HK\$'000	2022 HK\$'000
Bank interest income	20	8
Government grants (Note)	728	14,546
Sundry income	562	1,406
Reimbursement from a main contractor	–	1,269
Gain on disposal of property, plant and equipment	–	22
	1,310	17,251

Note:

In 2022, the government grants of approximately HK\$14,546,000 were received by Good Mind Engineering Limited ("GMEHK"), an indirect wholly-owned subsidiary of the Company. The government grants include amount of HK\$14,546,000 from Employment Support Scheme ("ESS") under the Anti-epidemic Fund launched by the Government of the Hong Kong Special Administrative Region supporting the payable of GMEHK's employee. Under ESS, GMEHK committed to utilise these grants on payroll expenses, and not reduce employee headcount below prescribed levels for a specified period of time.

There was no ESS launched by the government in 2023. In 2023, the government grants of approximately HK\$728,000 were received by the GMEHK. The government grants were from the Construction Innovation and Innovation and Technology Fund ("CITF"). The CITF is established to encourage wider adoption of innovative construction methods and new technologies in the construction, it was established by Development Bureau of the Government ("DEVB") and the Construction Industry Council (CIC) is commissioned by DEVB to be the implementation partner. GMEHK purchased a comprehensive loader crane which met the CITF's criteria of "innovative technology" and therefore it was granted the fund by CIC as a subsidy for its adoption of innovative technology.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

9. PROFIT BEFORE INCOME TAX

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

	2023 HK\$'000	2022 HK\$'000
Included in cost of services:		
– Construction materials and supplies	180,580	99,016
– Subcontracting costs	22,338	40,853
Auditor's remuneration	710	680
Loss/(gain) on disposal of property, plant and equipment	75	(22)
Provision/(reversal) of impairment loss on trade receivables, net	149	(155)
Provision/(reversal) of impairment loss on contract assets, net	8,595	(238)
Depreciation charges:		
– Owned property, plant and equipment	7,828	6,548
– Right-of-use-assets included within		
– Leased properties	1,265	1,555
– Office equipment	15	15
– Plant and machinery	1,299	667
– Motor vehicles	305	265
Consultancy fees	3,249	2,786
Lease payment not included in the measurement of lease liabilities		
– Leased properties (included in cost of services and administrative expenses)	432	432
– Plant and machinery (included in cost of services)	29,952	37,098
Employee benefit expenses (Note 10)	201,096	246,230

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

10. EMPLOYEE BENEFIT EXPENSES, INCLUDING DIRECTORS' REMUNERATION

	2023 HK\$'000	2022 HK\$'000
Wages, salaries and other benefits:		
– Cost of services	182,917	225,806
– Administrative expenses	12,353	12,048
	195,270	237,854
Post-employment benefits – defined contribution retirement plan contributions:		
– Cost of services	5,280	7,867
– Administrative expenses	546	509
	5,826	8,376
	201,096	246,230

11. FINANCE COSTS

	2023 HK\$'000	2022 HK\$'000
Interest on lease liabilities (Note 24)	332	118
Interest on bank borrowings	3,380	1,149
	3,712	1,267

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

12. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUAL

(i) Directors' remuneration

Directors' remuneration for the year are as follows:

	Fees HK\$'000	Salaries and benefits HK\$'000	Defined contribution retirement plan contribution HK\$'000	Total HK\$'000
Year ended 31 December 2023				
Executive directors:				
Mr. Chuang Wei Chu	240	819	–	1,059
Mr. Chuang Chun Ngok Boris	240	1,365	30	1,635
	480	2,184	30	2,694
Independent non-executive directors:				
Mr. Lam Man Bun Alan	240	–	–	240
Mr. Lau Chun Fai Douglas	240	–	–	240
Ir Ng Wai Ming Patrick	240	–	–	240
	720	–	–	720
Total	1,200	2,184	30	3,414
Year ended 31 December 2022				
Executive directors:				
Mr. Chuang Wei Chu	240	819	–	1,059
Mr. Chuang Chun Ngok Boris	240	1,365	30	1,635
	480	2,184	30	2,694
Independent non-executive directors:				
Mr. Lam Man Bun Alan	240	–	–	240
Mr. Lau Chun Fai Douglas	240	–	–	240
Ir Ng Wai Ming Patrick	240	–	–	240
	720	–	–	720
Total	1,200	2,184	30	3,414

Note:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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

(ii) Five highest paid individuals

The five highest paid individuals whose emoluments were the highest in the Group included 2 (2022: 2) executive directors of the Company for the year ended 31 December 2023 whose emoluments are reflected in the analysis as shown above. The remuneration of the remaining highest paid individuals is as follows:

	2023 HK\$'000	2022 HK\$'000
Salaries and other benefits	3,148	3,177
Defined contribution retirement plan contributions	58	54
	3,206	3,231

Their remuneration fell within the following bands:

	2023 Number of employees	2022 Number of employees
Nil to HK\$1,000,000	1	–
HK\$1,000,001 to HK\$1,500,000	2	3

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

(iii) Senior management's emoluments

The emoluments paid or payable to a member of senior management, who is also one (2022: one) of the five highest paid employees, were within the following bands:

	Number of employees	
	2023	2022
Nil to HK\$1,000,000	–	–
HK\$1,000,001 to HK\$1,500,000	1	1

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

13. INCOME TAX EXPENSE/(CREDIT)

The amount of income tax expense/(credit) in the consolidated statement comprehensive income represents:

	2023 HK\$'000	2022 HK\$'000
Current tax – Hong Kong profits tax		
Charge for the year	7,642	–
Deferred tax (Note 25)	1,746	(1,045)
Income tax expense/(credit)	9,388	(1,045)

The provision of Hong Kong Profits Tax is calculated at a tax rate of 16.5% (2022: 16.5%), except for one subsidiary of the group which is a qualifying corporation under the two-tiered Profits Tax rate regime (the “Regime”). For that subsidiary, the first HK\$2 million of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. In 2022, no nominated entity of the Group is entitled to the Regime as no such entity generated assessable profits for the year.

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

	2023 HK\$'000	2022 HK\$'000
Profit before income tax	70,863	4,757
Tax calculated at the applicable statutory tax rate of 16.5%	11,692	785
Tax effect of non-deductible expenses	1,045	401
Tax effect of non-taxable income	(3)	(2,456)
Tax effect of tax losses not recognised	–	225
Utilisation of tax losses previously not recognised	(3,181)	–
Statutory tax concession	(165)	–
Income tax expense/(credit)	9,388	(1,045)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

14. DIVIDEND

	2023 HK\$'000	2022 HK\$'000
Proposed final dividend for the year ended 31 December 2023 of HK\$5.00 cents (2022: Nil) per ordinary shares	24,390	–

The final dividend proposed after the reporting date has not been recognised as a liability at the respective reporting date.

15. EARNINGS PER SHARE

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

	2023 HK\$'000	2022 HK\$'000
Profit for the year attributable to owners of the Company	61,479	5,804

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

Note:

The diluted earnings per share was same as basic earnings per share as there was no potential share outstanding for each of the years ended 31 December 2023 and 2022.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

16. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK\$'000	Furniture and fixtures HK\$'000	Office equipment HK\$'000	Plant and machinery HK\$'000	Motor vehicles HK\$'000	Leased properties HK\$'000	Total HK\$'000
Cost							
At 1 January 2022	34	172	652	26,320	3,279	6,883	37,340
Additions	-	-	270	4,466	499	-	5,235
Disposals	-	-	-	(118)	-	-	(118)
Written off	-	-	(179)	(3,816)	-	-	(3,995)
At 31 December 2022 and 1 January 2023	34	172	743	26,852	3,778	6,883	38,462
Additions	-	-	494	11,670	1,623	844	14,631
Lease modification	-	-	-	-	-	1,867	1,867
Disposals	-	-	-	(70)	(741)	-	(811)
Written off	-	-	(180)	(1,751)	-	-	(1,931)
At 31 December 2023	34	172	1,057	36,701	4,660	9,594	52,218
Aggregate depreciation							
As at 1 January 2022	31	159	346	12,106	2,088	5,051	19,781
Charge for the year	3	13	143	6,831	505	1,555	9,050
Disposal	-	-	-	(118)	-	-	(118)
Written-off	-	-	(179)	(3,816)	-	-	(3,995)
At 31 December 2022 and 1 January 2023	34	172	310	15,003	2,593	6,606	24,718
Charge for the year	-	-	230	8,585	632	1,265	10,712
Disposal	-	-	-	(46)	(535)	-	(581)
Written-off	-	-	(180)	(1,751)	-	-	(1,931)
At 31 December 2023	34	172	360	21,791	2,690	7,871	32,918
Net carrying amount							
At 31 December 2023	-	-	697	14,910	1,970	1,723	19,300
At 31 December 2022	-	-	433	11,849	1,185	277	13,744

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

16. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Right-of-use assets (included in the property, plant and equipment)	Leased properties HK\$'000	Office equipment HK\$'000	Plant and machinery HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
At 1 January 2022	1,832	34	939	592	3,397
Additions	–	–	403	314	717
Depreciation	(1,555)	(15)	(667)	(265)	(2,502)
At 31 December 2022 and 1 January 2023	277	19	675	641	1,612
Additions	844	–	4,480	484	5,808
Lease modification	1,867	–	–	–	1,867
Depreciation	(1,265)	(15)	(1,299)	(305)	(2,884)
At 31 December 2023	1,723	4	3,856	820	6,403

The Group leases staff quarters and office premises under leases. Lease contracts are entered into for fixed term of two years (2022: two years). Some of the leases for office equipment, plant and machinery and motor vehicles include an option to purchase the leased equipment at the end of the lease term at a price deemed to be a bargain purchase option. It was considered reasonably certain that the Group would exercise its right and included in the right-of-use assets and lease liabilities. None of the leases includes variable lease payments.

Amounts recognised in consolidated statement of comprehensive income:

	2023 HK\$'000	2022 HK\$'000
Depreciation of right-of-use assets	2,884	2,502
Interest on lease liabilities	332	118
Expenses related to short term leases (included in cost of services and administrative expenses)	30,384	37,530

The Group had total cash outflows for leases of approximately HK\$33,514,000 (2022: HK\$40,377,000), comprising approximately HK\$3,130,000 (2022: HK\$2,847,000) for repayment of principal on lease liabilities and HK\$30,384,000 (2022: HK\$37,530,000) for short term leases of leased properties and plant and machinery. Non-cash additions to right-of-use assets and lease liabilities from leased properties, plant and machinery and motor vehicle arising from new lease of approximately HK\$844,000, HK\$4,480,000 and HK\$484,000 respectively (2022: plant and machinery of approximately HK\$403,000 and motor vehicle were approximately HK\$314,000) during the year ended 31 December 2023. The Group had also acquired machineries with an aggregate cost of approximately HK\$7,190,000 (2022: HK\$4,063,000), office equipment with an aggregate cost of approximately HK\$494,000 (2022: HK\$270,000) and motor vehicle with an aggregate cost of approximately HK\$1,139,000 (2022: HK\$185,000) which were not under lease arrangements and were fully paid in cash during the year ended 31 December 2023 for these purchases.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

17. CONTRACT ASSETS

	2023 HK\$'000	2022 HK\$'000
Contract assets arising from:		
Construction services		
– Unbilled revenue recognised during the year	20,851	27,200
– Retention receivables from contracts with customers within the scope of HKFRS 15	86,787	56,792
	107,638	83,992
Less: Impairment loss (Note 32(a))	(8,805)	(210)
	98,833	83,782

The contract assets primarily relates to the Group's right to consideration for construction works completed but not yet billed to customers, and the retention receivables at the reporting date. The contract assets are transferred to trade receivables when the rights become unconditional, that is when the Group issues progress billings to customers based on the progress certificates agreed with customers or when the retention receivables become unconditional. As at 31 December 2023, the increase in contract assets was resulted from the increase in the contract amounts of the completed works and increase in number of completed projects.

Included within contract assets is an amount of approximately HK\$86,787,000 (2022: HK\$56,792,000) which relate to amounts withheld (up to 5% – 12.5% (2022: 5% – 12.5%) of the contract sum) under contractual terms of the construction work services. The monies are generally released from the customers upon the certification of completion of work and/or finalisation of contract accounts or security given to the customer (i.e. the contractor) in case that the Group fails to adequately complete some or all of its obligations under the contract. The amount of contract assets expected to be recovered after more than one year is HK\$12,903,000 (2022: 27,721,000), all of which relates to retention. The other contract assets are expected to be recovered within one year.

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

	2023 HK\$'000	2022 HK\$'000
Within one year	85,930	56,061
More than one year and less than five years	12,903	27,721
Total contract assets	98,833	83,782

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17. CONTRACT ASSETS (CONTINUED)

	2023 HK\$000	2022 HK\$'000
At beginning of year	210	448
Impairment loss	8,595	41
Reversal of impairment loss	–	(279)
At end of year	8,805	210

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated. The contract assets have substantially the same risk characteristics as the trade receivables for the same type of contracts. The Group has therefore concluded that the loss rates for trade receivables are a reasonable approximation of the loss rates for contract assets.

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

At 31 December	2023 %	2022 %
Expected credit losses rate	8.18	0.25
Gross carrying amount (HK\$'000)	107,638	83,992
Expected credit losses (HK\$'000)	8,805	210

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

18. TRADE AND OTHER RECEIVABLES

	2023 HK\$'000	2022 HK\$'000
Trade receivables (Note (a))	139,675	36,807
Less: Impairment loss (Note 32(a))	(778)	(629)
	138,897	36,178
Prepayments, deposits and other receivables (Note (b))	8,550	9,130
Less: Impairment loss	(350)	(350)
	8,200	8,780
Non-current – deposits	147,097	44,958
	(436)	–
Current	146,661	44,958

Notes:

- (a) Trade receivables were mainly derived from the provision of underground construction services and are non-interest bearing. The Group does not hold any collateral or other credit enhancements over these balances. The credit period granted by the Group to its customers is generally 21 to 60 days for the years ended 31 December 2023 and 2022.

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

	2023 HK\$'000	2022 HK\$'000
Less than 1 month	88,167	26,591
1 to 3 months	50,671	9,587
More than 3 months but less than 1 year	59	–
	138,897	36,178

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

	2023 HK\$'000	2022 HK\$'000
Not yet past due	138,556	35,767
Less than 1 month past due	282	411
1 to 3 months past due	59	–
	138,897	36,178

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

18. TRADE AND OTHER RECEIVABLES (CONTINUED)

Notes: (Continued)

(a) (Continued)

Trade receivables relate to a number of customers that have a good track record with the Group. Except for an allowance of approximately HK\$778,000 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.

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

	2023 HK\$'000	2022 HK\$'000
At beginning of year	629	784
Impairment loss	372	9
Reversal of impairment loss	(223)	(164)
At end of year	778	629

(b) As at 31 December 2023, the prepayments, deposits and other receivables mainly comprised (i) deposits to suppliers for raw materials of approximately HK\$1,502,000 (2022: HK\$42,000); (ii) rental deposit of office of approximately HK\$362,000 (2022: HK\$385,000); (iii) rental deposit for plant and machineries of approximately HK\$1,006,000 (2022: HK\$891,000), (iv) surety bond deposits of approximately HK\$3,450,000 to secure surety bond issued in favour of customers in 2022 (see note 30(b)), (v) down payment of acquisition machineries of approximately HK\$1,561,000 (2022: HK\$1,410,000) and (vi) prepayments of construction fee of approximately HK\$2,190,000. As at 31 December 2023, the Group assessed the ECL for other receivables and recognised the loss allowance of HK\$350,000 (2022: HK\$350,000). The remaining prepayments, deposits and other receivables as at 31 December 2023 and 2022 were neither past due nor impaired. Financial assets included in these balances are non-interest bearing and except for the provision of impairment loss as disclosed above, the remaining balances relate to receivables for which there was no recent history of default.

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

	2023 HK\$'000	2022 HK\$'000
At beginning and end of year	350	350

19. AMOUNT DUE FROM A MINORITY SHAREHOLDER OF A SUBSIDIARY

The balance due from a minority shareholder of a subsidiary was unsecured, non-interest bearing and repayable on demand.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

20. CASH AND CASH EQUIVALENTS AND PLEDGED BANK DEPOSIT

	2023 HK\$'000	2022 HK\$'000
Cash at banks and in hand	4,467	11,431
Pledged bank deposits (note)	3,000	2,004

Note:

As at 31 December 2023, a bank deposit amounted to approximately HK\$3,000,000 (2022: HK\$2,004,000) were pledged for the facility granted by bank to the Group (Note 22).

As at 31 December 2023, the weighted average interest rate of the pledged bank deposits was 0.5% (2022: 0.8%) per annum.

21. TRADE AND OTHER PAYABLES

	2023 HK\$'000	2022 HK\$'000
Trade payables (Note (a))	23,839	17,376
Other payables and accruals (Note (b))	29,302	18,669
	53,141	36,045

Notes:

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

	2023 HK\$'000	2022 HK\$'000
Less than 1 month	9,304	4,721
1 to 3 months	10,203	6,870
More than 3 months but less than 1 year	4,055	5,667
More than 1 year	277	118
	23,839	17,376

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

(b) As at 31 December 2023, other payables and accruals mainly comprised (i) accrued expenses for subcontractors' costs of approximately HK\$1,551,000 (2022: HK\$ nil); (ii) accrued salaries and wages of approximately HK\$20,734,000 (2022: HK\$13,648,000); (iii) other payables of staff disbursements of approximately HK\$3,582,000 (2022: HK\$714,000); (iv) other payable for addition of property, plant and equipment of approximately HK\$1,103,000 (2022: HK\$158,000) and (v) accrued professional fees of approximately of HK\$910,000 (2022: HK\$850,000). The other payables and accruals are non-interest bearing and have payment terms ranging from one to three months.

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For the year ended 31 December 2023

22. BANK BORROWINGS, SECURED

	2023 HK\$'000	2022 HK\$'000
Bank borrowings, secured and repayable within the year or on demand	66,000	40,000

The bank borrowings comprise revolving term loans and export loans from two banks in Hong Kong.

- (a) The revolving term loan at amount of HK\$18,000,000 (2022: HK\$18,000,000) bears interest rate at 1% per annum below Prime Rate (2022: 1% per annum below Prime Rate) as at 31 December 2023. The loan was guaranteed by Mr. Chuang Chun Ngok, Boris, Chuang Wei Chu, Chuang Yau Ka and To Yin Ping. The balance will be matured in May and June 2024, according to the repayment schedule.
- (b) The revolving loan at amount of HK\$30,000,000 (2022: HK\$10,000,000) bears an interest rate at 0.5% per annum below Prime Rate (2022: 0.5% per annum below Prime Rate) as at 31 December 2023. The loan was guaranteed by Chuang Chun Ngok, Boris, Chuang Wei Chu and GME Group Holdings Limited. The balance will be matured in June 2024, according to the repayment schedule.
- (c) The export loans at amount of HK\$12,000,000 (2022: HK\$12,000,000) bear an interest rate at 3% per annum over the higher of HIBOR (2022: 3.5% per annum over the higher of HIBOR) and the bank's cost of fund as at 31 December 2023. The loans were secured by deposits of approximately HK\$3,000,000 (2022: HK\$2,004,000) (Note 20). The balances will be matured in January 2024, according to the repayment schedules.
- (d) The revolving loan at amount of HK\$6,000,000 (2022: HK\$ nil) bears an interest rate at 3.5% per annum over the higher of HIBOR and the bank's cost of fund as at 31 December 2023. The loan was secured by deposits of approximately HK\$3,000,000 (Note 20). The balance will be matured in May 2024, according to the repayment schedules.

As at 31 December 2023, the Group had no unutilised banking facilities from three banking facilities (2022: HK\$20,000,000).

23. AMOUNT DUE TO A DIRECTOR

The amount due to a director of the Company, Mr. Chuang Chun Ngok Boris, is interest free, unsecured and repayable on demand. The balances are settled subsequent to 31 December 2023.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

24. LEASES LIABILITIES

The Group as a lessee

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

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

	Leased properties HK\$000	Office equipment HK\$000	Plant and machinery HK\$000	Motor vehicles HK\$000	Total HK\$000
As at 1 January 2022	1,806	40	665	806	3,317
Additions	–	–	403	314	717
Lease payments	(1,562)	(17)	(752)	(516)	(2,847)
Interest expenses (Note 11)	42	1	29	46	118
As at 31 December 2022 and 1 January 2023	286	24	345	650	1,305
Additions	844	–	4,480	426	5,750
Lease modification	1,867	–	–	–	1,867
Lease payments	(1,371)	(17)	(1,359)	(383)	(3,130)
Interest expenses (Note 11)	97	1	209	25	332
As at 31 December 2023	1,723	8	3,675	718	6,124
Current portion	1,426	8	1,268	255	2,957
Non-current portion	297	–	2,407	463	3,167
At 31 December 2023	1,723	8	3,675	718	6,124
At 31 December 2022	286	24	345	650	1,305

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

24. LEASES LIABILITIES (CONTINUED)

The Group as a lessee (Continued)

Future lease payments are due as follows:

	Future lease payments as at 31 December 2023 HK\$'000	Interest as at 31 December 2023 HK\$'000	Present value as at 31 December 2023 HK\$'000
Not later than one year	3,235	(278)	2,957
Later than one year and not later than two years	1,742	(130)	1,612
Later than two years and not later than five years	1,666	(111)	1,555
	6,643	(519)	6,124

	Future lease payments as at 31 December 2022 HK\$'000	Interest as at 31 December 2022 HK\$'000	Present value as at 31 December 2022 HK\$'000
Not later than one year	826	(47)	779
Later than one year and not later than two years	499	(24)	475
Later than two years and not later than five years	52	(1)	51
	1,377	(72)	1,305

The present value of future lease payments are analysed as:

	2023 HK\$'000	2022 HK\$'000
Current liabilities	2,957	779
Non-current liabilities	3,167	526
	6,124	1,305

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For the year ended 31 December 2023

25. DEFERRED TAX LIABILITIES/(ASSETS)

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

	Accelerated tax depreciation HK\$'000	Tax losses HK\$'000	Total HK\$'000
At 1 January 2022	1,445	(1,027)	418
Charge to profit or loss for the year (Note 13)	(226)	(819)	(1,045)
At 31 December 2022 and 1 January 2023	1,219	(1,846)	(627)
(Charge)/credit to profit or loss for the year (Note 13)	(100)	1,846	1,746
At 31 December 2023	1,119	-	1,119

The Group has tax losses arising in Hong Kong of approximately HK\$30,461,000 that are available indefinitely for offsetting against future taxable profits. As at 31 December 2022, deferred tax assets have been recognised as it is considered probable that taxable profits at amount of approximately HK\$11,185,000 could utilize the tax losses in future. All the tax losses were utilised during the year.

26. SHARE CAPITAL

	The Company	
	Number of shares	Amount HK\$'000
Authorised: Ordinary shares of HK\$0.01 each		
As at 1 January 2022, 31 December 2022, 1 January 2023 and 31 December 2023	2,000,000,000	20,000
Issued and fully paid: Ordinary shares of HK\$0.01 each As at 1 January 2022, 31 December 2022, 1 January 2023 and 31 December 2023	487,808,000	4,878

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For the year ended 31 December 2023

27. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	2023 HK\$'000	2022 HK\$'000
Non-current assets			
Investments in subsidiaries		22,256	22,256
Amounts due from subsidiaries		10,085	12,562
		32,341	34,818
Current assets			
Prepayments and deposits		59	236
Cash and cash equivalents		115	121
		174	357
Current liabilities			
Accruals and other payables		888	820
Amount due to a subsidiary		39	39
		927	859
Net current liabilities		(753)	(502)
NET ASSETS		31,588	34,316
EQUITY			
Share capital	26	4,878	4,878
Reserves	28	26,710	29,438
TOTAL EQUITY		31,588	34,316

On behalf of the Board of Directors

Chuang Chun Ngok Boris
Director

Chuang Wei Chu
Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

28. 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 1 January 2022	90,753	(59,002)	31,751
Loss for the year	–	(2,313)	(2,313)
At 31 December 2022 and 1 January 2023	90,753	(61,315)	29,438
Loss for the year	–	(2,728)	(2,728)
At 31 December 2023	90,753	(64,043)	26,710

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

(a) Share premium

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

(b) Other reserve

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

(c) Retained earnings/accumulated losses

The amount represents cumulative net income or loss, 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

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29. PARTICULARS OF SUBSIDIARIES

The particulars of the Company's direct and indirect owned subsidiaries as at 31 December 2023 and 2022 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, 23 February 2016, limited liability company	100%	–	1 ordinary share of HK\$1	Investment holding, Hong Kong
GMEHK	Hong Kong, 22 March 1994, limited liability company	–	100%	1,800,000 ordinary shares of HK\$1,800,000	Provision of underground construction services, Hong Kong
Jade Phoenix Enterprises Limited	The British Virgin Islands, 10 October 2019, limited liability company	100%	–	50,000 ordinary shares of US\$1 each	Inactive, Hong Kong
GMS Construction Limited ("GMS")	Hong Kong, 16 October 2019, limited liability company	–	60%	1,000,000 ordinary share of HK\$1,000,000	Inactive, Hong Kong

30. CONTINGENT LIABILITIES AND GUARANTEE ISSUED

(a) Contingent liabilities in respect of legal claims

As at 31 December 2023, there were a number of labour claims lodged against the Group arising from the ordinary course of its civil engineering construction business. No specific claim amount has been specified in the applications of these claims. In the opinion of the directors of the Company, the outflow of resources required in settling these claims, if any, is remote and furthermore, these claims are usually covered by insurance maintained by the relevant main contractors. Therefore, the ultimate liability under these claims would not have a material adverse impact on the financial position or performance of the Group. No provision and further disclosure in respect of the litigations are necessary.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

30. CONTINGENT LIABILITIES AND GUARANTEE ISSUED (CONTINUED)

(b) Guarantee issued

As at 31 December 2023, the Group provided guarantee to none (2022: one) insurance company in respect of the following:

	2023 HK\$'000	2022 HK\$'000
Surety bonds issued in favour of customers (Note)	–	7,889

Note:

In 2022, the surety bonds amount of approximately HK\$7,889,000 was given by an insurance company in favour of the Group's customers as security for the due performance and observance of the Group's obligation under the contract entered into between the Group and its customers. If the Group fails to provide satisfactory performance to its customers to whom the surety bond has been given, the customer may demand the insurance companies to pay to them the sum or sums stipulated in such demand. The Group will then become liable to compensate the insurance companies accordingly. The surety bond will be released upon completion of the contract work for the customers.

In 2022, the directors of the Company are of the opinion that the amount of approximately HK\$7,889,000 was the maximum exposure to the Group and it is not probable that insurance company would claim the Group for losses in respect of the guarantee contracts as it is unlikely that the Group is unable to fulfil the performance requirements of the relevant contract.

In 2023, the guarantee provided by the Group is released.

31. RELATED PARTY TRANSACTIONS

The Group did not have any related party transactions during the year ended 31 December 2023 (2022: HK\$Nil) except as disclosed below and elsewhere in the consolidated financial statements.

Key management personnel compensation

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

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For the year ended 31 December 2023

32. FINANCIAL RISK MANAGEMENT

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

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

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

(a) Credit risk

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

The credit risk of Group's trade receivables and contract assets are concentrated, since 93% of which was derived from five largest customers as at 31 December 2023 (2022: 84%).

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

	2023 HK\$'000	2022 HK\$'000
Largest customer	123,367	25,556
Five largest customers	228,888	100,852

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

32. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables/ contract assets	Other financial assets
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL – not credit-impaired	12-month ECL
Watch List	Debtor frequently repays after due dates but usually settle in full	Lifetime ECL – not credit-impaired	12-month ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Loss	There is evidence indicating the assets is credit-impaired	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

The trade receivables and contract assets are assessed on a collective basis after considering internal credit rating of trade debtors based on ageing, repayment history and/or past due status of respective trade receivables, other than customers with different historical loss patterns or credit-impaired which are assessed individually.

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

32. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables and contract assets as at 31 December 2023 and 2022:

ECLs for trade receivables:

31 December 2023	Expected loss rate (%)	Gross carrying amount (HK\$'000)	Loss allowance (HK\$'000)
Current (Not past due)	0.24	138,887	331
1-30 days past due	0.35	283	1
31-60 days past due	41	100	41
61-90 days past due	–	–	–
More than 90 days past due	100	405	405
		139,675	778
<hr/>			
31 December 2022	Expected loss rate (%)	Gross carrying amount (HK\$'000)	Loss allowance (HK\$'000)
Current (Not past due)	0.32	35,881	114
1-30 days past due	0.48	413	2
31-60 days past due	–	–	–
61-90 days past due	–	–	–
More than 90 days past due	100	513	513
		36,807	629

ECLs for contract assets:

31 December 2023	Expected loss rate (%)	Gross carrying amount (HK\$'000)	Loss allowance (HK\$'000)
Current (not past due)	0.10	86,001	83
1-30 days past due	–	–	–
31-60 days past due	–	–	–
61-90 days past due	–	–	–
More than 90 days past due	40.31	21,637	8,722
		107,638	8,805

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

32. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

ECLs for contract assets: (Continued)

31 December 2022	Expected loss rate (%)	Gross carrying amount (HK\$'000)	Loss allowance (HK\$'000)
Current (not past due)	0.12	83,879	97
1-30 days past due	–	–	–
31-60 days past due	–	–	–
61-90 days past due	–	–	–
More than 90 days past due	100	113	113
		83,992	210

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

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

	Lifetime ECL not credit impaired HK\$'000	Lifetime ECL credit impaired HK\$'000	Total HK\$'000
At 1 January 2022	1,232	–	1,232
Impairment losses	50	–	50
Reversal of impairment loss	(443)	–	(443)
At 31 December 2022 and 1 January 2023	839	–	839
Impairment losses	4,597	4,370	8,967
Reversal of impairment loss	(223)	–	(223)
At 31 December 2023	5,213	4,370	9,583

The following significant changes in the gross carrying amounts of trade receivables and contract assets contributed to the increase in the loss allowance during 2023:

- The current balance of trade receivable balance increased and the settlement of the balance overdue more than 90 days in last year which were resulted in reversal of the loss allowance for the year; and
- The current balance of contract asset balance increased and less settlement of the balance overdue more than 90 days in 2023, which resulted loss allowance for the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

32. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

The Group's customers are reputable corporations and thus credit risk is considered to be low. Except for the provision of impairment loss allowance in other receivable as disclosed in Note 18(b), credit risk on remaining balance of other receivables and amount due from a minority shareholder of a subsidiary are minimal as the Group performs ongoing credit evaluation on the financial condition of its debtors and tightly monitors the ageing of the receivable balances. Follow up action is taken in case of overdue balances. In addition, management reviews the recoverable amount of the receivables individually and collectively at each reporting date to ensure that adequate impairment losses are made for irrecoverable amounts. The credit policies have been followed by the Group during the reporting period and are considered to have been effective in limiting the Group's exposure to credit risk to a desirable level. None of the Group's financial assets are secured by collateral or other credit enhancements.

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

(b) Liquidity risk

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

The following table details the Group's remaining contractual maturity for its 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

32. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Liquidity risk (Continued)

	Carrying amount HK\$'000	Total contractual undiscounted cash flow HK\$'000	Less than one year or repayable on demand HK\$'000	One year or above HK\$'000
At 31 December 2023				
Trade and other payables	53,141	53,963	53,963	–
Bank borrowings	66,000	66,182	66,182	–
Amount due to a director	8,000	8,000	8,000	–
Lease liabilities	6,124	6,643	3,235	3,408
	133,265	134,788	131,380	3,408
	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
At 31 December 2022				
Trade and other payables	36,045	36,045	36,045	–
Bank borrowings	40,000	40,162	40,162	–
Amount due to a director	10,000	10,000	10,000	–
Lease liabilities	1,305	1,377	826	551
	87,350	87,584	87,033	551

(c) Interest rate risk

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

32. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Interest rate risk (Continued)

Sensitivity analysis

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

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

If interest rates on bank balances had been 50 basis points higher/lower and all other variables were held constant, the potential effect on the Group's post-tax profit for the years ended 31 December 2023 and 2022 is as follows:

	2023 HK\$'000	2022 HK\$'000
Decrease/(increase) in profit for the year		
– as a result of increase in interest rate	22	57
– as a result of decrease in interest rate	(22)	(57)

If interest rates on bank borrowings had been 100 basis points higher/lower and all other variables were held constant, the potential effect on the Group's post-tax profit for the years ended 31 December 2023 and 2022 is as follows:

	2023 HK\$'000	2022 HK\$'000
Decrease/(increase) in profit for the year		
– as a result of increase in interest rate	660	400
– as a result of decrease in interest rate	(660)	(400)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

33. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

The Group entered into leases agreements in respect of leased properties, motor vehicle and plant and machinery with a capital value at the inception of the leases of approximately HK\$5,808,000 (2022: HK\$717,000) during the year ended 31 December 2023.

(b) Changes in liabilities arising from financing activities

	Bank Borrowings (Note 22) HK\$'000	Amount due to a director (Note 23) HK\$'000	Lease Liabilities (Note 24) HK\$'000	Total HK\$'000
At 1 January 2022	17,000	–	3,317	20,317
Change from cash flows:				
Proceed from bank borrowings	40,000	–	–	40,000
Repayment of bank borrowings	(17,000)	–	–	(17,000)
Lease payments	–	–	(2,847)	(2,847)
Cash advance from director	–	10,000	–	10,000
Interest paid	(1,045)	–	–	(1,045)
Total changes from financing cash flow	21,955	10,000	(2,847)	29,108
Other changes:				
Interests expense	1,149	–	118	1,267
Trade and other payables	(104)	–	–	(104)
Addition of lease liabilities	–	–	717	717
At 31 December 2022 and 1 January 2023	40,000	10,000	1,305	51,305
Change from cash flows:				
Proceed from bank borrowings	192,175	–	–	192,175
Repayment of bank borrowings	(166,175)	–	–	(166,175)
Lease payments	–	–	(3,130)	(3,130)
Repayment to director	–	(2,000)	–	(2,000)
Interest paid	(3,380)	–	–	(3,380)
Total changes from financing cash flow	22,620	(2,000)	(3,130)	17,490
Other changes:				
Interests expense	3,380	–	332	3,712
Addition of lease liabilities	–	–	5,750	5,750
Lease modification	–	–	1,867	1,867
At 31 December 2023	66,000	8,000	6,124	80,124

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

34. NON-CONTROLLING INTERESTS

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

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

	2023 HK\$'000	2022 HK\$'000
Revenue	–	–
Loss for the year	(11)	(7)
Total comprehensive expenses for the year	(11)	(7)
Loss allocated to NCI	4	2

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

35. CAPITAL RISK MANAGEMENT

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

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

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

	2023 HK\$'000	2022 HK\$'000
Total debts	101,426	69,816
Equity attributable to owners of the Company	130,687	68,389
Gearing ratio	78%	102%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

36. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

	2023 HK\$'000	2022 HK\$'000
Financial assets		
At amortised cost (including cash and cash equivalents)	150,783	55,490
Financial liabilities		
At amortised cost	119,141	86,045
Lease liabilities	6,124	1,305
	125,265	87,350

37. CAPITAL COMMITMENTS

	2023 HK\$'000	2022 HK\$'000
Commitments for the acquisition of: Property, plant and equipment	669	2,386

38. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 21 March 2024.