



**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

**First Quarterly Report**  
**2018**

## **CHARACTERISTIC OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

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

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## CORPORATE INFORMATION

### Board of Directors

#### *Executive Directors*

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

#### *Independent non-executive Directors*

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

### Audit Committee

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

### Remuneration Committee

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

### Nomination Committee

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

### Compliance Officer

Mr. Chuang Chun Ngok Boris

### Company Secretary

Mr. Sze Chun Kit (*HKICPA*)  
E-mail: [companysecretary@gmehk.com](mailto:companysecretary@gmehk.com)  
Fax: +852 3105 1881

### Authorised Representatives

Mr. Chuang Chun Ngok Boris  
Mr. Sze Chun Kit

### Registered Office

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

### Headquarters and Principal Place of Business in Hong Kong

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

### Principal Share Registrar and Transfer Office

Harneys Services (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  
Level 22, Hopewell Centre  
183 Queen's Road East  
Hong Kong

## **Auditor**

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

## **Legal Advisers as to Hong Kong Laws**

Howse Williams Bowers  
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

DBS Bank (Hong Kong) Limited

Dah Sing Bank, Limited

## **Company Website**

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

## **Stock Code**

8188

## **Investor Relations**

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## FINANCIAL HIGHLIGHTS (UNAUDITED)

The board of Directors (the “**Board**”) of the Company is pleased to announce the unaudited condensed consolidated first quarterly results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the three months ended 31 March 2018 (the “**Reporting Period**”), together with the unaudited comparative figures for the corresponding period in 2017.

The Group’s revenue increased from approximately HK\$37,584,000 for the three months ended 31 March 2017 to approximately HK\$43,944,000 for the three months ended 31 March 2018, representing an increase of approximately HK\$6,360,000 or 16.9%.

The Group’s gross profit increased from approximately HK\$4,495,000 for the three months ended 31 March 2017 to approximately HK\$6,238,000 for the three months ended 31 March 2018, representing an increase of approximately HK\$1,743,000 or 38.8%.

The Group’s profit and total comprehensive income for the period attributable to the owners of the Company (“**Net Profit**”) for the three months ended 31 March 2018 was approximately HK\$269,000 compared with the Group’s loss and total comprehensive expenses for the period attributable to the owners of the Company (“**Net Loss**”) for the three months ended 31 March 2017 was approximately HK\$7,680,000. The improvement in profitability was due to the listing expenses of approximately HK\$6,338,000 and other expenses in relation to the listing and resumption of trading in the shares of the Company (the “**Shares**”) of approximately HK\$1,309,000 for the three months ended 31 March 2017, which did not recur in the Reporting Period. If the one-off items mentioned above were excluded, the Group would have recorded a Net Loss of approximately HK\$33,000 for the three months ended 31 March 2017.

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months ended 31 March 2018

	Notes	Three months ended	
		31 March 2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Revenue	5	43,944	37,584
Cost of services		(37,706)	(33,089)
Gross profit		6,238	4,495
Other income		16	132
Administrative and other expenses		(5,780)	(12,196)
Finance costs		(19)	(74)
Profit/(loss) before income tax expense	6	455	(7,643)
Income tax expense	7	(186)	(37)
Profit/(loss) and total comprehensive income/ (expenses) for the period attributable to the owners of the Company		269	(7,680)
<b>Earnings/(loss) per share</b>			
– Basic and diluted (HK cents)	9	0.1	(1.8)

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2018

	Attributable to the owners of the Company					
	Share capital HK\$'000 (unaudited)	Share premium HK\$'000 (unaudited)	Capital reserve HK\$'000 (unaudited)	Other reserve HK\$'000 (unaudited)	Retained earnings HK\$'000 (unaudited)	Total HK\$'000 (unaudited)
<b>For the three months ended 31 March 2018</b>						
As at 1 January 2018	5,000	92,406	90	(36,104)	36,404	97,796
Profit and total comprehensive income for the period	-	-	-	-	269	269
As at 31 March 2018	5,000	92,406	90	(36,104)	36,673	98,065
<b>For the three months ended 31 March 2017</b>						
As at 1 January 2017	- *	37,904	90	(36,104)	38,066	39,956
Loss and total comprehensive expenses for the period	-	-	-	-	(7,680)	(7,680)
Capitalisation issue of shares	3,750	(3,750)	-	-	-	-
Issuance of new shares under placing	1,250	66,250	-	-	-	67,500
Share issuance expenses	-	(7,998)	-	-	-	(7,998)
As at 31 March 2017	5,000	92,406	90	(36,104)	30,386	91,778

\* Amount represented the issued share capital of the Company as at 1 January 2017 which was less than HK\$1,000.



# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 31 March 2018

## 1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 18 January 2016, as an exempted company with limited liability under the Companies Law, Cap. 22 of the Cayman Islands. The registered office and principal place of business of the Company in Hong Kong 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 is an investment holding company and the Group is principally engaged in the provision of underground construction services.

The Shares were listed on GEM of the Stock Exchange on 22 February 2017 (“**Listing Date**”) by way of placing (“**IPO Placing**”).

## 2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements of the Group for the three months ended 31 March 2018 (the “**Unaudited Condensed Consolidated Financial Statements**”) have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”), Hong Kong Accounting Standards (“**HKAS**”) and Interpretations (hereinafter collectively referred to as the “**HKFRS**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and the applicable disclosures required by the GEM Listing Rules and the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (the “**Hong Kong Companies Ordinance**”).

The Unaudited Condensed Consolidated Financial Statements do not include all of the information and disclosures required in the annual consolidated financial statements and hence should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2017 (the “**2017 Consolidated Financial Statements**”) which have been prepared in accordance with HKFRS issued by HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance.

## 2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (Continued)

The Unaudited Condensed Consolidated Financial Statements have not been audited by the Company's auditor, but have been reviewed by the audit committee of the Company ("**Audit Committee**").

The Unaudited Condensed Consolidated Financial Statements have been prepared under the historical cost basis.

The Unaudited Condensed 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.

Except as described in the section headed "Change in the accounting policies" below, the accounting policies applied and the method of computation used in the preparation of the Unaudited Condensed Consolidated Financial Statements are consistent with those adopted in the preparation of the 2017 Consolidated Financial Statements.

For the purpose of preparing and presenting the financial information of the Unaudited Condensed Consolidated Financial Statements, the Group has consistently adopted HKFRS issued by HKICPA which are effective for the Group's financial year beginning on 1 January 2018. The Group has not early applied the new and revised HKFRS that have been issued by HKICPA but are yet to be effective.

## 3. CHANGE IN THE ACCOUNTING POLICIES

### *HKFRS 9 – Financial Instruments*

The Group has applied HKFRS 9 "Financial Instruments" on 1 January 2018. HKFRS 9 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 includes a new expected loss impairment model for all financial assets not measured at fair value through profit or loss ("**FVTPL**") replacing the incurred loss model in HKAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements. HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at FVTPL, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities. Under HKFRS 9, it is no longer necessary for an incurred loss event to have occurred.

### **3. CHANGE IN THE ACCOUNTING POLICIES (Continued)**

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

The application of the expected credit loss model of HKFRS 9 might result in earlier provision of credit losses in relation to the Group's trade receivables measured at amortised cost. However, the adoption of HKFRS 9 has no material effect on the Group's Unaudited Condensed Consolidated Financial Statements as the credit quality of the financial assets of the Group does not change significantly for the three months ended 31 March 2018.

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

The Group has applied HKFRS 15 "Revenue from Contracts with Customers" on 1 January 2018. This new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. HKFRS 15 has superseded existing revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and related interpretations. As a result, the Group has changed its accounting policy in the Unaudited Condensed Consolidated Financial Statements for revenue recognition as detailed below.

The Group elects to use the cumulative effect method for the adoption of HKFRS 15 with cumulative effect of initial application recognised in the opening balance of the retained earnings at 1 January 2018.

Under HKFRS 15, the Group recognises the revenue from contract work when the performance obligation is satisfied over time and measures the progress towards complete satisfaction in accordance with the output method. The measurement of the stage of completion of a contract is established by reference to surveys of work performed.

The adoption of HKFRS 15 has no material effect on the adjustments to the opening balance of the retained earnings at 1 January 2018 in the condensed consolidated statement of changes in equity and the amounts recognised in the condensed consolidated statement of comprehensive income.

## 4. SEGMENT INFORMATION

### *Operating segments*

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

### *Geographical information*

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

### *Information about major customers*

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

	<b>Three months ended</b>	
	<b>31 March</b>	
	<b>2018</b>	2017
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Customer B	<b>7,628</b>	5,700
Customer C	<b>9,334</b>	18,478
Customer K	<b>14,435</b>	11,806
Customer L	<b>12,164</b>	–

## 5. REVENUE

The Group's revenue represents amount received and receivable from contract work performed during the Reporting Period.

The Group recognises the revenue from contract work when the performance obligation is satisfied over time and measures the progress towards complete satisfaction in accordance with the output method. The measurement of the stage of completion of a contract is established by reference to surveys of work performed.

## 6. PROFIT/(LOSS) BEFORE INCOME TAX EXPENSE

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

	Three months ended	
	31 March	
	2018	2017
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Auditor's remuneration	186	150
Listing expense	–	6,338
Loss on disposal of property, plant and equipment	–	11
Depreciation of property, plant and equipment	1,026	986
Operating lease rentals in respect of:		
– Land and buildings	584	425
Finance costs:		
– Interest on bank overdrafts	–	71
– Interest on bank borrowing, secured	10	–
– Interest on finance leases	9	2
Employee benefit expenses, including Directors' remuneration	24,597	25,539

## 7. INCOME TAX EXPENSE

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

	Three months ended	
	31 March	
	2018	2017
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current tax – Hong Kong profits tax		
– charge for the Reporting Period	257	37
Deferred tax	(71)	–
Income tax expense	186	37

Hong Kong profits tax is calculated at 16.5% (for the three months ended 31 March 2017: 16.5%) of the estimated assessable profits during the Reporting Period.

## 8. DIVIDEND

The Board does not recommend the payment of any dividend for the three months ended 31 March 2018.

## 9. EARNINGS/(LOSS) PER SHARE

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

	<b>Three months ended 31 March</b>	
	<b>2018</b>	2017
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Earnings/(loss):		
Earnings/(loss) for the purpose of basic earnings/(loss) per share	<b>269</b>	(7,680)
	<b>2018</b>	2017
	<b>Number of</b>	Number of
	<b>shares</b>	shares
	<b>'000</b>	'000
Weighted average number of ordinary shares for the purpose of basic earnings/(loss) per share (Note)	<b>500,000</b>	427,778

Note: The weighted average number of ordinary shares in issue during the three months ended 31 March 2017 was calculated based on the assumption that 375,000,000 ordinary shares of the Company in issue immediately after the completion of capitalisation issue were deemed to have issued on 1 January 2017. Details of the capitalisation issue are set out in the section headed "Share Capital" to the prospectus of the Company dated 14 February 2017.

Diluted earnings/(loss) per share is same as basic earnings/(loss) per share as there was no dilutive potential shares for the three months ended 31 March 2018 and 2017.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

The Group is an established subcontractor engaged in civil engineering works operating solely in Hong Kong. The Group is principally engaged in the provision of underground construction services and mainly serves private main contractors in public sector infrastructure projects. Public sector projects refer to the projects in which the main contractors are employed by the government of the Hong Kong Special Administrative Region (the “**Hong Kong Government**”), its statutory bodies or statutory corporations. The Group has also been involved in some private sector projects, which 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, advanced and structural works) and utility construction and others (mainly structural works). The Group also provides programme design, costing and management for underground construction services. As a result, the Group works routinely with its key clients in pre-tenders.

Since 2014, the Group has been focusing on the development of a complete suite of tunnel construction services which has laid a solid foundation for the Group’s growth and a strong advantage in securing contracts.

For the three months ended 31 March 2018, the Group had been engaged in nine public sector projects.

### PRINCIPAL RISKS AND UNCERTAINTIES

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

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

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

## OUTLOOK OF TUNNEL CONSTRUCTION INDUSTRY IN HONG KONG

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

It is expected that the demand for tunnel construction services in Hong Kong will continue to grow in the foreseeable future. The growth in tunnel construction industry will mainly be supported by several major transport infrastructure projects including Tseung Kwan O-Lam Tin Tunnel and Central Kowloon Route.

In accordance with the Chief Executive's 2017 Policy Address issued by the Hong Kong Government, the Tseung Kwan O-Lam Tin Tunnel is expected to be completed in 2021. In respect of the Central Kowloon Route, the Legislative Council of the Hong Kong Special Administrative Region approved the funding of approximately HK\$42.3 billion for the construction on 20 October 2017. As at 31 March 2018, the Highways Department of the Hong Kong Government has awarded three construction contracts of Central Kowloon Route to the contractors with a total value of approximately HK\$12 billion, which included the construction work of the proposed tunnels in Kai Tak and Yau Ma Tei. The Central Kowloon Route is expected to come on stream in 2018 and is expected to be completed in 2025.

Apart from transportation infrastructures, the Drainage Services Department of the Hong Kong Government has also announced the tentative date of inviting tender for Sha Tin Cavern Sewage Treatment Works will be in September 2018. This project will involve tunnel constructions using the drill and blast technique.

These major infrastructure projects will provide further support to the demand for Hong Kong's tunnel construction industry. All of these new projects, coupled with the ongoing projects, will provide significant revenue receipts for the tunnel construction industry in the future. Given the relatively large scale of these projects, the main contractors usually subcontract various tunnel construction parts of the contract to subcontractors such as the Group, which the Group may benefit from if it is granted these subcontracts.



## FINANCIAL REVIEW

### **Revenue**

The Group's revenue increased from approximately HK\$37,584,000 for the three months ended 31 March 2017 to approximately HK\$43,944,000 for the three months ended 31 March 2018, representing an increase of approximately HK\$6,360,000 or 16.9%.

The increase in the revenue was mainly attributable to the combined net effects of (i) decrease in revenue generated from public sector projects – tunnel construction services from approximately HK\$35,839,000 for the three months ended 31 March 2017 to approximately HK\$28,600,000 for the three months ended 31 March 2018; and (ii) increase in revenue generated from public sector projects – utility construction services and others from approximately HK\$1,745,000 for the three months ended 31 March 2017 to approximately HK\$15,344,000 for the three months ended 31 March 2018.

### **Cost of services**

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

The Group's cost of services increased from approximately HK\$33,089,000 for the three months ended 31 March 2017 to approximately HK\$37,706,000 for the three months ended 31 March 2018, representing an increase of approximately HK\$4,617,000 or 14.0%. Such increase was mainly due to an increase in the construction materials and supplies from approximately HK\$3,749,000 for the three months ended 31 March 2017 to approximately HK\$8,043,000 for the three months ended 31 March 2018, representing an increase of approximately HK\$4,294,000 or 114.5%. Such increase was mainly due to the increase in construction materials and supplies for the utilities construction and others (public non-tunnel construction projects), which required the Group to purchase its own construction materials, including the contra-charge arrangement. In general, the purchase arrangement of construction materials and supplies depended on the terms of the contracts, which may vary on a project-by-project basis. The staff costs were approximately HK\$21,714,000 for the three months ended 31 March 2018 (for the three months ended 31 March 2017: approximately HK\$23,428,000).

### **Gross profit and gross profit margin**

The Group's gross profit increased from approximately HK\$4,495,000 for the three months ended 31 March 2017 to approximately HK\$6,238,000 for the three months ended 31 March 2018, representing an increase of approximately HK\$1,743,000 or 38.8%. The gross profit margin was approximately 14.2% for the three months ended 31 March 2018 (for the three months ended 31 March 2017: approximately 12.0%).

### ***Administrative and other expenses***

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

The Group's administrative and other expenses decreased from approximately HK\$12,196,000 for the three months ended 31 March 2017 to approximately HK\$5,780,000 for the three months ended 31 March 2018, representing a decrease of approximately HK\$6,416,000 or 52.6%. This decrease was mainly attributable to the listing expenses of approximately HK\$6,338,000 and other expenses in relation to the listing and resumption of trading in the Shares of approximately HK\$1,309,000 for the three months ended 31 March 2017, which did not recur in the Reporting Period. The staff costs and benefits increased from approximately HK\$1,509,000 for the three months ended 31 March 2017 to approximately HK\$2,095,000 for the three months ended 31 March 2018, representing an increase of approximately HK\$586,000 or 38.8%. The increase in staff costs and benefits was mainly attributable to salary increment and increase in the Group's administrative headcounts in line with our business expansion and revenue growth. The Directors' remuneration increased from approximately HK\$602,000 for the three months ended 31 March 2017 to approximately HK\$788,000 for the three months ended 31 March 2018 due to the Directors' fee payable by the Company since the Listing Date.

### ***Finance costs***

The Group's finance costs mainly comprised (i) interest expenses on bank borrowing, secured and (ii) finance costs of the obligations under finance leases during the Reporting Period.

The Group's finance costs decreased from approximately HK\$74,000 for the three months ended 31 March 2017 to approximately HK\$19,000 for the three months ended 31 March 2018.

### ***Income tax expense***

The Group's generated income only in Hong Kong and was subject only to Hong Kong profits tax. The income tax expense was provided at the rate of 16.5% on the Group's assessable profits for the three months ended 31 March 2018 and 2017. The income tax expense for the three months ended 31 March 2018 was approximately HK\$186,000 (for the three months ended 31 March 2017: approximately HK\$37,000). Such increase was consistent with the increase in the Group's assessable profits during the Reporting Period.

### ***Net Profit/Net Loss***

The Group's Net Profit for the three months ended 31 March 2018 was approximately HK\$269,000 compared with the Group's Net Loss for the three months ended 31 March 2017 was approximately HK\$7,680,000. The improvement in profitability was due to the listing expenses of approximately HK\$6,338,000 and other expenses in relation to the listing and resumption of trading in the Shares of approximately HK\$1,309,000 for the three months ended 31 March 2017, which did not recur in the Reporting Period. If the one-off items mentioned above were excluded, the Group would have recorded a Net Loss of approximately HK\$33,000 for the three months ended 31 March 2017.

### ***Dividend***

The Board does not recommend the payment of any dividend for the three months ended 31 March 2018 (for the three months ended 31 March 2017: nil).

### ***Contingent liabilities***

As at 31 March 2018, the Group has given corporate guarantee of approximately HK\$5,647,000 to an insurance company on surety bonds at amount of approximately HK\$5,647,000 in relation to a public non-tunnel construction contract and a public tunnel construction contract of the Group in the ordinary course of business. The surety bonds as at 31 March 2018 are expected to be released in accordance with the terms of the respective construction contracts. Save for the guarantee given on the surety bonds, the Group has no other material contingent liabilities as at 31 March 2018.

### ***Foreign currency exposure***

The Group's reporting currency is Hong Kong dollar. During the three months ended 31 March 2018 and 2017, the Group's transactions were denominated in Hong Kong dollar. The Group had no material exposure to foreign currency risk.

### ***Event after the Reporting Period***

There is no significant event subsequent to 31 March 2018 which would materially affect the Group's operating and financial performance.

## **USE OF NET PROCEEDS FROM THE IPO PLACING**

The net proceeds received by the Company from the IPO Placing, after deducting underwriting fees and other expenses, were approximately HK\$45.9 million, which has been/will be deployed as to:

- (i) HK\$16.9 million for machinery purchase;
- (ii) HK\$12.7 million for additional prospective and/or experienced employees recruitment for the projects;
- (iii) HK\$9.5 million for repayment of overdraft facilities from a bank;
- (iv) HK\$1.3 million for the Group's newly rented office rental expense;
- (v) HK\$0.1 million for the new office space refurbishment and decoration;
- (vi) HK\$1.3 million for information technology and project management systems upgrade;
- (vii) HK\$1.1 million for the surety bonds cash collaterals; and
- (viii) HK\$3.0 million for the funding of the working capital and general corporate purposes of the Group.

As at 31 March 2018, the net proceeds had been utilised as follows:

	<b>Actual net proceeds</b> HK\$ million	<b>Amount utilised as at 31 March 2018</b> HK\$ million	<b>Balance</b> HK\$ million
Machinery purchase	16.9	–	16.9
Additional prospective and/or experienced employees recruitment for our projects	12.7	6.7	6.0
Repayment of overdraft facilities from a bank	9.5	9.5	–
Newly rented office rental expense	1.3	1.3	–
New office space refurbishment and decoration	0.1	0.1	–
Information technology and project management systems upgrade	1.3	0.1	1.2
Surety bonds cash collaterals	1.1	–	1.1
Working capital and general corporate purposes	3.0	2.0	1.0
<b>Total</b>	<b>45.9</b>	<b>19.7</b>	<b>26.2</b>

## OTHER INFORMATION

### Directors' and Chief Executives' Interest and Short Positions in Shares, Underlying Shares and Debentures

As at 31 March 2018, the interests or short positions of the Directors and chief executives of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance Chapter 571 of the Laws of Hong Kong ("SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions in which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein or which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

#### *Long Position in Shares*

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

## Notes

- (a) Mr. Chuang Chun Ngok Boris (i) personally holds 103,000,000 Shares; and (ii) is a party to the acting in concert deed dated 21 March 2016 (the “**Acting in Concert Deed**”) entered into by the controlling shareholders of the Company (“**Controlling Shareholders**”) pursuant to which each of Mr. Chuang Wei Chu, Mr. Chuang Chun Ngok Boris, Ms. To Yin Ping and Ms. Chuang Yau Ka has agreed to consolidate their respective interests in the Company and to vote on any resolution to be passed at any shareholders’ meeting of the Company in a unanimous manner. Mr. Chuang Chun Ngok Boris is therefore deemed to be interested in the Shares held by Mr. Chuang Wei Chu, Ms. To Yin Ping and Ms. Chuang Yau Ka respectively under the SFO. Each of Mr. Chuang Chun Ngok Boris, Mr. Chuang Wei Chu, Ms. To Yin Ping and Ms. Chuang Yau Ka is deemed to be interested in all the Shares held by them in aggregate by virtue of the SFO. Mr. Chuang Chun Ngok Boris is the son of Mr. Chuang Wei Chu and Ms. To Yin Ping and the brother of Ms. Chuang Yau Ka.
- (b) Mr. Chuang Wei Chu (i) personally holds 103,000,000 Shares; (ii) is the spouse of Ms. To Yin Ping, who personally holds 34,500,000 Shares and is deemed to be interested in the Shares personally interested by Ms. To Yin Ping; and (iii) is a party to the Acting in Concert Deed pursuant to which each of Mr. Chuang Wei Chu, Mr. Chuang Chun Ngok Boris, Ms. To Yin Ping and Ms. Chuang Yau Ka has agreed to consolidate their respective interests in the Company and to vote on any resolution to be passed at any shareholders’ meeting of the Company in a unanimous manner. Mr. Chuang Wei Chu is therefore deemed to be interested in the Shares held by Mr. Chuang Chun Ngok Boris, Ms. To Yin Ping and Ms. Chuang Yau Ka respectively under the SFO. Each of Mr. Chuang Chun Ngok Boris, Mr. Chuang Wei Chu, Ms. To Yin Ping and Ms. Chuang Yau Ka is deemed to be interested in all the Shares held by them in aggregate by virtue of the SFO. Mr. Chuang Wei Chu is the father of Mr. Chuang Chun Ngok Boris and Ms. Chuang Yau Ka.

As at 31 March 2018, none of the Directors and chief executives of the Company has 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 March 2018, none of the Directors and chief executives of the Company has any interests or short positions in any Shares, underlying Shares and debenture of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions in which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

## Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares or Underlying Shares

As at 31 March 2018, 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
				Company's issued share capital
Ms. To Yin Ping	(a)	Beneficial owner, interest held jointly with another person and interest of a spouse	275,000,000	55.0%
Ms. Chuang Yau Ka	(b)	Beneficial owner and interest held jointly with another person	275,000,000	55.0%
Mr. Ng Kwok Lun		Beneficial owner	37,500,000	7.5%

#### Notes

- (a) Ms. To Yin Ping (i) personally holds 34,500,000 Shares; (ii) is the spouse of Mr. Chuang Wei Chu and is deemed to be interested in the Shares which are deemed to be interested by Mr. Chuang Wei Chu under the SFO; and (iii) is a party to the Acting in Concert Deed pursuant to which each of Mr. Chuang Chun Ngok Boris, Mr. Chuang Wei Chu, Ms. To Yin Ping and Ms. Chuang Yau Ka has agreed to consolidate their respective interests in the Company and to vote on any resolution to be passed at any shareholders' meeting of the Company in a 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 of the Company in a unanimous manner. Ms. Chuang Yau Ka is therefore deemed to be interested in the Shares in the Company held by Mr. Chuang Wei Chu, Ms. To Yin Ping and Mr. Chuang Chun Ngok Boris respectively under the SFO. Each of Mr. Chuang Wei Chu, Mr. Chuang Chun Ngok Boris, Ms. To Yin Ping and Ms. Chuang Yau Ka is deemed to be interested in all the Shares 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 March 2018, 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.

## 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 Corporate Governance Code set out in Appendix 15 of the GEM Listing Rules.

The Audit Committee currently consists of all three of our independent non-executive Directors, namely Mr. Lau Chun Fai Douglas, Ir Ng Wai Ming Patrick and Mr. Lam Man Bun Alan and the chairman of the Audit Committee is Mr. Lau Chun Fai Douglas.

The Unaudited Condensed Consolidated Financial Statements had been reviewed by the Audit Committee, which was of the opinion that the Unaudited Condensed Consolidated Financial Statements have been prepared in compliance with the applicable accounting standards and the GEM Listing Rules.

## 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 up to the date of this report.

## Competing Interests

As far as the Directors are aware of, during the three months ended 31 March 2018, none of the Directors and their respective associates (as defined in the GEM Listing Rules) or the controlling shareholders (as defined in the GEM Listing Rules) have any interests in a business which competed or may compete (directly or indirectly) with the business of the Group.

## 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 and the Company's announcement dated 22 November 2017, the following disclosures are included in respect of the factoring agreement with a licensed bank in Hong Kong dated 22 November 2017 (the "**Factoring Agreement**"), which contain covenants requiring performance obligation of the Controlling Shareholders. Pursuant to the Factoring Agreement, a termination event would arise if the Controlling Shareholders do not remain as the single largest shareholder of the Company.



## Interest of the compliance adviser

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

By order of the Board

**GME Group Holdings Limited**

**Chuang Chun Ngok Boris**

*Chairman and executive Director*

Hong Kong, 10 May 2018

*As at the date of this report, the executive Directors are Mr. Chuang Chun Ngok Boris and Mr. Chuang Wei Chu and the independent non-executive Directors are Mr. Lam Man Bun Alan, Mr. Lau Chun Fai Douglas and Ir Ng Wai Ming Patrick.*