



**GME**

**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)**

**2020**

THIRD QUARTERLY REPORT

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

**GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.**

**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  
Email: [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 54, 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  
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

Dah Sing Bank, Limited

DBS Bank (Hong Kong) 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 hereby announces the unaudited condensed consolidated third quarterly results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the nine months ended 30 September 2020 (the “**Reporting Period**”), together with the unaudited comparative figures for the corresponding period in 2019.

The Group’s revenue increased from approximately HK\$50,623,000 for the nine months ended 30 September 2019 to approximately HK\$87,361,000 for the nine months ended 30 September 2020, representing an increase of approximately HK\$36,738,000 or 72.6%. Such significant increase was mainly due to an increase in revenue generated from public sector projects – tunnel construction services from approximately HK\$15,807,000 for the nine months ended 30 September 2019 to approximately HK\$38,789,000 for the nine months ended 30 September 2020, which was mainly attributable to the commencement of the construction works of the newly awarded contracts in the fourth quarter of 2019 in Tseung Kwan O-Lam Tin Tunnel and Central Kowloon Route carried on during the Reporting Period.

The gross profit and gross profit margin of the Group for the nine months ended 30 September 2020 was approximately HK\$14,727,000 and 16.9%, respectively (the gross loss and gross loss margin of the Group for the nine months ended 30 September 2019: approximately HK\$3,408,000 and 6.7%, respectively). The increased gross profit and gross profit margin of the Group for the Reporting Period were mainly due to the generally higher profit margins of work performed on tunnel construction projects during the Reporting Period as compared to the non-tunnel construction projects in the corresponding period in 2019.

The Group’s profit and total comprehensive income for the period attributable to the owners of the Company (“**Net Profit**”) for the nine months ended 30 September 2020 was approximately HK\$1,061,000 whereas the Group’s loss and total comprehensive expenses for the period attributable to the owners of the Company (“**Net Loss**”) for the nine months ended 30 September 2019 was approximately HK\$19,299,000. The change from Net Loss for the nine months ended 30 September 2019 to Net Profit for the nine months ended 30 September 2020 was mainly resulted from the increase in revenue and gross profit during the Reporting Period.

# CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the nine months ended 30 September 2020

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Revenue	4	28,165	15,973	87,361	50,623
Cost of services		(25,331)	(18,109)	(72,634)	(54,031)
Gross profit/(loss)		2,834	(2,136)	14,727	(3,408)
Other income	5	2,636	221	3,815	457
Administrative expenses		(4,878)	(5,266)	(16,256)	(16,430)
Finance costs		(79)	(45)	(226)	(103)
Profit/(loss) before income tax	6	513	(7,226)	2,060	(19,484)
Income tax	7	(418)	(1,635)	(1,001)	185
Profit/(loss) for the period		95	(8,861)	1,059	(19,299)
<b>Profit/(loss) for the period attributable to:</b>					
Owners of the Company		96	(8,861)	1,061	(19,299)
Non-controlling interests		(1)	–	(2)	–
		95	(8,861)	1,059	(19,299)
<b>Earnings/(loss) per share</b>					
– Basic and diluted (HK cents)	9	–*	(1.8)	0.2	(3.9)
<b>Other comprehensive income</b>					
<i>Items that may be reclassified subsequent to profit or loss</i>					
Exchange difference on translating foreign operation		–	–	(4)	–
Other comprehensive income/(expenses) for the period, net of tax		–	–	(4)	–
Profit/(loss) and total comprehensive income/(expenses) for the period		95	(8,861)	1,055	(19,299)
<b>Profit/(loss) and total comprehensive income/(expenses) for the period attributable to:</b>					
Owners of the Company		96	(8,861)	1,057	(19,299)
Non-controlling interests		(1)	–	(2)	–
		95	(8,861)	1,055	(19,299)

\* The amount representing the earnings per share (basic and diluted) for the three months ended 30 September 2020 was less than HK0.1 cents.

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2020

	Attributable to the owners of the Company							Total HK\$'000 (unaudited)	Non- controlling interests HK\$'000 (unaudited)	Total HK\$'000 (unaudited)
	Share capital HK\$'000 (unaudited)	Share premium HK\$'000 (unaudited)	Share repurchase reserve HK\$'000 (unaudited)	Capital reserve HK\$'000 (unaudited)	Exchange reserve HK\$'000 (unaudited)	Other reserve HK\$'000 (unaudited)	Retained earnings HK\$'000 (unaudited)			
<b>For the nine months ended 30 September 2020</b>										
As at 1 January 2020	4,878	90,753	-	90	-	(36,104)	(7,672)	51,945	396	52,341
Profit for the period	-	-	-	-	-	-	1,061	1,061	(2)	1,059
Total comprehensive expenses for the period	-	-	-	-	(4)	-	-	(4)	-	(4)
As at 30 September 2020	4,878	90,753	-	90	(4)	(36,104)	(6,611)	53,002	394	53,396
<b>For the nine months ended 30 September 2019</b>										
As at 1 January 2019	4,982	92,173	(51)	90	-	(36,104)	20,545	81,635	-	81,635
Loss and total comprehensive expenses for the period	-	-	-	-	-	-	(19,299)	(19,299)	-	(19,299)
Share repurchased during the year ended 31 December 2018 and cancelled during the nine months ended 30 September 2019	(3)	(48)	51	-	-	-	-	-	-	-
Share repurchased and cancelled during the nine months ended 30 September 2019	(101)	(1,372)	-	-	-	-	-	(1,473)	-	(1,473)
As at 30 September 2019	4,878	90,753	-	90	-	(36,104)	1,246	60,863	-	60,863

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the nine months ended 30 September 2020*

## 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.

## 2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements of the Group for the nine months ended 30 September 2020 (the “**Unaudited Condensed Consolidated Financial Statements**”) have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRS**”), Hong Kong Accounting Standards (“**HKAS**”) and Interpretations (hereinafter collectively referred to as the “**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and the applicable disclosures required by the GEM Listing Rules.

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 2019 (the “**2019 Consolidated Financial Statements**”), which have been prepared in accordance with HKFRSs and the disclosure requirements of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong).

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 Board (the “**Audit Committee**”).

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

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

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.

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 2019 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 HKFRSs issued by HKICPA which are effective for the Group’s financial year beginning on 1 January 2020. The Group has not early applied the new and revised HKFRSs that have been issued by HKICPA but are yet to be effective.

## 3. 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.

During the Reporting Period, the Group was in the process of forming a working team to develop a feature-length motion picture from the intellectual property rights of the short film and script acquired from independent third parties in December 2019.

### *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.

### 3. SEGMENT INFORMATION (Continued)

#### 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:

	Three months ended 30 September		Nine months ended 30 September	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Customer B	7,791	5,917	17,025	16,748
Customer C	N/A	2,838	N/A	7,616
Customer L	4,702	2,188	10,953	4,913
Customer P	N/A	508	N/A	7,008
Customer S	5,575	–	15,489	–
Customer T	N/A	–	9,477	–
Customer V	N/A	N/A	17,744	N/A

N/A: The relevant revenue figures did not exceed 10% of the Group's revenue.

### 4. REVENUE

The Group's revenue represents amount received and receivable from contract work performed and is recognised over time using output method, i.e. based on surveys of work completed by the Group to date.

### 5. OTHER INCOME

	Three months ended 30 September		Nine months ended 30 September	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Government subsidies	2,333	–	3,282	–
Reimbursement from a main contractor	–	–	160	34
Gain on disposal of property, plant and equipment	2	–	55	33
Sales of surplus materials	301	214	318	322
Bank interest income	–	7	–	68
	<b>2,636</b>	221	<b>3,815</b>	457

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

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

	Three months ended 30 September		Nine months ended 30 September	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Auditor's remuneration	175	189	525	567
Impairment loss on trade receivables	-	-	7	-
Impairment loss on contract assets	-	-	2	-
Depreciation charge				
– Owned property, plant and equipment	923	1,163	2,963	3,488
– Right-of-use assets included within				
– Leased buildings	381	518	1,197	1,437
– Office equipment	4	-	11	-
– Machinery	158	-	367	-
– Motor Vehicle	89	98	266	286
Leased payments not included in the measurement of leased liabilities				
– Buildings	213	107	603	364
Finance costs:				
– Interest on bank borrowing	38	-	96	-
– Interest on lease liabilities	41	45	130	103
Employee benefit expenses, including Directors' remuneration	14,773	10,978	44,925	33,265

## 7. INCOME TAX

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

	Three months ended 30 September		Nine months ended 30 September	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Current tax – Hong Kong profits tax				
– charge for the Reporting Period	-	-	-	-
Deferred tax	418	1,635	1,001	(185)
Income tax expense/(credit)	418	1,635	1,001	(185)

Hong Kong profits tax is calculated at 16.5% (for the nine months ended 30 September 2019: 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 nine months ended 30 September 2020 (for the nine months ended 30 September 2019: nil).

## 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:

	Three months ended 30 September 2020		Nine months ended 30 September 2020	
	HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Earnings/(loss):				
Earnings/(loss) for the purpose of basic earnings/(loss) per share	<b>96</b>	(8,861)	<b>1,061</b>	(19,299)
	<b>Number of shares '000</b>	Number of shares '000	<b>Number of shares '000</b>	Number of shares '000
Weighted average number of ordinary shares for the purpose of earnings/(loss) per share (Note)	<b>487,808</b>	482,061	<b>487,808</b>	489,903

Note:

The weighted average number of ordinary shares in issue during the nine months ended 30 September 2019 was calculated based on the number of ordinary shares in issue after the cancellation of the ordinary shares of the Company (the "Shares") repurchased by the Company during the nine months ended 30 September 2019.

Diluted earnings/(loss) per share is same as basic earnings/(loss) per share as there was no dilutive potential Shares for the nine months ended 30 September 2020 and 2019.

## 10. SHARE CAPITAL

	The Company	
	Number of Shares	Amount HK\$'000
Authorised:		
Ordinary share of HK\$0.01 each		
As at 31 December 2019 (audited), 1 January 2020 (unaudited) and 30 September 2020 (unaudited)	2,000,000,000	20,000
Issued and fully paid:		
Ordinary share of HK\$0.01 each		
As at 31 December 2019 (audited), 1 January 2020 (unaudited) and 30 September 2020 (unaudited)	487,808,000	4,878

## 11. CONTINGENT LIABILITIES

### (a) *Contingent liabilities in respect of legal claims*

As at 30 September 2020, there were a number of labour claims lodged against the Group arising from the ordinary course of its civil engineering construction business. No specific claim amount has been specified in the applications of these claims. In the opinion of the Directors, the outflow of resources required in settling these claims, if any, was remote as these claims are usually covered by insurance maintained by relevant main contractors. Therefore, the ultimate liability under these claims would not have a material adverse impact on the financial position or performance of the Group and no provision for the contingent liabilities in respect of these claims is necessary.

## 11. CONTINGENT LIABILITIES (Continued)

### (b) *Guarantee issued*

The Group provided guarantee to insurance companies in respect of the followings:

	<b>As at 30 September 2020 HK\$'000 (Unaudited)</b>	As at 31 December 2019 HK\$'000 (Audited)
Surety bonds issued in favour of customers (Note)	<b>12,767</b>	12,767
	<b>12,767</b>	12,767

Note:

As at 30 September 2020, surety bonds at an amount of approximately HK\$12,767,000 were given by insurance companies in favour of the Group's customers (as at 31 December 2019: approximately HK\$12,767,000) as security for the due performance and observance of the Group's obligations under the subcontracts entered into between the Group and its customers. If the Group fails to provide satisfactory performance to its customers to whom the surety bonds have been given, the customers 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 pursuant to the guarantee granted by the Group to such insurance companies. The surety bonds will be released upon completion of the subcontract works for the customers.

The Directors are of the opinion that the amount of approximately HK\$12,767,000 was the maximum exposure to the Group and it is not probable that the insurance companies would claim against the Group for losses in respect of the guaranteed contracts as it is unlikely that the Group will be unable to fulfil the performance requirements of the relevant contracts (as at 31 December 2019: approximately HK\$12,767,000). Accordingly, no provision for the Group's obligations under the guarantee has been made as at 30 September 2020 (as at 31 December 2019: nil).

The controlling shareholders of the Company (the "**Controlling Shareholders**") have entered into a deed of indemnity on 10 February 2017 whereby they have agreed, subject to the terms and conditions therein, to indemnify the Group, among other matters, all losses and liabilities arising from any litigations against the Group prior to the placing of the Shares on 22 February 2017.

## 12. CAPITAL COMMITMENT

	As at 30 September 2020 HK\$'000 (Unaudited)	As at 31 December 2019 HK\$'000 (Audited)
Commitment for the acquisition of: short film and script and feature-length motion picture	3,140	3,504

In October 2019, the Group incorporated a wholly-owned subsidiary, Jade Phoenix Enterprises Limited (“JP”), in the British Virgin Islands, which is principally engaging in film production.

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

JP also entered into an option agreement (the “**Option Agreement**”) with the Assignors on the same date of the Assignment Agreement, which includes the following options: (i) the Assignors would grant to JP the right to assign the rights of the Properties back to the Assignors (the “**Put Option**”); and (ii) JP would grant the Assignors the rights to assign the rights of the Properties back to the Assignors (the “**Call Option**”). Pursuant to the Option Agreement, the consideration was US\$1 and the option exercise price was the paid consideration under the Assignment Agreement for both the Put Option and the Call Option. The Option Agreement will expire in 6 months after the signing date.

On 10 June 2020, JP entered into supplemental agreements with the Assignors to extend the payment due date of the remaining 90% of the consideration and the option period of the Put Option and the Call Option to 31 December 2020.

The Group has not obtained control over the Properties because the Option Agreement was binding on both parties as at 30 September 2020 and the assignment of the rights of the Properties back to the Assignors upon the exercise of the Call Option by the Assignors is outside the control of the Group. Therefore, until after the expiry of the option exercise period, and provided the Put Option and the Call Option are not exercised, the Group does not have the power to obtain the future economic benefits in relation to the Properties. Therefore, the Group had a commitment to pay under the above transaction but did not have control over the Properties as at 30 September 2020. When either the Assignors exercise their Call Option or JP exercises the Put Option, JP has no obligation to pay the remaining 90% of the consideration to the Assignors.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

The Group is an established subcontractor engaged in civil engineering works and operating solely in Hong Kong. The Group is principally engaged in the provision of underground construction services and mainly serves main contractors in public sector infrastructure projects. Public sector projects refer to the projects in which the main contractors are employed by the Government of the Hong Kong Special Administrative Region (the “**Hong Kong Government**”), its statutory bodies or statutory corporations. The Group has also been involved in some private sector projects, which 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. 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 other private construction works. 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 report, the Group had submitted certain number of tenders to main contractors, the results of which were still pending.

During the nine months ended 30 September 2020, the Group had secured 13 public construction projects and four private sector projects with the aggregate secured contract sum of approximately HK\$216,097,000 and approximately HK\$521,000, respectively (the “**Newly Awarded Contracts**”). These included a construction contract for the reinforced concrete structure construction of West Ventilation Building and Ancillary Buildings at Tseung Kwan O-Lam Tin Tunnel with the total contract sum of approximately HK\$65,000,000, the construction works of which had commenced in early August 2020 and are expected to be completed in 17 months; and a construction contract for the construction of a reception building, a granulation building and other reinforced concrete structure at Organic Waste Treatment Facilities Phase 2 with the total contract sum of approximately HK\$92,000,000, the construction works of which had commenced in mid September 2020 and are expected to be completed in September 2021. The total backlog of the Newly Awarded Contracts and contracts carried over from 2019 to be recognised as revenue after 30 September 2020 was approximately HK\$442,457,000.

During the nine months ended 30 September 2020, the Group had been engaged in 29 public sector projects (during the nine months ended 30 September 2019: 14) and six private sector projects (during the nine months ended 30 September 2019: nine), including the Newly Awarded Contracts. Please refer to the subsection headed “Financial Review” below for the analysis on the Group’s revenue.

Also, with reference to the Assignment Agreement as aforementioned, the Group had been in the process of forming a working team to develop a feature-length motion picture from the intellectual property rights of the short film and script acquired from independent third parties in December 2019.

## PRINCIPAL RISKS AND UNCERTAINTIES

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

The Group operates solely in Hong Kong and derived all its income in Hong Kong during the Reporting Period. Accordingly, the Group's business, financial results and prospects are affected by policies of the Hong Kong Government, political environment, economic and legal development in Hong Kong. In particular, events such as demonstrations, protests and the coronavirus outbreak may affect the budgeting process for public infrastructure and construction projects of the Hong Kong Government and the funding approval from the Legislative Council of the Hong Kong Special Administrative Region ("**Legco**"). Therefore, the budgeting and funding approval process on public infrastructure and construction projects may be lengthened and the expected construction timetable of projects may be delayed. As a result, the availability of construction projects may decrease due to the delay in funding approval for public sector projects in Hong Kong. Besides, 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 reduce the number of workdays and therefore hinder the Group's operations, and as a result the Group may incur additional operational costs. These events may also materially and adversely affect the economic condition in Hong Kong and in turn the Group's business and financial results. Potential wars, riots, terrorist attacks, epidemics or pandemics may also cause uncertainties to the economic condition of Hong Kong. Therefore, the profit margin may also vary from project to project due to the aforementioned factors.

## 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 Tseung Kwan O-Lam Tin Tunnel are gearing up. As a result, the Group will continue to focus on growing its tunnel construction services business and expects this to be its major growth driver and long term sustainable source of revenue. The growth in tunnel construction industry will mainly be supported by several major infrastructure projects including Tseung Kwan O-Lam Tin Tunnel, Central Kowloon Route, Sha Tin Cavern Tunnel, Cha Kwo Ling Tunnel and the Three-runway System of Hong Kong International Airport. The 2020-21 Budget Speech by the Financial Secretary of the Hong Kong Government on 26 February 2020 has mentioned that the annual capital works expenditure for infrastructure projects by the Hong Kong Government is expected to reach HK\$100 billion on average and the annual total construction output will increase to around HK\$300 billion in the next few years.

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

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

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

The coronavirus outbreak since January 2020 may affect the funding process of Legco and the construction progress of the major public infrastructure projects in Hong Kong. Therefore, the financial performance of the Group may also be affected in 2020. The Group remains hopeful that these public infrastructure projects will come on stream in the foreseeable future. The Group is one of the selected few subcontractors experienced in tunnel construction in Hong Kong and is well prepared to capitalise on the opportunities from these public infrastructure projects.

## 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 nine months ended 30 September 2020. The following table sets out the breakdown of the Group's revenue by project types for the periods indicated:

	For the nine months ended 30 September			
	2020 HK\$'000 (Unaudited)	2020 % of total revenue (Unaudited)	2019 HK\$'000 (Unaudited)	2019 % of total revenue (Unaudited)
Public sector projects				
– Tunnel construction services	38,789	44.4	15,807	31.2
– Utility construction services and others	45,503	52.1	25,968	51.3
Sub-total	84,292	96.5	41,775	82.5
Private sector projects	3,069	3.5	8,848	17.5
Total	87,361	100.0	50,623	100.0

The Group's revenue increased from approximately HK\$50,623,000 for the nine months ended 30 September 2019 to approximately HK\$87,361,000 for the nine months ended 30 September 2020, representing an increase of approximately HK\$36,738,000 or 72.6%. Such significant increase was due to the combined effects of (i) an increase in revenue generated from public sector projects – tunnel construction services from approximately HK\$15,807,000 for the nine months ended 30 September 2019 to approximately HK\$38,789,000 for the nine months ended 30 September 2020, representing an increase of approximately HK\$22,982,000 or 145.4%; and (ii) an increase in revenue generated from public sector projects – utility construction services and others from approximately HK\$25,968,000 for the nine months ended 30 September 2019 to approximately HK\$45,503,000 for the nine months ended 30 September 2020, representing an increase of approximately HK\$19,535,000 or 75.2%, partially offset by a decrease in revenue generated from private sector projects from approximately HK\$8,848,000 for the nine months ended 30 September 2019 to approximately HK\$3,069,000 for the nine months ended 30 September 2020, representing a decrease of approximately HK\$5,779,000 or 65.3%.

The increase in revenue from the tunnel construction projects was mainly attributable to the commencement of the construction works of the newly awarded contracts in the fourth quarter of 2019 in Tseung Kwan O-Lam Tin Tunnel and Central Kowloon Route carried on during the Reporting Period.

## 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\$54,031,000 for the nine months ended 30 September 2019 to approximately HK\$72,634,000 for the nine months ended 30 September 2020, representing an increase of approximately HK\$18,603,000 or 34.4%. Such increase was mainly due to: (i) an increase in the construction materials and supplies from approximately HK\$14,605,000 for the nine months ended 30 September 2019 to approximately HK\$18,498,000 for the nine months ended 30 September 2020, representing an increase of approximately HK\$3,893,000 or 26.7%; (ii) an increase in the staff costs from approximately HK\$25,891,000 for the nine months ended 30 September 2019 to approximately HK\$37,980,000 for the nine months ended 30 September 2020, representing an increase of approximately HK\$12,089,000 or 46.7%; and (iii) an increase in the subcontracting charges from approximately HK\$4,721,000 for the nine months ended 30 September 2019 to approximately HK\$6,978,000 for the nine months ended 30 September 2020, representing an increase of approximately HK\$2,257,000 or 47.8%.

The purchase arrangement of construction materials and supplies and engagement of the subcontractors depend on the terms of the contracts, which may vary on a project-by-project basis. The increase in staff costs was due to the increase in number of workers during the Reporting Period.

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

The gross profit and gross profit margin of the Group for the nine months ended 30 September 2020 was approximately HK\$14,727,000 and 16.9%, respectively (the gross loss and gross loss margin of the Group for the nine months ended 30 September 2019: approximately HK\$3,408,000 and 6.7%, respectively).

The increased gross profit and gross profit margin of the Group for the Reporting Period were mainly due to the generally higher profit margins of work performed on tunnel construction projects during the Reporting Period as compared to the non-tunnel construction projects in the corresponding period in 2019.

## Other income

The Group's other income was approximately HK\$3,815,000 for the nine months ended 30 September 2020 (for the nine months ended 30 September 2019: approximately HK\$457,000), which was mainly attributable to (i) subsidies of HK\$3,282,000 under the Anti-epidemic Fund from the Hong Kong Government; (ii) the proceeds from sales of surplus materials of approximately HK\$318,000 (for the nine months ended 30 September 2019: approximately HK\$322,000); and (iii) the reimbursement from a main contractor of approximately HK\$160,000 (for the nine months ended 30 September 2019: approximately HK\$34,000) for the Reporting Period.

## 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 decreased from approximately HK\$16,430,000 for the nine months ended 30 September 2019 to approximately HK\$16,256,000 for the nine months ended 30 September 2020, representing a decrease of approximately HK\$174,000 or 1.1%. The staff costs and benefits for the nine months ended 30 September 2020 was approximately HK\$4,510,000 (for the nine months ended 30 September 2019: approximately HK\$4,939,000), representing a decrease of approximately HK\$429,000 or 8.7%. The decrease in staff costs and benefits was mainly attributable to the decrease in the Group's administrative headcounts. The Directors' remuneration was approximately HK\$2,435,000 for the nine months ended 30 September 2020 (for the nine months ended 30 September 2019: approximately HK\$2,435,000).

## Finance costs

The Group's finance costs increased from approximately HK\$103,000 for the nine months ended 30 September 2019 to approximately HK\$226,000 for the nine months ended 30 September 2020 due to the increase in the interest expenses on bank borrowing to approximately HK\$96,000 (for the nine months ended 30 September 2019: nil) and the interest expenses on lease liabilities from approximately HK\$103,000 for the nine months ended 30 September 2019 to approximately HK\$130,000 for the nine months ended 30 September 2020.

## Income tax

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

The income tax for the nine months ended 30 September 2020 mainly resulted from the utilisation of tax loss previously recognised as deferred tax assets as at 31 December 2019 for the assessable profit of Good Mind Engineering Limited, an indirect wholly-owned subsidiary of the Company, during the Reporting Period.

## Net Profit/(Net Loss)

The Group's Net Profit for the nine months ended 30 September 2020 was approximately HK\$1,061,000 whereas the Group's Net Loss for the nine months ended 30 September 2019 was approximately HK\$19,299,000. The change from Net Loss for the nine months ended 30 September 2019 to Net Profit for the nine months ended 30 September 2020 was mainly resulted from the increase in revenue and gross profit during the Reporting Period.

## Dividend

The Board does not recommend the payment of any dividend for the nine months ended 30 September 2020 (for the nine months ended 30 September 2019: nil).

## **Liquidity, financial resources and funding**

As at 30 September 2020, the Group had a revolving term loan granted by a licensed bank in Hong Kong of HK\$3,000,000 at the interest rate of 1.25% per annum below the Hong Kong Prime Rate, which was secured by a corporate guarantee provided by the Company.

## **Contingent liabilities**

Save as disclosed in note 11 to the Unaudited Condensed Consolidated Financial Statements, there were no other contingent liabilities as at 30 September 2020.

## **Foreign currency exposure**

The Group's reporting currency is Hong Kong dollar. During the nine months ended 30 September 2020 and 2019, the Group's transactions were mainly denominated in Hong Kong dollar. The Group had no material exposure to foreign currency risk.

## **Charge on the Group's assets**

The Group had placed cash collateral of approximately HK\$4,260,000 as at 30 September 2020 (as at 31 December 2019: approximately HK\$4,260,000) to insurance companies in Hong Kong for the provision of the surety bonds for three of the public construction projects (as at 31 December 2019: three). For details of the surety bonds, please refer to note 11 to the Unaudited Condensed Consolidated Financial Statements. Saved for the foregoing, the Group did not have any charges on its assets as at 30 September 2020.

## **Event after the Reporting Period**

There is no significant event subsequent to 30 September 2020 and up to the date of this report which would materially affect the Group's operating and financial performance.

## OTHER INFORMATION

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

As at 30 September 2020, the interests or short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Features Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions in which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein or which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

#### Long Position in Shares

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	–	172,000,000	275,000,000	56.4%
Mr. Chuang Wei Chu	(b)	103,000,000	34,500,000	137,500,000	275,000,000	56.4%

Notes:

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

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

As at 30 September 2020, 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 30 September 2020, none of the Directors and chief executives of the Company had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions in which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

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

As at 30 September 2020, so far as is known to the Directors, the following persons' interests and short positions of the share capital and underlying shares of the Company, other than a Director or chief executive of the Company, were recorded in the register of interests required to be kept by the Company pursuant to section 336 of the SFO:

## Long Position in Shares

Name of shareholders	Notes	Nature of interest	Percentage of the Company's issued share capital	
			Total	
Ms. To Yin Ping	(a)	Beneficial owner, interest held jointly with another person and interest of spouse	275,000,000	56.4%
Ms. Chuang Yau Ka	(b)	Beneficial owner and interest held jointly with another person	275,000,000	56.4%
Mr. Ng Kwok Lun		Beneficial owner	37,500,000	7.7%

### 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 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 of the Company 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 30 September 2020, 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 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 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 third quarterly report of the Group for the nine months ended 30 September 2020 had been reviewed by the Audit Committee, which was of the opinion that such report has been prepared in compliance with the applicable accounting standards and the GEM Listing Rules.

## **Share Option Scheme**

The Company has not granted or issued any option or adopted any share option scheme up to 30 September 2020.

## **Competing Interests**

As far as the Directors are aware of, during the nine months ended 30 September 2020, 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.

## **Corporate Governance**

During the Reporting Period, the Board has reviewed the Group's corporate governance practices and is satisfied that the Company has complied with the code provisions of the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules.

## 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 of the Stock Exchange; (ii) the compliance adviser agreement entered into between the Company and Altus dated 26 April 2016 and extended on 31 March 2020 and 14 August 2020; and (iii) the financial advisory mandate entered into between the Company and Altus dated 6 March 2017, neither Altus nor any of its directors, employees or associates had any interests in relation to the Group which requires to be notified to the Company pursuant to Rule 6A.32 of GEM Listing Rules.

By order of the Board  
**GME Group Holdings Limited**  
**Chuang Chun Ngok Boris**  
*Chairman and executive Director*

Hong Kong, 9 November 2020

*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.*