



**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)

**Third Quarterly Report 2021**

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

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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 FCG FCS  
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 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 2021 (the “**Reporting Period**”), together with the unaudited comparative figures for the corresponding period in 2020.

The Group’s revenue increased from approximately HK\$87,361,000 for the nine months ended 30 September 2020 to approximately HK\$279,589,000 for the nine months ended 30 September 2021, representing an increase of approximately HK\$192,228,000 or 220.0%. The increase was mainly due to: (i) an increase in revenue generated from tunnel construction projects in the public sector from approximately HK\$38,789,000 for the nine months ended 30 September 2020 to approximately HK\$151,662,000 for the nine months ended 30 September 2021, representing an increase of approximately HK\$112,873,000 or 291.0%; and (ii) an increase in revenue generated from utility construction services and others in the public sector from approximately HK\$45,503,000 for the nine months ended 30 September 2020 to approximately HK\$125,022,000 for the nine months ended 30 September 2021, representing an increase of approximately HK\$79,519,000 or 174.8%. Such significant increase was mainly attributable to the gearing up of construction works at Tseung Kwan O-Lam Tin Tunnel during the Reporting Period.

The gross profit and gross profit margin of the Group for the nine months ended 30 September 2021 was approximately HK\$28,868,000 and 10.3%, respectively (for the nine months ended 30 September 2020: approximately HK\$14,727,000 and 16.9%, respectively). During the Reporting Period, the Group engaged more structural works that relied heavily on construction materials and incurred more subcontracting costs, which had a negative impact on the gross profit margin. In addition, the variation orders of two construction projects were yet finalised between the Group and the main contractor, which resulted in the decrease of the gross profit margin of the Group during the Reporting Period.

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 2021 was approximately HK\$12,981,000 (for the nine months ended 30 September 2020: approximately HK\$1,057,000). Such increase in Net Profit was mainly due to increase in revenue and gross profit during the Reporting Period as discussed above.

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the nine months ended 30 September 2021

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Revenue	4	155,091	28,165	279,589	87,361
Cost of services		(142,239)	(25,331)	(250,721)	(72,634)
Gross profit		12,852	2,834	28,868	14,727
Other income	5	747	2,636	3,594	3,815
Administrative expenses		(5,454)	(4,878)	(16,901)	(16,256)
Finance costs		(36)	(79)	(127)	(226)
Profit before income tax	6	8,109	513	15,434	2,060
Income tax	7	(1,362)	(418)	(2,455)	(1,001)
Profit for the period		6,747	95	12,979	1,059
<b>Profit for the period attributable to:</b>					
Owners of the Company		6,748	96	12,981	1,061
Non-controlling interests		(1)	(1)	(2)	(2)
		6,747	95	12,979	1,059
<b>Earnings per share</b>					
– Basic and diluted (HK cents)	9	1.4	–*	2.7	0.2
<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 for the period, net of tax		–	–	–	(4)
Profit and total comprehensive income for the period		6,747	95	12,979	1,055
<b>Profit and total comprehensive income for the period attributable to:</b>					
Owners of the Company		6,748	96	12,981	1,057
Non-controlling interests		(1)	(1)	(2)	(2)
		6,747	95	12,979	1,055

\* 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 2021

### Attributable to the owners of the Company

	Share capital	Share premium	Capital reserve	Exchange reserve	Other reserve	Retained earnings/ (accumulated loss)	Total	Non-controlling interests	Total
	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)
<b>For the nine months ended 30 September 2021</b>									
As at 1 January 2021	4,878	90,753	90	-	(36,104)	(6,664)	52,953	393	53,346
Profit for the period	-	-	-	-	-	12,981	12,981	(2)	12,979
As at 30 September 2021	4,878	90,753	90	-	(36,104)	6,317	65,934	391	66,325
<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

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 30 September 2021

## 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 in Hong Kong.

Mr. Chuang Wei Chu and Mr. Chuang Chun Ngok Boris, both of whom are also executive Directors, and their family members, Ms. To Yin Ping (the spouse of Mr. Chuang Wei Chu) and Ms. Chuang Yau Ka, entered into an acting in concert deed dated 21 March 2016 (the “**Acting in Concert Deed**”) as the controlling shareholders of the Company (the “**Controlling Shareholders**”). The Controlling Shareholders have agreed to consolidate their respective interests in the Company and to vote on any resolution to be passed at any shareholders’ meeting of the Company in an unanimous manner. 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 of the Company (“**Shares**”, each a “**Share**”) held by them in aggregate by virtue of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (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.

## 2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements of the Group for the nine months ended 30 September 2021 (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 2020 (the “**2020 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).

## 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 Board (the "**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.

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 2020 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 2021. 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 resource 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.

### 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	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Customer B	53,994	7,791	76,735	17,025
Customer L	54,028	4,702	76,783	10,953
Customer S	29,919	5,575	75,297	15,489
Customer T	11,068	N/A	29,892	9,477
Customer V	-	N/A	-	17,744

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	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Government grants (Note)	-	2,313	<b>2,541</b>	3,262
Gain on disposal of property, plant and equipment	-	2	<b>55</b>	55
Sales of surplus materials	<b>15</b>	301	<b>135</b>	318
Sundry income	<b>732</b>	20	<b>863</b>	180
	<b>747</b>	2,636	<b>3,594</b>	3,815

Note:

The government grants were received by Good Mind Engineering Limited ("**GMEHK**"), an indirect wholly-owned subsidiary of the Company, from the Employment Support Scheme ("**ESS**") under the Anti-epidemic Fund launched by the Government of Hong Kong Special Administrative Region (the "**Hong Kong Government**"), which were used to support the payroll of GMEHK's employees. Under ESS, GMEHK is required to utilise these grants on payroll expenses, and not to reduce the employee headcount below certain prescribed level for a specified period of time. GMEHK does not have other unfulfilled obligations relating to this programme.

## 6. PROFIT BEFORE INCOME TAX

Profit before income tax expense is arrived at after charging:

	Three months ended		Nine months ended	
	30 September		30 September	
	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Included in cost of services:				
– Subcontracting costs	<b>25,488</b>	2,993	<b>36,517</b>	6,978
– Construction materials and supplies	<b>37,295</b>	7,064	<b>74,732</b>	18,498
Auditor's remuneration	<b>165</b>	175	<b>495</b>	525
Impairment loss on trade receivables	–	–	–	7
Impairment loss on contract assets	–	–	–	2
Depreciation charges:				
– Owned property, plant and equipment	<b>1,627</b>	924	<b>3,907</b>	2,964
– Right-of-use-assets included within				
– Leased properties	<b>359</b>	380	<b>1,078</b>	1,196
– Office equipment	<b>4</b>	4	<b>11</b>	11
– Plant and machinery	<b>97</b>	158	<b>469</b>	367
– Motor vehicles	–	89	<b>86</b>	266
Consultancy fees	<b>633</b>	723	<b>2,145</b>	2,175
Lease payment not included in the measurement of lease liabilities:				
– Leased properties (included in cost of services and administrative expenses)	<b>108</b>	213	<b>359</b>	603
– Short-term leases of plant and machinery (included in cost of services)	<b>9,601</b>	1,111	<b>16,656</b>	3,741
Finance costs:				
– Interest on bank borrowing	–	38	–	96
– Interest on lease liabilities	<b>36</b>	41	<b>127</b>	130
Employee benefit expenses, including Directors' remuneration	<b>69,151</b>	14,773	<b>123,104</b>	44,925

## 7. INCOME TAX

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

	Three months ended		Nine months ended	
	30 September	2020	30 September	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Current tax – Hong Kong profits tax – charge for the Reporting Period	<b>1,145</b>	–	<b>1,873</b>	–
Deferred tax	<b>217</b>	418	<b>582</b>	1,001
Income tax	<b>1,362</b>	418	<b>2,455</b>	1,001

Hong Kong profits tax is calculated at 16.5% (for the nine months ended 30 September 2020: 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 2021 (for the nine months ended 30 September 2020: nil).

## 9. EARNINGS PER SHARE

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

	Three months ended 30 September		Nine months ended 30 September	
	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Earnings:				
Earnings for the purpose of basic earnings per Share	<b>6,748</b>	96	<b>12,981</b>	1,061
	<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 per Share (Note)	<b>487,808</b>	487,808	<b>487,808</b>	487,808

Note:

Diluted earnings per Share is same as basic earnings per Share as there was no dilutive potential Shares for the nine months ended 30 September 2021 and 2020.

## 10. SHARE CAPITAL

	<b>The Company</b>	
	<b>Number of Shares</b>	<b>Amount HK\$'000</b>
<hr/>		
Authorised:		
Ordinary share of HK\$0.01 each		
As at 31 December 2020 (audited), 1 January 2021 (unaudited) and 30 September 2021 (unaudited)	2,000,000,000	20,000
<hr/>		
Issued and fully paid:		
Ordinary share of HK\$0.01 each		
As at 31 December 2020 (audited), 1 January 2021 (unaudited) and 30 September 2021 (unaudited)	487,808,000	4,878
<hr/>		

## 11. CONTINGENT LIABILITIES

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

As at 30 September 2021, there were a number of labour claims lodged against the Group arising from the ordinary course of its civil engineering construction business. No specific claim amount has been specified in the applications of these claims. It is anticipated that, the outflow of resources required in settling these claims, if any, 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.

### (b) *Guarantee issued*

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

	<b>As at 30 September 2021 HK\$'000 (Unaudited)</b>	As at 31 December 2020 HK\$'000 (Audited)
Surety bonds issued in favour of customers (Note)	<b>9,169</b>	9,169
	<b>9,169</b>	9,169

## 11. CONTINGENT LIABILITIES (Continued)

### (b) *Guarantee issued (Continued)*

Note:

As at 30 September 2021, surety bonds at an amount of approximately HK\$9,169,000 were given by insurance companies in favour of the Group's customers (as at 31 December 2020: approximately HK\$9,169,000) 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.

It is anticipated that the amount of approximately HK\$9,169,000 as at 30 September 2021 was the maximum exposure to the Group (as at 31 December 2020: approximately HK\$9,169,000). 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. Accordingly, no provision for the Group's obligations under the guarantee has been made as at 30 September 2021 (as at 31 December 2020: nil).

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 2021, the Group did not have any capital commitment (as at 31 December 2020: nil).

## 13. APPROVAL OF UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The Unaudited Condensed Consolidated Financial Statements were approved and authorised for issue by the Board on 8 November 2021.

# 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 Hong Kong Government, its statutory bodies or statutory corporations. The Group has also been involved in some private sector projects, which have covered all other types of engagements.

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

Since 2014, the Group has been focusing on the development of a complete suite of tunnel construction services, which has laid a solid foundation for the Group's growth and a strong advantage in securing contracts. The Group is constantly evaluating opportunities within the underground construction industry and seeking profitable areas in which it can develop, broaden or commence operation. Other than tunnel works, the Group has also participated in earthworks, bridge works and construction of service buildings during the Reporting Period. The Group considers that diversification is necessary under the current market condition, and continues to explore opportunity in other fields of the construction industry. As at the date of this 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 2021, the Group had secured 10 public construction projects and one private sector project with aggregate secured contract sums of approximately HK\$154,050,000 and approximately HK\$2,894,000, respectively (the **"Newly Awarded Contracts"**).

During the nine months ended 30 September 2021, the Group had been engaged in 31 public sector projects (during the nine months ended 30 September 2020: 29) and two private sector projects (during the nine months ended 30 September 2020: six). Please refer to the subsection headed "Financial Review" below for the analysis on the Group's revenue. The total backlog of the Newly Awarded Contracts and contracts carried over from 2020 to be recognised as revenue after 30 September 2021 was approximately HK\$325,133,000.

Subsequent to the Reporting Period up to the date of this report, the Group had secured two public construction projects at the three-runway system of the Hong Kong International Airport with the aggregated contract value of approximately HK\$86,745,000.

## PRINCIPAL RISKS AND UNCERTAINTIES

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

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

The Group's historical results may not be indicative of its future performance, which may vary from period to period in response to a variety of factors beyond the Group's control, including general economic conditions, regulations pertaining to the underground construction industry in Hong Kong and the ability to secure new business in the future. Besides, adverse weather conditions, natural disasters, potential wars, terrorist attacks, riots, epidemics, pandemics (such as the coronavirus disease ("COVID-19")) and other disasters which are beyond the Group's control may reduce the number of workdays and hinder the Group's operations. Yet, COVID-19 had no significant adverse effect on the Group during the Reporting Period.

## OUTLOOK OF TUNNEL AND CONSTRUCTION INDUSTRY IN HONG KONG

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

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

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

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

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 2021. 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			
	2021	2021	2020	2020
	HK\$'000	% of total	HK\$'000	% of total
	(Unaudited)	revenue	(Unaudited)	revenue
		(Unaudited)		(Unaudited)
Public sector projects				
– Tunnel construction services	151,662	54.2	38,789	44.4
– Utility construction services and others	125,022	44.8	45,503	52.1
Sub-total	276,684	99.0	84,292	96.5
Private sector projects	2,905	1.0	3,069	3.5
Total	279,589	100.0	87,361	100.0

The Group's revenue increased from approximately HK\$87,361,000 for the nine months ended 30 September 2020 to approximately HK\$279,589,000 for the nine months ended 30 September 2021, representing an increase of approximately HK\$192,228,000 or 220.0%. The increase was mainly due to: (i) an increase in revenue generated from tunnel construction projects in the public sector from approximately HK\$38,789,000 for the nine months ended 30 September 2020 to approximately HK\$151,662,000 for the nine months ended 30 September 2021, representing an increase of approximately HK\$112,873,000 or 291.0%; and (ii) an increase in revenue generated from utility construction services and others in the public sector from approximately HK\$45,503,000 for the nine months ended 30 September 2020 to approximately HK\$125,022,000 for the nine months ended 30 September 2021, representing an increase of approximately HK\$79,519,000 or 174.8%. Such significant increase was mainly attributable to the gearing up of construction works at Tseung Kwan O-Lam Tin Tunnel during the Reporting Period.

## Cost of services

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

The Group's cost of services increased from approximately HK\$72,634,000 for the nine months ended 30 September 2020 to approximately HK\$250,721,000 for the nine months ended 30 September 2021, representing an increase of approximately HK\$178,087,000 or 245.2%. Such increase was mainly due to: (i) an increase in the construction materials and supplies from approximately HK\$18,498,000 for the nine months ended 30 September 2020 to approximately HK\$74,732,000 for the nine months ended 30 September 2021, representing an increase of approximately HK\$56,234,000 or 304.0%; (ii) an increase in the staff costs from approximately HK\$37,980,000 for the nine months ended 30 September 2020 to approximately HK\$115,573,000 for the nine months ended 30 September 2021, representing an increase of approximately HK\$77,593,000 or 204.3%; and (iii) an increase in the subcontracting costs from approximately HK\$6,978,000 for the nine months ended 30 September 2020 to approximately HK\$36,517,000 for the nine months ended 30 September 2021, representing an increase of approximately HK\$29,539,000 or 423.3%.

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

The gross profit and gross profit margin of the Group for the nine months ended 30 September 2021 was approximately HK\$28,868,000 and 10.3%, respectively (for the nine months ended 30 September 2020: approximately HK\$14,727,000 and 16.9%, respectively). During the Reporting Period, the Group engaged more structural works that relied heavily on construction materials and incurred more subcontracting costs, which had a negative impact on the gross profit margin. In addition, the variation orders of two construction projects were yet finalised between the Group and the main contractor, which resulted in the decrease of the gross profit margin of the Group during the Reporting Period.

## Other income

The Group's other income was approximately HK\$3,594,000 for the nine months ended 30 September 2021 (for the nine months ended 30 September 2020: approximately HK\$3,815,000), which was mainly attributable to the government grants of approximately HK\$2,541,000 (for the nine months ended 30 September 2020: approximately HK\$3,262,000) under ESS.

During the Reporting Period, GMEHK submitted a request for review of the application results for the wage subsidy from September 2020 to November 2020 under the second tranche of the ESS. On 5 May 2021, the Group has received a reply from the ESS processing agent which concluded that the government grant under such second tranche, after deducting the penalty, was approximately HK\$2,314,000.

## **Administrative expenses**

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

The Group's administrative expenses increased from approximately HK\$16,256,000 for the nine months ended 30 September 2020 to approximately HK\$16,901,000 for the nine months ended 30 September 2021, representing an increase of approximately HK\$645,000 or 4.0%. The staff costs and benefits for the nine months ended 30 September 2021 was approximately HK\$5,096,000 (for the nine months ended 30 September 2020: approximately HK\$4,510,000), representing an increase of approximately HK\$586,000 or 13.0%. The Directors' remuneration was approximately HK\$2,435,000 (during the nine months ended 30 September 2020: approximately HK\$2,435,000) during the Reporting Period.

## **Finance costs**

The Group's finance costs decreased from approximately HK\$226,000 for the nine months ended 30 September 2020 to approximately HK\$127,000 for the nine months ended 30 September 2021 due to the decrease in interest expenses on the bank borrowing during the Reporting Period.

## **Income tax**

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

The income tax for the nine months ended 30 September 2021 mainly resulted from the utilisation of tax loss previously recognised as deferred tax assets as at 31 December 2020 for the assessable profit of GMEHK during the Reporting Period.

## **Net Profit**

The Group's Net Profit for the nine months ended 30 September 2021 was approximately HK\$12,981,000 (for the nine months ended 30 September 2020: approximately HK\$1,057,000). Such increase in Net Profit was mainly due to increase in revenue and gross profit during the Reporting Period as discussed above.

## **Dividend**

The Board does not recommend the payment of any dividend for the nine months ended 30 September 2021 (for the nine months ended 30 September 2020: nil).

## **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 2021.

## **Foreign currency exposure**

The Group's reporting currency is Hong Kong dollar. During the nine months ended 30 September 2021 and 2020, the Group's transactions were 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\$3,900,000 as at 30 September 2021 (as at 31 December 2020: approximately HK\$3,900,000) to an insurance company in Hong Kong for the provision of the surety bonds for two of the public construction projects (as at 31 December 2020: two). 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 2021.

## **Event after the Reporting Period**

There is no significant event subsequent to 30 September 2021 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 2021, the interests or short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions in which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein or which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

### Long Position in Shares

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

Notes:

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

As at 30 September 2021, 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 2021, 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 2021, 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***

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

Notes:

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

Save as disclosed above, as at 30 September 2021, 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.

## Corporate Governance

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

During the Reporting Period up to the date of this report, the Board has reviewed the Group's corporate governance practices and is satisfied that the Company has complied with the code provisions of the CG Code as set out in Appendix 15 to the GEM Listing Rules. The Board will continue to review and enhance its corporate governance practices from time to time to comply with statutory requirements and regulations.

### Code of Conduct for Securities Transactions by Directors

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

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

On 6 March 2021, the Board appointed SHINEWING Risk Services Limited as an independent internal control consultant to review and strengthen the Group's internal control measures in relation to the Required Standard of Dealings as the Code of Conduct from 10 November 2020 to 31 January 2021.

The independent internal control consultant reported the review results to the Audit Committee on 23 March 2021. Based on the review results, the Company has implemented a specific procedure to strengthen such internal controls. The company secretary of the Company shall obtain the acknowledgement of receipt of the memorandum for the Black-out Period from the Directors, senior management of the Company and relevant parties (including family members) before the commencement of each Black-out Period.

The Company has made specific enquiry with the Directors, senior management of the Company and relevant parties (including family members) and all of them confirmed that they had fully complied with the required standard of dealings set out in the Code of Conduct and there was no event of non-compliance during the Reporting Period up to the date of this report.

## **Audit Committee**

The Group has established the Audit Committee pursuant to a resolution of the Board passed on 10 February 2017 in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules and with written terms of reference in compliance with the 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 2021 had been reviewed by the Audit Committee, which was of the opinion that such third quarterly 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 2021.

## **Competing Interests**

As far as the Directors are aware of, during the nine months ended 30 September 2021, 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.

## 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, 24 March 2021 and 11 August 2021; 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, 8 November 2021

*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.*