



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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2022

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UNAUDITED CONDENSED CONSOLIDATED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2022

The board of Directors (the “**Board**”) of the Company hereby announces that the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the six months ended 30 June 2022 (the “**Reporting Period**”), together with the comparative unaudited figures for the six months ended 30 June 2021, are as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2022

	Notes	Three months ended 30 June		Six months ended 30 June	
		2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Revenue	4	114,505	74,234	215,796	124,498
Cost of services		<u>(106,023)</u>	<u>(65,013)</u>	<u>(198,617)</u>	<u>(108,482)</u>
Gross profit		8,482	9,221	17,179	16,016
Other income	5	8,337	92	8,552	2,847
Administrative expenses		<u>(6,701)</u>	<u>(5,299)</u>	<u>(12,115)</u>	<u>(11,447)</u>
Finance costs		<u>(278)</u>	<u>(42)</u>	<u>(499)</u>	<u>(91)</u>
Profit before income tax	6	9,840	3,972	13,117	7,325
Income tax	7	<u>200</u>	<u>(807)</u>	<u>318</u>	<u>(1,093)</u>
Profit for the period		<u><u>10,040</u></u>	<u><u>3,165</u></u>	<u><u>13,435</u></u>	<u><u>6,232</u></u>
Profit and total comprehensive income for the period attributable to:					
Owners of the Company		10,040	3,165	13,436	6,233
Non-controlling interests		<u>–</u>	<u>–</u>	<u>(1)</u>	<u>(1)</u>
		<u><u>10,040</u></u>	<u><u>3,165</u></u>	<u><u>13,435</u></u>	<u><u>6,232</u></u>
Earnings per share					
– Basic and diluted (HK cents)	9	<u><u>2.06</u></u>	<u><u>0.65</u></u>	<u><u>2.75</u></u>	<u><u>1.28</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

		As at 30 June 2022 <i>HK\$'000</i> (Unaudited)	As at 31 December 2021 <i>HK\$'000</i> (Audited)
Non-current assets			
Property, plant and equipment		<u>14,439</u>	<u>17,559</u>
		<u>14,439</u>	<u>17,559</u>
Current assets			
Contract assets		47,561	42,660
Trade and other receivables	10	99,807	82,300
Amount due from a minority shareholder of a subsidiary		400	400
Pledged bank deposits		2,000	–
Cash and cash equivalents		<u>12,584</u>	<u>5,430</u>
		<u>162,352</u>	<u>130,790</u>
Current liabilities			
Trade and other payables	11	46,658	63,820
Bank borrowings		30,000	17,000
Amount due to a Director		19,900	–
Lease liabilities		<u>2,105</u>	<u>2,598</u>
		<u>98,663</u>	<u>83,418</u>
Net current assets		<u>63,689</u>	<u>47,372</u>
Total assets less current liabilities		<u>78,128</u>	<u>64,931</u>
Non-current liabilities			
Lease liabilities		799	719
Deferred tax liabilities		<u>100</u>	<u>418</u>
		<u>899</u>	<u>1,137</u>
NET ASSETS		<u>77,229</u>	<u>63,794</u>

		As at 30 June 2022 <i>HK\$'000</i> (Unaudited)	As at 31 December 2021 <i>HK\$'000</i> (Audited)
	<i>Notes</i>		
EQUITY			
Equity attributable to owners of the Company			
Share capital	<i>12</i>	4,878	4,878
Reserves		71,962	58,526
		76,840	63,404
Non-controlling interests		389	390
TOTAL EQUITY		77,229	63,794

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

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 six months ended 30 June 2022 (the “**Unaudited Condensed Consolidated Financial Statements**”) have been prepared in accordance with Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations (hereinafter collectively referred to as the “**HKFRS**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and the applicable disclosures required by the GEM Listing Rules.

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 2021 (the “**2021 Consolidated Financial Statements**”), which have been prepared in accordance with HKFRS and the disclosure requirements of the Hong Kong 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 (“**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 2021 Consolidated Financial Statements.

For the purpose of preparing and presenting the financial information of the Unaudited Condensed Consolidated Financial Statements, the Group has consistently adopted HKFRS issued by HKICPA which are effective for the Group's financial year beginning on 1 January 2022. The Group has not early applied the new and revised HKFRS 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.

Geographical information

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

Information about major customers

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

	Three months ended		Six months ended	
	30 June		30 June	
	2022	2021	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Customer B	31,661	17,374	50,903	22,741
Customer C	20,631	N/A	30,829	N/A
Customer L	30,998	17,541	50,240	22,755
Customer S	24,992	26,486	54,927	45,378
Customer T	N/A	8,098	N/A	18,824

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		Six months ended	
	30 June		30 June	
	2022	2021	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Government grants (<i>Note</i>)	6,116	(31)	6,116	2,541
Gain on disposal of property, plant and equipment	–	10	–	55
Sales of surplus materials	163	12	163	120
Reimbursement from main contractors	1,269	–	1,269	15
Rental income	337	–	337	–
Sundry income	452	101	667	116
	8,337	92	8,552	2,847

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”) in 2022 and 2020 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 the 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		Six months ended	
	30 June		30 June	
	2022	2021	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Included in cost of services:				
– Subcontracting costs	9,939	5,580	18,062	11,029
– Construction materials and supplies	15,193	22,811	28,471	37,437
Auditor's remuneration	150	165	300	330
Depreciation charges:				
– Owned property, plant and equipment	1,568	1,234	3,237	2,280
– Right-of-use-assets included within				
– Leased properties	499	360	932	719
– Office equipment	3	3	7	7
– Plant and machinery	187	217	372	372
– Motor vehicles	56	43	103	86
Consultancy fees	633	663	1,392	1,512
Lease payment not included in the measurement of lease liabilities:				
– Leased properties (included in cost of services and administrative expenses)	108	143	216	251
– Short-term leases of plant and machinery (included in cost of services)	11,602	4,754	21,605	7,055
Finance costs:				
– Interest on bank borrowings	241	–	425	–
– Interest on lease liabilities	37	42	74	91
Employee benefit expenses, including Directors' remuneration	68,929	31,873	129,535	53,953

7. INCOME TAX

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

	Three months ended		Six months ended	
	30 June		30 June	
	2022	2021	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Current tax – Hong Kong profits tax – charge for the Reporting Period	–	484	–	728
Deferred tax	<u>(200)</u>	<u>323</u>	<u>(318)</u>	<u>365</u>
Income tax (credit)/expenses	<u><u>(200)</u></u>	<u><u>807</u></u>	<u><u>(318)</u></u>	<u><u>1,093</u></u>

Hong Kong profits tax is calculated at 16.5% (for the six months ended 30 June 2021: 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 six months ended 30 June 2022 (for the six months ended 30 June 2021: 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		Six months ended	
	30 June		30 June	
	2022	2021	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Earnings:				
Earnings for the purpose of basic earnings per Share	<u><u>10,040</u></u>	<u><u>3,165</u></u>	<u><u>13,436</u></u>	<u><u>6,233</u></u>
	Number of Shares	Number of Shares	Number of Shares	Number of Shares
	'000	'000	'000	'000
Weighted average number of ordinary Shares for the purpose of earnings per Share (<i>Note</i>)	<u><u>487,808</u></u>	<u><u>487,808</u></u>	<u><u>487,808</u></u>	<u><u>487,808</u></u>

Note:

Diluted earnings per Share is same as basic earnings per Share as there was no dilutive potential Shares for the six months ended 30 June 2022 and 2021.

10. TRADE AND OTHER RECEIVABLES

	As at 30 June 2022 <i>HK\$'000</i> (Unaudited)	As at 31 December 2021 <i>HK\$'000</i> (Audited)
Trade receivables (<i>Note</i>)	85,444	75,207
Less: impairment loss	<u>(784)</u>	<u>(784)</u>
	<u>84,660</u>	<u>74,423</u>
Prepayments, deposits and other receivables	15,497	8,227
Less: impairment loss	<u>(350)</u>	<u>(350)</u>
	<u>15,147</u>	<u>7,877</u>
	<u>99,807</u>	<u>82,300</u>

Note:

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

The following is an analysis of trade receivables by age, presented based on invoice dates and net of loss allowance:

	As at 30 June 2022 <i>HK\$'000</i> (Unaudited)	As at 31 December 2021 <i>HK\$'000</i> (Audited)
Less than 1 month	77,246	48,989
1 to 3 months	7,414	25,434
More than 3 months but less than one year	<u>—</u>	<u>—</u>
	<u>84,660</u>	<u>74,423</u>

11. TRADE AND OTHER PAYABLES

	As at 30 June 2022 <i>HK\$'000</i> (Unaudited)	As at 31 December 2021 <i>HK\$'000</i> (Audited)
Trade payables (<i>Note</i>)	14,507	17,961
Other payables and accruals	<u>32,151</u>	<u>45,859</u>
	<u>46,658</u>	<u>63,820</u>

Note:

An ageing analysis of trade payables, based on invoice dates, is as follows:

	As at 30 June 2022 <i>HK\$'000</i> (Unaudited)	As at 31 December 2021 <i>HK\$'000</i> (Audited)
Current or less than 1 month	6,163	5,573
1 to 3 months	6,236	10,447
More than 3 months but less than one year	1,990	1,823
More than one year	<u>118</u>	<u>118</u>
	<u>14,507</u>	<u>17,961</u>

The Group's trade payables are non-interest bearing and generally have payment terms of 0 to 30 days.

12. SHARE CAPITAL

	The Company	
	Number of Shares	Amount HK\$'000
Authorised:		
Ordinary share of HK\$0.01 each		
As at 31 December 2021 (audited), 1 January 2022 (unaudited) and 30 June 2022 (unaudited)	<u>2,000,000,000</u>	<u>20,000</u>
Issued and fully paid:		
Ordinary share of HK\$0.01 each		
As at 31 December 2021 (audited), 1 January 2022 (unaudited) and 30 June 2022 (unaudited)	<u>487,808,000</u>	<u>4,878</u>

13. CONTINGENT LIABILITIES

(a) Contingent liabilities in respect of legal claims

As at 30 June 2022, 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. No provision for the contingent liabilities in respect of these claims is necessary.

(b) Guarantee issued

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

	As at 30 June 2022 HK\$'000 (Unaudited)	As at 31 December 2021 HK\$'000 (Audited)
Surety bonds issued in favour of customers (<i>Note</i>)	<u>7,889</u>	<u>9,169</u>
	<u>7,889</u>	<u>9,169</u>

Note:

As at 30 June 2022, a surety bond (as at 31 December 2021: 2) at an amount of approximately HK\$7,889,000 were given by an insurance company in favour of the Group's customers (as at 31 December 2021: 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 company to pay to them the sum or sums stipulated in such demand. The Group will then become liable to compensate the insurance company accordingly pursuant to the guarantee granted by the Group to such insurance company. The surety bonds will be released upon completion of the subcontract works for the customers.

It is anticipated that the amount of approximately HK\$7,889,000 as at 30 June 2022 was the maximum exposure to the Group (as at 31 December 2021: approximately HK\$9,169,000). It is not probable that the insurance company 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 June 2022 (as at 31 December 2021: nil).

14. CAPITAL COMMITMENT

As at 30 June 2022, the capital commitment of the Group for the acquisition of the property, plant and equipment is approximately HK\$225,000 (as at 31 December 2021: approximately HK\$410,000).

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 opportunities in other fields of the construction industry. As at the date of this announcement, the Group has submitted certain number of tenders to main contractors, the results of which are still pending.

During the six months ended 30 June 2022, the Group had secured 12 public construction projects and two private sector projects with the aggregate secured contract sum of approximately HK\$183,148,000 and approximately HK\$3,620,000, respectively (the "**Newly Awarded Contracts**").

During the six months ended 30 June 2022, the Group had been engaged in 38 public sector projects (during the six months ended 30 June 2021: 24) and three private sector projects (during the six months ended 30 June 2021: two). The Newly Awarded Contracts were commenced in 2022. 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 2021 to be recognised as revenue after 30 June 2022 was approximately HK\$388,395,000.

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 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 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 and 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, the Three-runway System of Hong Kong International Airport and Tung Chung East development.

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 announcement, the Highways Department of the Hong Kong Government has awarded seven construction contracts of Central Kowloon Route to the main contractors with a total value of approximately HK\$28.9 billion, which included the construction works of (i) the shaft at Ho Man Tin; (ii) the tunnels at Kai Tak East and West; (iii) the tunnels at Yau Ma Tei East and West; (iv) the Central Tunnel; and (v) buildings, electrical and mechanical works.

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

The Airport Authority Hong Kong had awarded two major construction contracts on (i) tunnels and related works for an automatic people mover and baggage handling system; and (ii) 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 of Hong Kong International Airport.

The 2021-22 budget speech by the Financial Secretary of the Hong Kong Government on 24 February 2022 has mentioned that the Hong Kong Government will continue to invest in infrastructure. The annual capital work expenditure will exceed HK\$100 billion in the coming years. The annual total construction output will increase to around HK\$300 billion.

The Group observes that these public infrastructure projects are coming on full stream in 2022. 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 six months ended 30 June 2022. The following table sets out the breakdown of the Group's revenue by project types:

	For the six months ended 30 June			
	2022	2022	2021	2021
	<i>HK\$'000</i>	<i>% of total revenue</i>	<i>HK\$'000</i>	<i>% of total revenue</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Public sector projects				
– Tunnel construction services	105,488	48.9	50,301	40.4
– Utility construction services and others	106,112	49.2	71,292	57.3
Sub-total	211,600	98.1	121,593	97.7
Private sector projects	4,196	1.9	2,905	2.3
Total	215,796	100.0	124,498	100.0

The Group's revenue increased from approximately HK\$124,498,000 for the six months ended 30 June 2021 to approximately HK\$215,796,000 for the six months ended 30 June 2022, representing an increase of approximately HK\$91,298,000 or 73.3%. Such significant increase in revenue for the Reporting Period was due to (i) an increase in revenue generated from public sector projects – tunnel construction services from approximately HK\$50,301,000 for the six months ended 30 June 2021 to approximately HK\$105,488,000 for the six months ended 30 June 2022, representing an increase of approximately HK\$55,187,000 or 109.7%; (ii) an increase in revenue generated from public sector projects – utility construction services and others from approximately HK\$71,292,000 for the six months ended 30 June 2021 to approximately HK\$106,112,000 for the six months ended 30 June 2022, representing an increase of approximately HK\$34,820,000 or 48.8%; and (iii) an increase in revenue generated from private sector projects from approximately HK\$2,905,000 for the six months ended 30 June 2021 to approximately HK\$4,196,000 for the six months ended 30 June 2022, representing an increase of approximately HK\$1,291,000 or 44.4%.

The increase in revenue was mainly attributable to the gearing up of the construction works at Tseung Kwan O-Lam Tin Tunnel and Organic Resources Recovery Centre at Shaling during the Reporting Period.

Cost of services

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

The Group's cost of services increased from approximately HK\$108,482,000 for the six months ended 30 June 2021 to approximately HK\$198,617,000 for the six months ended 30 June 2022, representing an increase of approximately HK\$90,135,000 or 83.1%. Such increase was mainly due to (i) an increase in the staff costs from approximately HK\$48,872,000 for the six months ended 30 June 2021 to approximately HK\$123,932,000 for the six months ended 30 June 2022, representing an increase of approximately HK\$75,060,000 or 153.6%; and (ii) an increase in the short-term leases of plant and machinery from approximately HK\$7,055,000 for the six months ended 30 June 2021 to approximately HK\$21,605,000 for the six months ended 30 June 2022, representing an increase of approximately HK\$14,550,000 or 206.2%.

The purchase arrangement of construction materials and supplies, short-term leases of plant and machinery 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 skilled workers during the Reporting Period.

Gross profit and gross profit margin

The gross profit and gross profit margin of the Group for the six months ended 30 June 2022 was approximately HK\$17,179,000 and 8.0%, respectively (for the six months ended 30 June 2021: approximately HK\$16,016,000 and 12.9%, respectively). During the Reporting Period, the Group was engaged in more structural works, which relied heavily on skilled workers. Besides, the variation orders and final accounts of some construction projects were not yet finalised between the Group and the main contractor, which resulted in the decrease in gross profit margin of the Group.

Other income

The Group's other income was approximately HK\$8,552,000 for the six months ended 30 June 2022 (for the six months ended 30 June 2021: approximately HK\$2,847,000), which was mainly attributable to the government grants of approximately HK\$6,116,000 (for the six months ended 30 June 2021: approximately HK\$2,541,000) under the ESS and the reimbursement from the main contractors of approximately HK\$1,269,000 (for the six months ended 30 June 2021: approximately HK\$15,000).

During the Reporting Period, GMEHK received the wage subsidy for May 2022 under the ESS.

Administrative expenses

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

The Group's administrative expenses increased from approximately HK\$11,447,000 for the six months ended 30 June 2021 to approximately HK\$12,115,000 for the six months ended 30 June 2022, representing an increase of approximately HK\$668,000 or 5.8%. The staff costs and benefits for the six months ended 30 June 2022 was approximately HK\$3,980,000 (for the six months ended 30 June 2021: approximately HK\$3,458,000), representing an increase of approximately HK\$522,000 or 15.1%. The Directors' remuneration for the six months ended 30 June 2022 was approximately HK\$1,623,000 (for the six months ended 30 June 2021: approximately HK\$1,623,000).

Finance costs

The Group's finance costs increased from approximately HK\$91,000 for the six months ended 30 June 2021 to approximately HK\$499,000 for the six months ended 30 June 2022 due to the increase in interest expenses on the bank borrowings.

Income tax

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

The income tax for the six months ended 30 June 2022 resulted from the movement of accelerated tax depreciation during the Reporting Period.

Profit and total comprehensive income for the period attributable to the owners of the Company (the "Net Profit")

The Group's Net Profit for the six months ended 30 June 2022 was approximately HK\$13,436,000 (for the six months ended 30 June 2021: approximately HK\$6,233,000). Such increase in Net Profit was mainly due to increase in revenue and other income during the Reporting Period as discussed above.

Dividend

The Board does not recommend the payment of any dividend for the six months ended 30 June 2022 (for the six months ended 30 June 2021: nil).

Liquidity, financial resources and funding

As at 30 June 2022, the Group's cash and cash equivalents and pledged bank deposits amounted to approximately HK\$12,584,000 (as at 31 December 2021: approximately HK\$5,430,000) and HK\$2,000,000, respectively (as at 31 December 2021: nil), which were denominated in Hong Kong dollar. The increase in cash and cash equivalents was due to the increase in cashflow from financing activities during the Reporting Period.

On 23 August 2021, GMEHK received a banking facility letter of a revolving loan granted by a licensed bank in Hong Kong of HK\$18,000,000 at an interest rate of 1% per annum below the Hong Kong Prime Rate under the SME Financing Guarantee Scheme, which is secured by personal guarantees executed by the Controlling Shareholders. Also, on 10 December 2021, GMEHK received another banking facility letter of export invoice discounting with another licensed bank in Hong Kong of HK\$12,000,000 at an interest rate of 3.5% per annum over the higher of HIBOR and the bank's cost of fund, which is secured by a corporate guarantee by the Company and pledged bank deposits of HK\$2,000,000.

As at 30 June 2022, the total drawdown from the bank facility letters was HK\$30,000,000. Subsequent to the Reporting Period up to the date of this Announcement, the Group settled HK\$12,000,000 of such drawdown and made further drawdown of approximately HK\$9,421,000.

As at 30 June 2022, the Group recorded an amount due to Mr. Chuang Chun Ngok Boris, the executive Director, of approximately HK\$19,900,000. The balance is unsecured, interest-free and repayable on demand.

As at 30 June 2022, the lease liabilities amounted to approximately HK\$2,904,000 (as at 31 December 2021: approximately HK\$3,317,000), which represented the lease arrangement of the Group's office equipment, leased buildings, a machinery and motor vehicles.

The Group's gearing ratio, which is calculated by total debts divided by total equity, increased from approximately 103.7% as at 31 December 2021 to approximately 110.0% as at 30 June 2022 due to the increase in total debts during the Reporting Period.

Capital structure

As at 30 June 2022, the capital structure of the Company comprised issued share capital and reserves.

Commitments

As at 30 June 2022, the capital commitment of the Group for the acquisition of the property, plant and equipment was approximately HK\$225,000 (as at 31 December 2021: approximately HK\$410,000).

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

There was no significant investments, material acquisitions or disposal of subsidiaries and associated companies by the Company for the six months ended 30 June 2022.

Contingent liabilities

Save as disclosed in note 13 to the Unaudited Condensed Consolidated Financial Statements, there were no other contingent liabilities as at 30 June 2022.

Foreign currency exposure

The Group's reporting currency is Hong Kong dollar. During the six months ended 30 June 2022 and 2021, the Group's transactions were denominated in Hong Kong dollar. The Group had no material exposure to foreign currency risk.

Future plans for material investments and capital assets

The Group did not have other plans for material investment or capital assets as at 30 June 2022.

Charge on the Group's assets

As at 30 June 2022, the Group had pledged bank deposits of HK\$2,000,000 (as at 31 December 2021: nil) to secure the banking facility letter of export invoice discounting mentioned above. Also, the Group had placed cash collateral of approximately HK\$3,450,000 as at 30 June 2022 (as at 31 December 2021: approximately HK\$3,900,000) to an insurance company in Hong Kong for the provision of a surety bond (as at 31 December 2021: two) for a public construction project (as at 31 December 2021: two). For details of the surety bonds, please refer to note 13 to the Unaudited Condensed Consolidated Financial Statements. Saved for the foregoing, the Group did not have any charges on its assets as at 30 June 2022.

Information on employees

As at 30 June 2022, the Group had 739 employees which comprises management, technical staff, administration, accounting and human resources staff and workers (as at 30 June 2021: 650 employees) in Hong Kong. The total staff costs (included in cost of services and administrative expenses) and Directors' remuneration amounted to approximately HK\$129,535,000 for the six months ended 30 June 2022 (for the six months ended 30 June 2021: approximately HK\$53,953,000), which was mainly due to the increase in number of headcount during the Reporting Period.

Employee remuneration package is based on previous working experience and actual performance of each individual employee. Apart from the basic salary, discretionary bonus and allowance will be granted to employees based on their individual performance subject to the executive Directors' approval. Depending on the nature of works and the need of the projects, the Group will provide training to its employees from time to time. The Group's customers sometimes require the employees to attend their own on-site occupational safety trainings.

Event after the Reporting Period and effect of COVID-19

There is no significant event subsequent to 30 June 2022 and up to the date of this announcement 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 June 2022, the interests or short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions in which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein or which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

Long Position in Shares

Name of Directors	Notes	Directly beneficially owned	Through spouse	Acting in concert	Total	Percentage of 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 June 2022, 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 June 2022, 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 June 2022, so far as is known to the Directors, the following persons' interests and short positions of the share capital and underlying shares of the Company, other than a Director or chief executive of the Company, were recorded in the register of interests required to be kept by the Company pursuant to section 336 of the SFO:

Long Position in Shares

Name of Shareholders	Notes	Nature of interest	Total	Percentage of Company's issued share capital
Ms. To Yin Ping	(a)	Beneficial owner, interest held jointly with another person and interest of 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 June 2022, 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 (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 announcement 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 announcement, 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**").

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 announcement.

Audit Committee

The Group has established an 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 interim results of the Group for the six months ended 30 June 2022 had been reviewed by the Audit Committee, which was of the opinion that such interim results 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 June 2022.

Competing Interests

As far as the Directors are aware of, during the six months ended 30 June 2022, 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 announcement, except for (i) the participation of Altus Capital Limited (“**Altus**”) as the sponsor in relation to the listing of the Company on GEM; (ii) the compliance adviser agreement entered into between the Company and Altus dated 26 April 2016 and extended on 31 March 2020, 14 August 2020, 24 March 2021, 11 August 2021 and 24 March 2022; 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 August 2022

As at the date of this announcement, 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.

This announcement will remain on the “Latest Listed Company Information” page of the Stock Exchange website at www.hkexnews.hk for at least seven days from the date of its posting and on the Company’s website at www.gmehk.com.