GME Group Holdings Limited
駿傑集團控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 8188)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2016

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

*This announcement, for which the directors (the "**Directors**") 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 announcement 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 announcement misleading.*

ANNUAL RESULTS

The board of Directors (the "**Board**") of the Company is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2016, together with the comparative audited figures for the year ended 31 December 2015, as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
Revenue	5	**159,127**	80,560
Cost of services		**(116,350)**	(54,162)
Gross profit		**42,777**	26,398
Other income		**571**	794
Administrative and other expenses		**(20,097)**	(8,443)
Finance costs		**(501)**	(343)
Profit before income tax expense	6	**22,750**	18,406
Income tax expense	7	**(5,042)**	(3,040)
Profit for the year		**17,708**	15,366
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operation		**–**	(6)
Release of foreign exchange reserve on disposal of a subsidiary		**–**	(190)
Other comprehensive income, net of tax		**–**	(196)
Profit and total comprehensive income for the year attributable to the owners of the Company		**17,708**	15,170
Earnings per share			
– Basic and diluted *(HK cents)*	9	**4.72**	4.10

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
Non-current assets			
Property, plant and equipment		**8,776**	2,974
Current assets			
Amounts due from customers for contract work		**546**	274
Trade and other receivables	*10*	**55,884**	37,160
Amounts due from related companies		**–**	3,838
Amounts due from shareholders		**–**	410
Cash and cash equivalents		**2,104**	318
		58,534	42,000
Current liabilities			
Trade and other payables	*11*	**15,520**	8,003
Amounts due to directors		**–**	1,866
Amounts due to customers for contract work		**–**	169
Amount due to a related company		**–**	10,922
Bank overdrafts		**8,772**	–
Obligations under finance leases		**63**	12
Current tax liabilities		**1,787**	1,398
		26,142	22,370
Net current assets		**32,392**	19,630
Total assets less current liabilities		**41,168**	22,604
Non-current liabilities			
Obligations under finance leases		**146**	31
Deferred tax liabilities		**1,066**	325
		1,212	356
NET ASSETS		**39,956**	22,248
EQUITY			
Equity attributable to owners of the Company			
Share capital	*12*	**–**	1,800
Reserves		**39,956**	20,448
TOTAL EQUITY		**39,956**	22,248

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 are located at 4th Floor, Harbour Place, 103 South Church Street, P.O. Box 10240, Grand Cayman KY1-1002, Cayman Islands and Room 1001-2, 10/F, 148 Electric Road, Hong Kong, respectively.

The Company's shares were listed on the GEM of the Stock Exchange on 22 February 2017.

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

Pursuant to a group reorganisation (the "**Group Reorganisation**") carried out by the Group in preparation for the listing of shares of the Company on the GEM of the Stock Exchange, the Company became the holding company of the subsidiaries now comprising the Group on 17 October 2016. Details of the Group Reorganisation are set out in the section headed "History and Reorganisation" to the prospectus issued by the Company dated 14 February 2017 (the "**Prospectus**").

2. BASIS OF PRESENTATION AND PREPARATION

The Group Reorganisation only involved inserting new holdings entities at the top of an existing company and has not resulted in any change of economic substances and does involve business combination.

Upon the completion of the Group Reorganisation, the Company holds the entire equity interests, directly or indirectly, of companies comprising the Group.

Accordingly, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows of the Group for the years ended 31 December 2016 and 2015 have been prepared using the principles of merger accounting as if the current group structure had been in existence throughout those years, or since their respective dates of incorporation or establishment of the combining companies, whichever was shorter. The consolidated statement of financial position of the Group as at 31 December 2015 have been prepared to present the assets and liabilities of the companies now comprising the Group at that date, as if the current group structure had been in existence as at that date. The assets and liabilities of the Group were combined using their carrying values. All significant intra-group transactions and balances have been eliminated on consolidation.

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRSs**"), Hong Kong Accounting Standards ("**HKASs**") and Interpretations (hereinafter collectively referred to as the "**HKFRS**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and the disclosure requirements of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (the "**Hong Kong Companies Ordinance**"). In addition, the consolidated financial statements include applicable disclosures required by the GEM Listing Rules of the Stock Exchange.

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

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

3. ADOPTION OF HKFRSs

(a) Adoption of new/revised HKFRSs – effective 1 January 2016

HKFRSs (Amendments)	Annual Improvements 2012-2014 Cycle
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 27	Equity Method in Separate Financial Statements
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations

The adoption of these amendments has no material impact on the Group's financial statements.

(b) New/revised HKFRSs that have been issued but are not yet effective

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

Amendments to HKAS 7	Disclosure Initiative[1]
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[1]
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15)[2]
HKFRS 9	Financial Instruments[2]
HKFRS 15	Revenue from Contracts with Customers[2]
HKFRS 16	Leases[3]

[1] *Effective for annual periods beginning on or after 1 January 2017*
[2] *Effective for annual periods beginning on or after 1 January 2018*
[3] *Effective for annual periods beginning on or after 1 January 2019*

Except as describe below, the Directors anticipate that the application of the new and revised HKFRSs will not have a material impact on the Group's financial performance and financial position.

HKFRS 9 (2014) – Financial Instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at fair value through other comprehensive income ("**FVTOCI**") if the objective of the entity's business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at FVTOCI. All other debt and equity instruments are measured at fair value through profit or loss ("**FVTPL**").

HKFRS 9 includes a new expected loss impairment model for all financial assets not measured at FVTPL replacing the incurred loss model in HKAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at FVTPL, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

The expected credit losses model under HKFRS 9 requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. Therefore, it is no longer necessary for a credit event to have occurred before credit losses are recognised. The measurement of the loss allowance generally depends on whether there has been a significant increase in credit risk since initial recognition of the instrument. HKFRS 9 requires an entity to recognise lifetime expected credit losses for all financial instruments for which there have been significant increases in credit risk since initial recognition considering all reasonable and supportable information, including that which is forward-looking. The Directors of the Company anticipate that the application of HKFRS 9 in the future may have a material impact of the Group's financial assets and financial liabilities. In particular, the new impairment requirements may result in earlier recognition of credit losses of the Group's trade and other receivables.

HKFRS 15 – Revenue from Contracts with customers

The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and related interpretations.

HKFRS 15 requires the application of a 5 steps approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to each performance obligation
- Step 5: Recognise revenue when each performance obligation is satisfied

HKFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under HKFRS. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

The directors of the Company preliminarily assess that the application of HKFRS 15 may have a significant impact on the Group's financial performance and financial position, as compared with the current accounting policy as follows:

1. The criteria in HKFRS 15 for identifying performance obligations differ from the little guidance in HKAS 11, which could result in different conclusions about the separately identifiable components. For example, the Group may currently consider an entire construction contract to be a single component, but under HKFRS 15, it may determine that the contract contains two or more performance obligations that would be accounted for separately. This may have a significant effect on the pattern of revenue and profit recognition.

2. It is common for the scope and/or price of the Group's construction contracts to be modified, due to changes in the scope of work or because additional services are added to the contracts. Under HKFRS 15, an entity must determine whether such modification creates a new contract or whether it will be accounted for as part of the existing contract. The determination of a new and separate contract is driven by whether the modification results in the addition of distinct services, priced at their stand-alone settling prices. These new requirements may result in significant changes to the pattern of revenue and profit recognition.

HKFRS 16 – Leases

For lessee accounting, HKFRS 16 introduces a single accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. For lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

Application of HKFRS 16 will result in the Group's recognition of right-of-use assets and corresponding liabilities in respect of its operating lease arrangements. These assets and liabilities are currently not required to be recognised.

The total future minimum lease payments under non-cancellable operating leases of the Group in respect of office premises and land for storing machineries as at 31 December 2016 amounted to approximately HK$476,000. The Directors of the Company do not expect the adoption of HKFRS 16 as compared with the current accounting policy would result in significant impact on the Group's financial performance but it is expected that the Group has to separately recognise the interest expense on the lease liabilities and the depreciation expense on the right-of-use assets, and that certain portion of the future minimum lease payments under the Group's operating leases will be required to be recognised in the Group's consolidated statement of financial position as right-of-use assets and lease liabilities. The Group will also be required to remeasure the lease liabilities upon the occurrence of certain events (e.g. a change in the lease term) and recognise the amount of the remeasurement of the lease liabilities as an adjustment to the right-of-use assets. In addition, payments for the principal portion of the lease liabilities will be presented within financing activities in the Group's consolidated cash flow statement.

4. SEGMENT INFORMATION

Operating segments

The Group was principally engaged in the provision of underground construction services. 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 total revenue during the year is as follows:

	2016	2015
	HK$'000	*HK$'000*
Customer A	**N/A**	12,794
Customer B	**87,031**	27,185
Customer C	**56,881**	17,566
Customer D	**N/A**	11,700

N/A Revenue from the customer during the year did not exceed 10% of the Group's revenue.

5. REVENUE

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

Revenue from contract work is recognised based on the stage of completion of the contracts, provided that the stage of contract completion and the gross billing value of contracting work can be measured reliably. The stage of completion of a contract is established by reference to surveys of work performed.

6. PROFIT BEFORE INCOME TAX EXPENSE

Profit before income tax expense is arrived after charging:

	2016	2015
	HK$'000	*HK$'000*
Auditor's remuneration	**550**	182
Listing expense	**7,666**	660
Loss on disposal of property, plant and equipment	**69**	277
Depreciation of property, plant and equipment	**2,378**	1,414
Operating lease rentals in respect of:		
– Land and buildings	**1,048**	388
Finance costs:		
– Interest on borrowing wholly repayable within five years	**113**	343
– Interest on bank overdrafts	**379**	–
– Interest on finance leases	**9**	–
Employee benefit expenses	**88,393**	37,355

7. INCOME TAX EXPENSE

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

	2016	2015
	HK$'000	*HK$'000*
Current tax – Hong Kong profits tax		
– charge for the year	**4,301**	3,120
Deferred tax	**741**	(80)
Income tax expense	**5,042**	3,040

Hong Kong profits tax is calculated at 16.5% (2015: 16.5%) of the estimated assessable profits during the year.

The income tax for the year can be reconciled to the profit before income tax expense per the consolidated statement of comprehensive income as follows:

	2016	2015
	HK$'000	*HK$'000*
Profit before income tax expense	**22,750**	18,406
Tax calculated at the applicable statutory tax rate of 16.5%	**3,754**	3,037
Tax effect of non-deductible expenses	**1,288**	5
Others	**–**	(2)
Income tax at the effective tax rate	**5,042**	3,040

8. DIVIDEND

No dividend has been paid or declared by the Company during the period from 18 January 2016 (the "**date of incorporation**") to 31 December 2016.

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:

	2016	2015
	HK$'000	*HK$'000*
Earnings:		
Earnings for the purpose of basic earnings per share	**17,708**	15,366

	2016	2015
	Number of shares	Number of shares
	'000	*'000*
Weighted average number of ordinary shares for the purpose of basic earnings per share *(Note)*	**375,000**	375,000

Note: The weighted average number of 375,000,000 ordinary shares for the years ended 31 December 2016 and 2015, being the number of shares in issue immediately after the completion of capitalisation issue of shares, are deemed to have been issued throughout the years ended 31 December 2016 and 2015.

Diluted earnings per share is same as basic earnings per share as there was no dilutive potential shares for the years ended 31 December 2016 and 2015.

10. TRADE AND OTHER RECEIVABLES

	2016	2015
	HK$'000	*HK$'000*
Trade receivables	**31,857**	25,217
Retention receivables	**17,231**	11,279
Prepayments and deposits	**6,796**	664
	55,884	37,160

Trade receivables were mainly derived from provision of underground construction services and non-interest bearing. The Group does not hold any collateral or other credit enhancements over these balances. The credit period granted by the Group to its customers is generally 21 to 60 days for the years ended 31 December 2016 and 2015.

The following is an analysis of trade receivables by age, presented based on the invoice dates:

	2016	2015
	HK$'000	*HK$'000*
Less than 1 month	**31,531**	24,907
1 to 3 months	**33**	81
More than 3 months but less than one year	**268**	204
More than one year	**25**	25
	31,857	25,217

11. TRADE AND OTHER PAYABLES

	2016	2015
	HK$'000	*HK$'000*
Trade payables	**3,695**	2,618
Other payables and accruals	**11,825**	5,385
	15,520	8,003

Notes:

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

	2016	2015
	HK$'000	*HK$'000*
Current or less than 1 month	**1,659**	1,795
1 to 3 months	**2,036**	747
More than 3 months but less than one year	**–**	66
More than one year	**–**	10
	3,695	2,618

The Group's trade payables are non-interest bearing and generally have payment terms of 0 to 30 days for the years ended 31 December 2016 and 2015..

12. SHARE CAPITAL

	Number of shares	**Amount**
		HK$'000
Authorised:		
Ordinary share of HK$0.01 each		
At the date of incorporation and 31 December 2016	38,000,000	380
Issued and fully paid:		
Ordinary share of HK$0.01 each		
At the date of incorporation	1	–
Issue of share upon Group Reorganisation *(Note b)*	1,799	–
As at 31 December 2016	1,800	–

Notes:

(a) The Company was incorporated in the Cayman Islands on 18 January 2016 with an authorised share capital of HK$380,000 divided into 38,000,000 ordinary shares of HK$0.01 each.

(b) On 17 October 2016, Mr. Chuang Chun Ngok Boris, Mr. Chuang Wei Chu, Ms. To Yin Ping, Ms. Chuang Yau Ka, Mr. Ng Kwok Lun, Mr. Lo Tak Leung and Mr. Ho John Kwun Fung, collectively as vendors transfer all of their shares in Good Mind Engineering Limited ("**GMEHK**") to GME International Limited ("**GMEBVI**") in consideration of which the Company, being the holding Company of GMEBVI and the legal and beneficial owner of the entire issued share capital of GMEBVI, issued and allotted, credited as fully paid, 540, 539, 180, 180, 180, 90 and 90 shares to the vendors, respectively. As a result, GMEHK became a direct wholly-owned subsidiary of GMEBVI.

13. SUBSEQUENT EVENTS

Subsequent to 31 December 2016 and up to the date of this report, the following significant events have taken place:

(a) On 10 February 2017, the authorised share capital of the Company increased from HK$380,000 to HK$20,000,000 by creation of an additional 1,962,000,000 shares.

(b) On 22 February 2017, the capitalisation issue was completed. The Company capitalised an amount of HK$3,749,982 standing to the credit of the share premium account of the Company and to appropriate such amount as to capital to pay up in full at par of 374,998,200 ordinary shares of the Company.

(c) On 22 February 2017, the Company's shares were listed on the GEM of the Stock Exchange by way of a placing "**IPO Placing**". In connection to the IPO Placing, 125,000,000 ordinary shares are issued at HK$0.54 per share.

Save as disclosed above, there are no other significant events which have taken place subsequent to 31 December 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

Our focus on the development of a complete suite of tunnel construction services since 2014 has laid a solid foundation for the Group's growth and provides the Group with a strong advantage in securing contracts.

For the year ended 31 December 2016, the Group had been engaged in 11 public sector projects and four private sector projects, of which four public sector projects and three private sector projects were newly commenced in 2016 with a total contract sum of approximately HK$78,860,000 and HK$4,500,000, respectively. Our Group is pursuing business line extension into related service areas such as marine construction. Our Group had secured two marine construction projects for the contract sum of approximately HK$68,503,000 from a new customer for the year ended 31 December 2016. This is in line with our business strategies as mentioned in the Prospectus.

The Group is reliant on the availability of public sector projects. Due to the fact that the public sector projects are civil engineering projects which are non-recurring in nature, the amount of revenue from the public sector projects may vary from period to period.

OUTLOOK OF TUNNEL CONSTRUCTION INDUSTRY IN HONG KONG

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

The Directors anticipate that the demand for tunnel construction services in Hong Kong is expected to continue growing in the foreseeable future. The growth in tunnel construction industry will mainly be sustained by several major transport infrastructure projects including the Hong Kong–Zhuhai–Macau Bridge, the Tuen Mun-Chek Lap Kok Link, and the Central-Wan Chai Bypass, which are all expected to be completed by 2020. Other new infrastructure projects such as the Airport Third Runway, Tseung Kwan O-Lam Tin Tunnel and the Central Kowloon Route are expected to come on stream after 2017 and will provide further demand support for Hong Kong's tunnel construction industry. Apart from transportation infrastructures, the Drainage Services Department also released the project profile for Sha Tin Cavern Sewage Treatment Works which is expected to commence construction in 2017 and will involve tunnel constructions using the drill and blast technique. All of these new projects, coupled with the ongoing projects, will provide significant revenue receipts for the tunnel construction industry in the future. The Directors are of the view that given the scale of these projects are relatively large, main contractors would continue to subcontract various tunnel construction parts of the contract to subcontractors such as the Group and therefore we will be a significant beneficiary from this demand.

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2016, the revenue of the Group was approximately HK$159,127,000 (2015: approximately HK$80,560,000), representing an increase of approximately HK$78,567,000 or 97.5% from the previous year. The increase in the revenue was mainly attributable to an increase in revenue generated from our public sector projects – tunnel construction services from approximately HK$64,305,000 for the year ended 31 December 2015 to approximately HK$149,851,000 for the year ended 31 December 2016, representing an increase of approximately HK$85,546,000 or 133.0% from the previous year. Such increase was mainly attributable to the fact that the customers of two projects which commenced prior to 1 January 2016 requesting for more works to be performed by the Group during 2016 which was outside of the scope of the original contracts. The Group recognised revenue of these two projects amounting to approximately HK$55,772,000 for the year ended 31 December 2016 (2015: approximately HK$17,112,000), representing an increase of approximately HK$38,660,000 or 225.9% from the previous year.

Cost of services

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

For the year ended 31 December 2016, the total cost of services of the Group was approximately HK$116,350,000 (2015: approximately HK$54,162,000), representing an increase of approximately HK$62,188,000 or 114.8% from the previous year. Such increase was mainly due to an increase in our staff costs from approximately HK$33,144,000 for the year ended 31 December 2015 to approximately HK$80,863,000 for the year ended 31 December 2016, representing an increase of approximately HK$47,719,000 or 144.0% from the previous year. Such increase was due to more labour intensive projects during the year. The costs of construction materials and supplies were approximately HK$17,207,000 for the year ended 31 December 2016 (2015: approximately HK$12,821,000), representing an increase of approximately HK$4,386,000 or 34.2% from the previous year. Such increase was mainly due to the fact that we had commenced work for a tunnel construction project in December 2015, which required us to purchase our own construction materials through a contra-charge arrangement. In general, our purchase of construction materials and supplies depends on the terms of our contracts, which may vary on a project-by-project basis. Due to the nature of the existing projects which relied heavily on machineries, we recorded a rental of plant and machinery expenses of approximately HK$9,813,000 for the year ended 31 December 2016 (2015: approximately HK$5,602,000), representing an increase of approximately HK$4,211,000 or 75.2% from the previous year, which is in line with the increase in the revenue for the same year.

Gross profit and gross profit margin

The Group's overall gross profit amounted to approximately HK$42,777,000 for the year ended 31 December 2016 (2015: approximately HK$26,398,000), representing a gross profit margin of approximately 26.9% (2015: approximately 32.8%).

A relatively higher gross profit margin of approximately 32.8% was recorded for the year ended 31 December 2015 (as compared to our gross profit margin of approximately 26.9% for the year ended 31 December 2016). Such higher gross profit margin in the previous year was mainly attributable to our participation in two public tunnel construction projects for the year ended 31 December 2015, which together had a high average gross profit margin of approximately 58.2% and had contributed to approximately HK$13,147,000 of our revenue in 2015. The lower gross profit margin for the year ended 31 December 2016 was also attributable to our participation in a tunnel construction project which commenced in December 2015 and carried on throughout 2016 with a relatively lower gross profit margin.

Other income

The Group's other income mainly consisted of the income received from the rental of our machinery and income received from the sales of scrap materials. Such income amounted to approximately HK$571,000 for the year ended 31 December 2016 (2015: approximately HK$794,000).

Administrative and other expenses

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

The Group's administrative and other expenses increased from approximately HK$8,443,000 for the year ended 31 December 2015 to approximately HK$20,097,000 for the year ended 31 December 2016, representing an increase of approximately HK$11,654,000 or 138.0%. The increase was mainly attributable to the listing expenses of approximately HK$7,666,000 for the year ended 31 December 2016 (2015: approximately HK$660,000). Besides, the staff costs and benefits increased from approximately HK$2,733,000 for the year ended 31 December 2015 to approximately HK$5,432,000 for the year ended 31 December 2016, representing an increase of approximately HK$2,699,000 or 98.8%. The increase in staff costs and benefits was mainly attributable to (i) salary increment; (ii) increase in bonus payment which is in line with the increase in our net profit; and (iii) increase in our administrative headcounts.

Finance costs

The Group's finance costs mainly comprised (i) interest expenses on loans borrowed from GME International Company Limited ("**GMI**"), the Group's related company; (ii) interest expenses on bank overdrafts; and (iii) finance costs of the obligations under finance leases. For the year ended 31 December 2016, the Group's finance costs amounted to approximately HK$501,000 (2015: approximately HK$343,000), representing an increase of approximately HK$158,000 or 46.1% from the previous year. The increase was in line with the expansion of our business operations as reflected by the increase in our revenue for the same year.

Income tax expense

For the year ended 31 December 2016, the Group generated income only in Hong Kong and was subject only to Hong Kong profits tax. The income tax expense was provided at the rate of 16.5% on the Group's assessable profits for years ended 31 December 2016 and 2015. The income tax expenses for the year ended 31 December 2016 was approximately HK$5,042,000 (2015: approximately HK$3,040,000), representing an increase of approximately HK$2,002,000 or 65.9% from the previous year. Such increase was consistent with the increase in the Group's assessable profits for the same year.

Profit and total comprehensive income for the year

For the year ended 31 December 2016, the Group recorded profit and total comprehensive income for the year ("**Net Profit**") of approximately HK$17,708,000 (2015: approximately HK$15,170,000), representing an increase of approximately HK$2,538,000 or 16.7% from the previous year. Such increase was mainly due to the increase in revenue as mentioned above despite the recognition of listing expenses. If the listing expenses of approximately HK$7,666,000 (2015: approximately HK$660,000) were excluded, the Group would have recorded a Net Profit of approximately HK$25,374,000 (2015: approximately HK$15,830,000).

Dividend

The Board did not recommend the payment of final dividend for the year ended 31 December 2016 (2015: nil). No dividend was declared by the Company for the year ended 31 December 2016.

Liquidity, financial resources and funding

As at 31 December 2016, our cash and cash equivalents amounted to approximately HK$2,104,000 (2015: approximately HK$318,000), which were denominated in Hong Kong dollar. The increase was mainly due to the net cash generated from the operating activities.

As at 31 December 2016, no balance was recorded for the amount due to GMI (2015: approximately HK$10,922,000). The balance of the previous year mainly represented loans received by the Group for our daily operations from GMI at an interest rate of 5.25% per annum. Such balance was fully settled in April 2016. The Group had obtained overdraft banking facilities of HK$11,000,000 and a lease facility of HK$2,460,000 from a bank and loans from GMI were no longer required for our working capital requirements. Such banking facilities were secured by the properties owned by two of our controlling shareholders and personal guarantees by three of our controlling shareholders. The Group is procuring for the release of the above securities which will be replaced by corporate guarantees provided by the Company. The bank overdraft facilities of approximately HK$8,772,000 was utilised as at 31 December 2016 (2015: nil). The bank overdrafts were repayable on demand and bore an interest rate at Hong Kong Prime Rate per annum as at 31 December 2016.

As at 31 December 2016, the obligations under finance leases amounted to approximately HK$209,000 (2015: approximately HK$43,000), which represented the finance leases arrangement of our office equipment and motor vehicle.

The Group's gearing ratio, which is calculated by total debts divided by total capital plus net debts, decreased from approximately 81.9% in 2015 to approximately 52.1% in 2016 due to the growth in our retained earnings from approximately HK$20,358,000 in 2015 to approximately HK$38,066,000 in 2016 and the settlement in amounts due to the Directors of approximately HK$1,866,000 for the year ended 31 December 2016.

We expect that our liquidity position would be further strengthened by our cash generated from our operating activities and the net proceeds received from the IPO Placing.

Capital structure

As at 31 December 2016, the capital structure of the Company comprised issued share capital and reserves.

Commitments

As at 31 December 2016, the capital commitment and operating lease commitments of the Group was nil (2015: nil) and HK$476,000 (2015: approximately HK$935,000), respectively.

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

On 10 February 2017, the Company carried out reorganisation of the Group's structure, as set out in the section headed "History and Reorganisation" in the Prospectus.

Save as disclosed in the Prospectus, there was no significant investments, material acquisitions or disposal of subsidiaries and associated companies by the Company for the year ended 31 December 2016.

Future plans for material investments and capital assets

Save as disclosed in the section headed "Future plans and use of proceeds" in the Prospectus, the Group did not have other plans for material investment or capital assets as at 31 December 2016.

Contingent liabilities

The Group had no material contingent liabilities as at 31 December 2016 (2015: nil).

Foreign currency exposure

The Group's reporting currency is Hong Kong dollar. During the years ended 31 December 2015 and 2016, the Group's transactions were denominated in Hong Kong dollar. The Group had no material exposure to foreign currency risk.

Charges on the Group's assets

There were no charges on the Group's assets for the years ended 31 December 2015 and 2016.

Information on employees

As at 31 December 2016, the Group had 539 employees (2015: 160 employees) in Hong Kong. Employee remuneration package is based on their previous working experience and actual performance. Apart from the basic salary, discretionary bonus and allowance will be granted to employees based on their individual performance by the executive Directors' approval. The total staff costs (included in cost of services and administrative and other expenses) and Directors' remuneration amounted to approximately HK$88,393,000 for the year ended 31 December 2016 (2015: approximately HK$37,355,000) which was in line with the increase in revenue. Depending on the nature of works and the need of the projects, the Group will provide training to our employees from time to time. Our customers sometimes require our employees to attend their own on-site occupational safety trainings.

OTHER INFORMATION

Corporate governance practices

The Company considers the maintenance of a high standard of corporate governance important to the continuous growth of the Group. The Company's corporate governance practices are based on 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. As the shares of the Company (the "**Shares**") were listed on GEM of the Stock Exchange on 22 February 2017 (the "**Listing Date**") (i.e. after the financial year ended 31 December 2016 of this announcement), 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 (the "**Relevant Period**") to ensure that the Group's business activities and decision making processes are regulated in a proper and prudent manner.

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

Audit Committee

The Group has established an audit committee of the Board (the "**Audit Committee**") pursuant to a resolution of the Board passed on 10 February 2017 in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules and with written terms of reference in compliance with the CG Code. The primary duties of the Audit Committee include (i) making recommendations to the Board on the appointment and removal of external auditors; (ii) reviewing and supervising the financial statements and material advice in respect of financial reporting; (iii) overseeing internal control procedures and corporate governance of the Company; (iv) supervising internal control and risk management systems of the Group; and (v) monitoring continuing connected transactions (if any).

The Audit Committee currently consists of all three of our independent non-executive Directors, namely Mr. Lau Chun Fai Douglas, Ir Ng Wai Ming Patrick and Mr. Lam Man Bun Alan and the chairman 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 audited consolidated financial statements of the Group for the year ended 31 December 2016 had been reviewed by the Audit Committee, which was of the opinion that the audited consolidated financial statements have been prepared in compliance with the applicable accounting standards and the GEM Listing Rules.

Events after the reporting period

The Group was successfully listed on GEM by IPO Placing on 22 February 2017. The proceeds raised have strengthened the Group's cash flow.

The Company announced on 22 February 2017 that it was notified by the Securities and Futures Commission (the "**Commission**") through a letter on the same date (the "**Letter**") that given the activity in the Shares in the morning session on 22 February 2017 and the significant increase in the price of the Shares, it appeared to the Commission that there may not be an open market in the trading of the Shares. Accordingly, the Commission directed the Stock Exchange to suspend all dealings in the Shares with effect from 1:00 p.m. on 22 February 2017. The Commission also requested the Company to assess what action the Company intended to take to address the concerns of the Commission.

On 15 March 2017, the Company announced that it has been working on addressing and resolving the Commission's concerns, with a view to resuming trading of the Shares as soon as practicable. On the same date, the controlling shareholders of the Company (the "**Controlling Shareholders**") entered into a placing agreement with two independent placing agents, pursuant to which the placing agents would on a best-effort basis, place 25,000,000 existing Shares held by the Controlling Shareholders, to not less than 150 independent placees at HK$0.54 per Share (the "**Vendor Placing**").

On 23 March 2017, the Company announced that the placing period of the Vendor Placing had ended on 20 March 2017 and the Company had submitted a resumption proposal, of which the Vendor Placing forms part to the Commission and the Stock Exchange.

Further to the applications made to the Stock Exchange by the Company for the purpose of implementing the Vendor Placing, for (i) an approval pursuant to Rule 13.18 of the GEM Listing Rules to dispense with the prohibition under Rule 13.16A of the GEM Listing Rules regarding the prohibition of the Controlling Shareholders disposing of their Shares within six months from the date of the IPO Placing; and (ii) a waiver from strict compliance with Rules 5.56(a) and 5.59 of the GEM Listing Rules regarding the restrictions on Directors dealing in Shares during the black-out period (together the "**Approval and Waiver**"), the Stock Exchange has, on 23 March 2017, agreed to grant the Approval and Waiver subject to certain conditions.

The Commission wrote to the Company on 24 March 2017 that it has decided to give notice to the Stock Exchange under Rule 9(3)(c) of the Securities and Futures (Stock Market Listing) Rules, permitting dealings in the Shares to recommence with effect from 9:00 a.m. on Tuesday, 28 March 2017.

The Board has also been informed by the Controlling Shareholders that completion of the Vendor Placing took place on 27 March 2017 whereby a total of 25,000,000 existing Shares held by the Controlling Shareholders were successfully placed by the placing agents to 455 Placees at HK$0.54 per Share pursuant to the terms and conditions of the placing agreement.

There was no other significant event after the reporting period.

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 as the code of conduct regarding securities transactions by the Directors in respect of the Shares of the Company (the "**Code of Conduct**"). For the purpose of implementing the Vendor Placing, the Company has made an application for and the Stock Exchange has agreed to grant a waiver from strict compliance with Rules 5.56(a) and 5.59 of the GEM Listing Rules regarding the restrictions on Directors dealing in Shares during the black-out period, subject to certain conditions. The Company had made specific enquiry with the Directors and all Directors confirmed that they had fully complied with the required standard of dealings set out in the Code of Conduct and there was no event of non-compliance from the Listing Date up to the date of this announcement.

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 year ended 31 December 2016.

Review of this annual results announcement

The figures in respect of the Group's consolidated statement of the financial position, consolidated statement of comprehensive income, and the related notes thereto for the year ended 31 December 2016 as set out in the preliminary announcement have been agreed by the Group's auditor, BDO Limited, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2016. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by BDO Limited on the preliminary announcement.

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 (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.

Annual general meeting

The annual general meeting ("**AGM**") for the financial year 2016 of the Company is scheduled to be held on 23 June 2017 and a notice of AGM will be published and despatched in due course.

Closure of register of members

The register of members of the Company will be closed from Tuesday, 20 June 2017 to Friday, 23 June 2017, both days inclusive, for the purposes of determining the entitlements of the Shareholders to attend and vote at the AGM. During this closure period, no transfer of Shares will be registered. In order to qualify for attending and voting at the AGM, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration by no later than 4:30 p.m. on Monday, 19 June 2017.

Publication of annual report on the websites of the Company and the Stock Exchange

Pursuant to the requirements of the GEM Listing Rules, the 2016 annual report of the Company will set out all information required by the GEM Listing Rules and will be published on the GEM website at www.hkgem.com and the Company's website at www.gmehk.com on or before 31 March 2017.

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

Hong Kong, 27 March 2017

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, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regards 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 announcement 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 announcement misleading.

This announcement will remain on the "Latest Company Announcements" page of the GEM website at www.hkgem.com for at least seven days from the date of its posting and on the Company's website at www.gmehk.com.