



**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 2023**

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

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**Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.**

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*This announcement, for which the directors (the “**Directors**”, each a “**Director**”) of GME Group Holdings Limited (the “**Company**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (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 hereby announces that the audited consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 December 2023 (the “**Reporting Period**”), together with the comparative audited figures for the year ended 31 December 2022, are as follows:

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*For the year ended 31 December 2023*

		2023	2022
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	5	<b>549,554</b>	440,528
Cost of services		<u>(439,532)</u>	<u>(426,601)</u>
Gross profit		<b>110,022</b>	13,927
Other income	6	<b>1,310</b>	17,251
(Provision)/reversal of impairment loss on trade receivables and contract assets		<b>(8,744)</b>	393
Administrative expenses		<b>(28,013)</b>	(25,547)
Finance costs		<u>(3,712)</u>	<u>(1,267)</u>
Profit before income tax	7	<b>70,863</b>	4,757
Income tax (expense)/credit	8	<u>(9,388)</u>	<u>1,045</u>
Profit and total comprehensive income for the year		<u><b>61,475</b></u>	<u>5,802</u>
<b>Profit and total comprehensive income attributable to:</b>			
Owners of the Company		<b>61,479</b>	5,804
Non-controlling interests		<u>(4)</u>	<u>(2)</u>
		<u><b>61,475</b></u>	<u>5,802</u>
<b>Earnings per share</b>			
– Basic and diluted (HK cents)	10	<u><b>12.60</b></u>	<u>1.19</u>

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	<i>Notes</i>	<b>2023</b> <b>HK\$'000</b>	2022 HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment		<b>19,300</b>	13,744
Deposits	<i>11</i>	<b>436</b>	–
Deferred tax assets		<b>–</b>	627
		<b>19,736</b>	14,371
<b>Current assets</b>			
Contract assets		<b>98,833</b>	83,782
Trade and other receivables	<i>11</i>	<b>146,661</b>	44,958
Amount due from a minority shareholder of a subsidiary		<b>400</b>	400
Pledged bank deposits		<b>3,000</b>	2,004
Cash at bank and in hand		<b>4,467</b>	11,431
		<b>253,361</b>	142,575
<b>Current liabilities</b>			
Trade and other payables	<i>12</i>	<b>53,141</b>	36,045
Bank borrowings, secured		<b>66,000</b>	40,000
Amount due to a director		<b>8,000</b>	10,000
Lease liabilities		<b>2,957</b>	779
Tax payable		<b>7,642</b>	–
		<b>137,740</b>	86,824
<b>Net current assets</b>		<b>115,621</b>	55,751
<b>Total assets less current liabilities</b>		<b>135,357</b>	70,122
<b>Non-current liabilities</b>			
Lease liabilities		<b>3,167</b>	526
Deferred tax liabilities		<b>1,119</b>	–
		<b>4,286</b>	526
<b>NET ASSETS</b>		<b>131,071</b>	69,596
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	<i>13</i>	<b>4,878</b>	4,878
Reserves		<b>125,809</b>	64,330
		<b>130,687</b>	69,208
<b>Non-controlling interests</b>		<b>384</b>	388
<b>TOTAL EQUITY</b>		<b>131,071</b>	69,596

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

## 1. GENERAL

GME Group Holdings Limited 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 controlling shareholders are Mr. Chuang Wei Chu and Mr. Chuang Chun Ngok Boris, both of whom are also executive directors of the Company, and their family members entered into an acting in concert deed dated 21 March 2016 as controlling shareholders (the "**Controlling Shareholders**") of the Company. 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 a unanimous manner. Mr. Chuang Chun Ngok Boris is therefore deemed to be interested in the shares of the Company (the "**Shares**") held by Mr. Chuang Wei Chu, Ms. To Yin Ping and Ms. Chuang Yau Ka respectively under the Securities and Futures Ordinance ("**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.

The Company's shares were listed on 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.

## 2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("**HKFRSs**")

### (a) Adoption of new/revised HKFRSs – effective 1 January 2023

The Hong Kong Institute of Certified Public Accountants ("**HKICPA**") has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group:

HKFRS 17	Insurance Contracts
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform – Pillar Two Model Rules

Except as described below, the Directors expect that these new HKFRSs and the amendments to HKFRSs have no material impact on the Group's results and financial position for the current or prior period.

***Amendments to HKAS 1 Presentation of Financial Statements and HKFRS Practice Statement 2 Making Materiality Judgements – Disclosure of Accounting Policies***

The amendments change the requirements in HKAS 1 and guidance on HKFRS Practice Statement 2 with regard to disclosure of accounting policies and providing guidance and examples. The amendments replace all instances of the term ‘significant accounting policies’ with ‘material accounting policy’. Accounting policy information is material if, when considered together with other information included in an entity’s financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The supporting paragraphs in HKAS 1 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

These amendments have no effect on the measurement or presentation of any items in the consolidated financial statements of the Group but affect the disclosure of accounting policies of the Group.

**(b) New guidance on accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong issued by HKICPA**

In June 2022, Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (‘the Amendment Ordinance’) was gazetted. The Amendment Ordinance abolishes the use of the accrued benefits derived from employers’ mandatory contributions under the mandatory provident fund (‘MPF’) to offset severance payment (‘SP’) and long service payments (‘LSP’) (‘the Abolition’). Subsequently, the Government of HKSAR announced that the Abolition will take effect on 1 May 2025 (‘the Transition Date’).

The following key changes will take effect since the Transition Date:

- Accrued benefits derived from employers’ mandatory MPF contributions cannot be used to offset the LSP/SP in respect of the employment period after the Transition Date.
- The pre-transition LSP/SP is calculated using the last month’s salary immediately preceding the Transition Date, instead of using the salary of employment termination date.

Due to the complexities of the accounting for the offsetting of employer’s MPF contributions and its LSP obligation and the accounting for the offsetting mechanism could become material in light of the Abolition, the HKICPA published ‘Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong’ (‘the Guidance’) in July 2023 to provide guidance to account for the offsetting mechanism and the Abolition. The HKICPA concluded that there are two acceptable accounting approaches, being:

- Approach 1: Account for the amount expected to be offset as a deemed employee contribution towards that employee’s LSP benefits in terms of HKAS 19.93(a).
- Approach 2: Account for the employer MPF contributions and the offsetting mechanism as a funding mechanism for the LSP obligation

For the year ended 31 December 2023 and 2022, the Group’s LSP liability is immaterial. Application of the Guidance had no material effect on the consolidated financial statements of the Group.

**(c) Revised HKFRSs that have been issued but are not yet effective**

The following revised HKFRSs, potentially relevant to the Group's consolidated 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 1	Classification of Liabilities as Current or Non-current, Non-Current Liabilities with Covenants <sup>1</sup>
Amendments to HKFRS 16 HK Int 5 (Revised)	Lease Liability in a Sale and Leaseback <sup>1</sup> Hong Kong Interpretation 5 (Revised) Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause <sup>1</sup>
Amendments to HKAS 7 and HKFRS 7 Amendment to HKAS 21	Supplier Finance Arrangements <sup>1</sup> Lack of Exchangeability <sup>2</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2024.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2025.

<sup>3</sup> Effective for annual periods beginning on or after a date to be determined.

The Directors expect that the adoption of the standards above will have no material impact on the consolidated financial statements in the year of initial application.

**3. BASIS OF PREPARATION**

**(a) Statement of compliance**

The consolidated financial statements have been prepared in accordance with all applicable HKFRSs, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations (hereinafter collectively referred to as the “**HKFRS**”) and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing Securities on GEM of the Stock Exchange.

**(b) Basis of measurement**

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

**(c) Functional and presentation currency**

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.

#### 4. SEGMENT INFORMATION

##### (a) 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.

##### (b) 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.

##### (c) 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:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Customer M	189,767	N/A
Customer B	186,027	92,349
Customer C	110,690	94,934
Customer L	N/A	88,816
Customer S	N/A	80,188
	<u>                    </u>	<u>                    </u>

N/A: The relevant revenue for the years ended 31 December 2023 and 2022 did not exceed 10% of the Group's revenue.

#### 5. REVENUE

The Group's revenue represents amount received and receivable from contract work performed and is recognised over time.

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Public tunnel projects	325,178	223,521
Public utilities construction services and other projects ( <i>Note</i> )	220,781	209,705
Private projects	3,595	7,302
	<u>                    </u>	<u>                    </u>
	<u>549,554</u>	<u>440,528</u>

*Note:* Public utilities construction services and other projects mainly comprise revenue from contracts for utilities construction services involving underground construction work.

The following table provides information about trade receivables and contract assets from contracts with customers.

	<b>2023</b>	2022
	<b>HK\$'000</b>	HK\$'000
Trade receivables ( <i>Note 11</i> )	<b>138,897</b>	36,178
Contract assets	<b>98,833</b>	83,782
	<b><u>          </u></b>	<b><u>          </u></b>

As at 31 December 2023, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts is approximately HK\$1,065,177,000 (2022: HK\$985,703,000). This amount represents revenue expected to be recognised in the future from partially-completed long-term construction contracts. The Group will recognise the expected revenue in future when or as the work is completed, which is expected to occur in the next 1 to 2 years (2022: 1 to 2 years).

## 6. OTHER INCOME

	<b>2023</b>	2022
	<b>HK\$'000</b>	HK\$'000
Bank interest income	<b>20</b>	8
Government grants ( <i>Note</i> )	<b>728</b>	14,546
Sundry income	<b>562</b>	1,406
Reimbursement from a main contractor	–	1,269
Gain on disposal of property, plant and equipment	–	22
	<b><u>          </u></b>	<b><u>          </u></b>
	<b>1,310</b>	17,251
	<b><u>          </u></b>	<b><u>          </u></b>

### *Note:*

In 2022, the government grants of approximately HK\$14,546,000 were received by Good Mind Engineering Limited (“GMEHK”), an indirect wholly-owned subsidiary of the Company. The government grants include amount of HK\$14,546,000 from Employment Support Scheme (“ESS”) under the Anti-epidemic Fund launched by the Government of the Hong Kong Special Administrative Region supporting the payable of GMEHK's employee. Under ESS, GMEHK committed to utilise these grants on payroll expenses, and not reduce employee headcount below prescribed levels for a specified period of time. There was no ESS launched by the government in 2023.

In 2023, the government grants of approximately HK\$728,000 were received by the GMEHK. The government grants were from the Construction Innovation and Innovation and Technology Fund (“CITF”). The CITF is established to encourage wider adoption of innovative construction methods and new technologies in the construction, it was established by Development Bureau of the Government (“DEVB”) and the Construction Industry Council (“CIC”) is commissioned by DEVB to be the implementation partner. GMEHK purchased a comprehensive loader crane which met the CITF's criteria of “innovative technology” and therefore it was granted the fund by CIC as a subsidy for its adoption of innovative technology.

## 7. PROFIT BEFORE INCOME TAX

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Included in cost of services:		
– Construction materials and supplies	180,580	99,016
– Subcontracting costs	22,338	40,853
Auditor's remuneration	710	680
Loss/(gain) on disposal of property, plant and equipment	75	(22)
Provision/(reversal) of impairment loss on trade receivables, net	149	(155)
Provision/(reversal) of impairment loss on contract assets, net	8,595	(238)
Depreciation charges:		
– Owned property, plant and equipment	7,828	6,548
– Right-of-use-assets included within		
– Leased properties	1,265	1,555
– Office equipment	15	15
– Plant and machinery	1,299	667
– Motor vehicles	305	265
Consultancy fees	3,249	2,786
Lease payment not included in the measurement of lease liabilities		
– Leased properties (included in cost of services and administrative expenses)	432	432
– Plant and machinery (included in cost of services)	29,952	37,098
Employee benefit expenses	201,096	246,230

## 8. INCOME TAX EXPENSE/(CREDIT)

The amount of income tax expense/(credit) in the consolidated statement comprehensive income represents:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Current tax – Hong Kong profits tax		
Charge for the year	7,642	–
Deferred tax	1,746	(1,045)
Income tax expense/(credit)	9,388	(1,045)

The provision of Hong Kong Profits Tax is calculated at a tax rate of 16.5% (2022: 16.5%), except for one subsidiary of the group which is a qualifying corporation under the two-tiered Profits Tax rate regime (the “**Regime**”). For that subsidiary, the first HK\$2 million of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. In 2022, no nominated entity of the Group is entitled to the Regime as no such entity generated assessable profits for the year.

## 9. DIVIDEND

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Proposed final dividend for the year ended 31 December 2023 of HK\$5.00 cents (2022: Nil) per ordinary shares	<u>24,390</u>	<u>–</u>

The final dividend proposed after the reporting date has not been recognised as a liability at the respective reporting date.

## 10. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to the owners of the Company is based on the following data:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Profit for the year attributable to owners of the Company	<u>61,479</u>	<u>5,804</u>
	<b>Number of shares</b>	Number of shares
Weighted average number of ordinary shares during the year used in the basic earnings per share calculation	<u>487,808,000</u>	<u>487,808,000</u>

*Note:*

The diluted earnings per share was same as basic earnings per share as there was no potential share outstanding for each of the years ended 31 December 2023 and 2022.

## 11. TRADE AND OTHER RECEIVABLES

	2023 HK\$'000	2022 HK\$'000
Trade receivables ( <i>Note</i> )	139,675	36,807
Less: Impairment loss	<u>(778)</u>	<u>(629)</u>
	<u>138,897</u>	<u>36,178</u>
Prepayments, deposits and other receivables	8,550	9,130
Less: Impairment loss	<u>(350)</u>	<u>(350)</u>
	<u>8,200</u>	<u>8,780</u>
Non-current – deposits	147,097	44,958
	<u>(436)</u>	<u>–</u>
Current	<u>146,661</u>	<u>44,958</u>

*Note:*

Trade receivables were mainly derived from the 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 for the years ended 31 December 2023 and 2022.

An ageing analysis of trade receivables as at the end of reporting period, based on the invoice dates and net of loss allowance is as follows:

	2023 HK\$'000	2022 HK\$'000
Less than 1 month	88,167	26,591
1 to 3 months	50,671	9,587
More than 3 months but less than 1 year	<u>59</u>	<u>–</u>
	<u>138,897</u>	<u>36,178</u>

An ageing analysis of trade receivables as at the end of reporting period, based on past due date and net of loss allowance is as follows:

	2023 HK\$'000	2022 HK\$'000
Not yet past due	138,556	35,767
Less than 1 month past due	282	411
1 to 3 months past due	<u>59</u>	<u>–</u>
	<u>138,897</u>	<u>36,178</u>

## 12. TRADE AND OTHER PAYABLES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Trade payables ( <i>Note</i> )	23,839	17,376
Other payables and accruals	29,302	18,669
	<u>53,141</u>	<u>36,045</u>

*Note:*

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Less than 1 month	9,304	4,721
1 to 3 months	10,203	6,870
More than 3 months but less than 1 year	4,055	5,667
More than 1 year	277	118
	<u>23,839</u>	<u>17,376</u>

The trade payables are non-interest bearing and generally have payment terms ranging from 0 to 30 days.

## 13. SHARE CAPITAL

	<b>The Company</b>	
	<b>Number of shares</b>	<b>Amount HK\$'000</b>
Authorised: Ordinary shares of HK\$0.01 each As at 1 January 2022, 31 December 2022, 1 January 2023 and 31 December 2023	<u>2,000,000,000</u>	<u>20,000</u>
Issued and fully paid: Ordinary shares of HK\$0.01 each As at 1 January 2022, 31 December 2022, 1 January 2023 and 31 December 2023	<u>487,808,000</u>	<u>4,878</u>

## 14. CAPITAL COMMITMENTS

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Commitments for the acquisition of: Property, plant and equipment	<u>669</u>	<u>2,386</u>

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

The Group is an established subcontractor engaged in civil engineering works which operates solely in Hong Kong. The Group is principally engaged in the provision of underground construction services and mainly serves main contractors in public sector infrastructure projects. Public sector projects refer to the projects in which the main contractors are employed by the government of the Hong Kong Special Administrative Region (the “**Hong Kong Government**”), its statutory bodies or statutory corporations. The Group has also been involved in some private sector projects, which have covered all other types of engagements.

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

Since 2014, the Group has been focusing on the development of a complete suite of tunnel construction services, which has laid a solid foundation for the Group’s growth and a strong advantage in securing contracts. The Group is constantly evaluating opportunities within the underground construction industry and seeking profitable areas in which it can develop, broaden or commence operation. Other than tunnel works, the Group has also participated in earthworks, bridge works and construction of service buildings during the Reporting Period. The Group considers that diversification is necessary under the current market condition, and continues to explore opportunity in other fields of the construction industry. As at the date of this announcement, the Group had submitted certain number of tenders to main contractors, the results of which were still pending.

During the year ended 31 December 2023, the Group had secured 10 public construction projects and five private sector projects with aggregate secured contract sums and confirmed variation orders of approximately HK\$518,262,000 and approximately HK\$26,583,000, respectively (the “**Newly Awarded Contracts**”).

During the year ended 31 December 2023, the Group had been engaged in 39 public sector projects (2022: 43) and six private sector projects (2022: six), including the Newly Awarded Contracts. 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 2023 to be recognised as revenue after the Reporting Period was approximately HK\$1,065,177,000.

To maintain consistent quality services for all customers, the Group has established a formal quality management system which is certified to be in compliance with the requirements of ISO 9001:2015. The Group has in-house quality assurance requirements specifying, amongst other things, specific work procedures for performing various types of works, responsibilities of personnel of different levels, and accident reporting. Compliance with these quality assurance requirements is mandatory for all workers of the Group.

## **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 and other disasters which are beyond the Group's control may also affect the Group's performance.

## **OUTLOOK OF TUNNEL AND CONSTRUCTION INDUSTRY IN HONG KONG**

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

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

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

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

The Water Service Department of the Hong Kong Government has awarded a construction contract for the relocation of Diamond Hill Fresh Water and Salt Water Service Reservoirs to caverns on 28 November 2022. This cavern tunnel is a drill and blast project, and the estimated works completion date is in December 2027.

The Civil Engineering and Development Department of the Hong Kong Government has awarded a construction contract of approximately HK\$3,970 million for the relocation of the Public Works Central Laboratory and the Government Records Service’s Archives Centre and the demolition of the existing Public Works Central Laboratory Building in Kowloon Bay to caverns on 11 July 2023. This cavern tunnel is a drill and blast project, and the estimated works completion is in 2028.

Besides, the Group is actively adopting advanced construction technology (such as automation, and artificial intelligence) to its construction projects, which can improve site safety, enhance environmental performance, uplift build quality, and boost productivity. The Group is one of the few selected 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 year ended 31 December 2023. The following table sets out the breakdown of the Group's revenue by project types for the periods indicated:

	For the year ended 31 December			
	2023	2023	2022	2022
	<i>HK\$'000</i>	% of total revenue	<i>HK\$'000</i>	% of total revenue
Public sector projects				
– Tunnel construction services	<b>325,178</b>	<b>59.2</b>	223,521	50.7
– Utility construction services and others	<b>220,781</b>	<b>40.1</b>	209,705	47.6
Sub-total	<b>545,959</b>	<b>99.3</b>	433,226	98.3
Private sector projects	<b>3,595</b>	<b>0.7</b>	7,032	1.7
Total	<b>549,554</b>	<b>100.0</b>	440,528	100.0

The Group's revenue increased from approximately HK\$440,528,000 for the year ended 31 December 2022 to approximately HK\$549,554,000 for the year ended 31 December 2023, representing an increase of approximately HK\$109,026,000 or 24.7%. The increase in revenue was mainly due to the increase in revenue generated from tunnel construction projects in the public sector from approximately HK\$223,521,000 for the year ended 31 December 2022 to approximately HK\$325,178,000 for the year ended 31 December 2023, representing an increase of approximately HK\$101,657,000 or 45.5%. Such significant increase in revenue was mainly attributable to the gearing up of the construction works for the Group's Newly Awarded Contracts during the Reporting Period.

## **Cost of services**

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

The Group's cost of services increased from approximately HK\$426,601,000 for the year ended 31 December 2022 to approximately HK\$439,532,000 for the year ended 31 December 2023, representing an increase of approximately HK\$12,931,000 or 3.0%. Such increase was mainly due to net effect of: (i) a decrease in the staff costs from approximately HK\$233,673,000 for the year ended 31 December 2022 to approximately HK\$188,197,000 for the year ended 31 December 2023, representing a decrease of approximately HK\$45,476,000 or 19.5%; (ii) the decrease in the subcontracting costs from approximately HK\$40,853,000 for the year ended 31 December 2022 to approximately HK\$22,338,000 for the year ended 31 December 2023, representing a decrease of approximately HK\$18,515,000 or 45.3%; (iii) the decrease in the short-term lease of plant and machinery from approximately HK\$37,098,000 for the year ended 31 December 2022 to approximately HK\$29,952,000 for the year ended 31 December 2023, representing a decrease of approximately HK\$7,146,000 or 19.3%; and (iv) an increase in the construction materials and supplies from approximately HK\$99,016,000 for the year ended 31 December 2022 to approximately HK\$180,580,000 for the year ended 31 December 2023, representing an increase of approximately HK\$81,564,000 or 82.4%.

The purchase arrangement of construction materials and supplies, subcontracting costs and the short-term lease of plant and machinery depend on the terms of the contracts, which may vary on a project-by-project basis. The decrease in staff costs was due to the decrease in number of skilled construction workers during the Reporting Period despite an overall increase in number of general and skilled workers as at the end of the Reporting Period.

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

The gross profit and gross profit margin of the Group for the year ended 31 December 2023 was approximately HK\$110,022,000 and 20.0%, respectively (2022: approximately HK\$13,927,000 and 3.2%, respectively). During the Reporting Period, the increases in gross profit and gross profit margin were mainly attributable to the positive progress made on construction works of the Newly Awarded Contracts for the Group's tunnel construction services, which generally have higher profit margins.

## **Other income**

The Group's other income was approximately HK\$1,310,000 for the year ended 31 December 2023 (2022: approximately HK\$17,251,000), which was mainly attributable to the government grants of approximately HK\$728,000 from the Construction Innovation and Technology Fund launched by the Construction Industry Council in Hong Kong during the Reporting Period. Last year's balance was mainly due to the government grants of approximately HK\$14,546,000 from the Employment Support Scheme under the Anti-epidemic Fund launched by the Hong Kong Government for GMEHK.

## **Provision of the impairment loss on trade receivables and contract assets**

During the Reporting Period, the provision of the impairment loss on trade receivables and contract assets was approximately HK\$8,744,000, based on the impairment assessment under the requirements of HKFRS 9 Financial Instruments.

## **Administrative expenses**

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

The Group's administrative expenses increased slightly from approximately HK\$25,547,000 for the year ended 31 December 2022 to approximately HK\$28,013,000 for the year ended 31 December 2023, representing an increase of approximately HK\$2,466,000 or 9.7%. The staff costs and benefits for the year ended 31 December 2023 were approximately HK\$9,485,000 (2022: approximately HK\$9,143,000), representing an increase of approximately HK\$342,000 or 3.7%. The Directors' remuneration was approximately HK\$3,414,000 (2022: approximately HK\$3,414,000) during the Reporting Period. The increase in administrative expenses was in line with the increase in revenue during the Reporting Period.

## **Finance costs**

The Group's finance costs increased from approximately HK\$1,267,000 for the year ended 31 December 2022 to approximately HK\$3,712,000 for the year ended 31 December 2023 due to the increase in interest expenses on the bank borrowings during the Reporting Period.

## **Income tax**

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

The income tax for the year ended 31 December 2023 mainly resulted from the profits tax for the assessable profits during the Reporting Period.

## **Profit and total comprehensive income attributable the owners of the Company (the "Net Profit")**

The Group's Net Profit for the year ended 31 December 2023 was approximately HK\$61,479,000 (2022: approximately HK\$5,804,000). Such increase in the Net Profit was mainly due to the increase in revenue and gross profit during the Reporting Period as discussed above.

## **Dividends**

On 21 March 2024, the Board recommended a final dividend of HK5.0 cents per Share for the year ended 31 December 2023, which is subjected to the approval of the shareholders of the Company (the “**Shareholders**”) at the annual general meeting of the Company on Friday, 24 May 2024 (“**AGM**”). The total payout will amount to HK\$24,390,400. No dividend was declared by the company for the year ended 31 December 2022.

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

As at 31 December 2023, the Group’s cash at banks and in hand amounted to approximately HK\$4,467,000 (2022: approximately HK\$11,431,000), which were denominated in Hong Kong dollar. Such decrease was mainly due to the cash used in the operating and investing 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 Mr. Chuang Chun Ngok Boris, Mr. Chuang Wei Chu, Ms. To Yin Ping and Ms. Chuang Yau Ka, the Controlling Shareholders. On 9 December 2022, GMEHK has entered into another bank facility letter with the same bank, for which the bank provided bank facilities of revolving loan and import invoice discounting for two construction contracts of GMEHK up to an aggregate amount of HK\$30,000,000 at an interest rate of 0.5% per annum below the Hong Kong Prime Rate, which is secured by personal guarantees executed by Chuang Chun Ngok Boris and Mr. Chuang Wei Chu, the executive Directors, and a corporate guarantee by the Company. Pursuant to this facility letter, the Controlling Shareholders shall at all time collectively maintain not less than 50% of the issued share capital of the Company. Besides, Mr. Chuang Chun Ngok Boris shall remain as the chairman of the Company.

Besides, on 9 December 2022, GMEHK signed a banking facility letter of export invoice discounting with another licensed bank in Hong Kong of HK\$12,000,000 at an interest rate of 3.0% per annum over the higher of HIBOR and the bank’s cost of fund and revolving short-term loan of HK\$6,000,000 at an interest rate of 3.5% per annum over the higher of HIBOR at the bank’s cost of fund, which are secured by a corporate guarantee by the Company and pledged bank deposits of HK\$3,000,000.

As at 31 December 2023, the Group had bank borrowings of HK\$66,000,000.

As at 31 December 2023, the lease liabilities represented the leases arrangement of the Group’s office equipment, office premise and staff quarters, machineries, and motor vehicles amounted to approximately HK\$6,124,000 (2022: approximately HK\$1,305,000). For the year ended 31 December 2023, the lease payments and interest expenses on leases liabilities amounted to approximately HK\$3,130,000 (2022: approximately HK\$2,847,000) and approximately HK\$332,000 (2022: approximately HK\$118,000), respectively.

As at 31 December 2023, the amount due to a Director was approximately HK\$8,000,000. Such balance was subsequently settled after the Reporting Period.

The Group's gearing ratio, which is calculated by total debts divided by total equity, was approximately 78% as at 31 December 2023 (2022: approximately 102%).

The Group did not carry out any hedging activities by using any financial instruments during the Reporting Period.

### **Capital structure**

As at 31 December 2022 and 2023, the capital structure of the Company comprised issued share capital and reserves.

### **Commitments**

Save as disclosed in note 14 to the Consolidated Financial Statements, there were capital commitments of approximately HK\$669,000 (2022: approximately HK\$2,386,000) for the acquisition of property, plant and equipment as at 31 December 2023.

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

There were no significant investments, material acquisitions or disposal of subsidiaries and associated companies by the Company for the year ended 31 December 2023.

### **Future plans for material investments and capital assets**

The Group did not have other plans for material investment or capital assets as at 31 December 2023.

### **Contingent liabilities**

As at 31 December 2023, 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, is remote and furthermore, these claims are usually covered by insurance maintained by the 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 the litigations is necessary.

## **Foreign currency exposure**

The Group's reporting currency is Hong Kong dollar. During the years ended 31 December 2022 and 2023, the Group's transactions were mainly denominated in Hong Kong dollar. The Company therefore considers the Group is exposed to minimal foreign exchange risk.

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

As at 31 December 2023, the Group had pledged bank deposits of HK\$3,000,000 to secure the export invoice discounting bank facility as of 31 December 2023 (2022: approximately HK\$2,004,000).

## **Information on employees**

As at 31 December 2023, the Group had 662 employees (2022: 542), which comprises 6 management staff (2022: 6), 22 technical staff (2022: 22), 14 administration, accounting and human resources staff (2022: 10) and 620 general and skilled construction workers (2022: 504) in Hong Kong.

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. The total staff costs (included in cost of services and administrative expenses) and Directors' remuneration amounted to approximately HK\$201,096,000 for the year ended 31 December 2023 (2022: approximately HK\$246,230,000). Such decrease was mainly resulted from the decrease in staff costs in the cost of services during the Reporting Period.

Depending on the nature of works and the need of the projects, the Group will provide training to the Group's employees from time to time. The Group's customers sometimes require the employees to attend their own on-site occupational safety trainings.

## **Events after the Reporting Period**

No event has occurred after 31 December 2023 and up to the date of this announcement which would have material effect on the Group.

## **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 the code provisions as set out in the Corporate Governance Code (the "**CG Code**") as contained in Appendix C1 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 and enable the evaluation by the Shareholders of such application.

The Company will continue to review and enhance its corporate governance practices from time to time to comply with statutory requirements and regulations.

During the year ended 31 December 2023, the Directors considered that the Company has complied with the CG Code.

### **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 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 during the year ended 31 December 2023.

### **Purchase, Sale or Redemption of the Company's Listed Shares**

Neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities during the Reporting Period.

## **Closure of register of members**

The AGM will be held on Friday, 24 May 2024.

The register of members of the Company will be closed from Monday, 20 May 2024 to Friday, 24 May 2024 (the “**closure period**”), both days inclusive, for the purposes of determining the entitlements of the Shareholders to attend and vote at the forthcoming AGM. During this closure period, no transfer of the shares will be registered. In order to qualify for attending and voting at the AGM, all transfers, accompanied by the relevant shares certificates must be lodged with the Company’s Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration no later than 4:30 p.m. on Friday, 17 May 2024.

To ascertain entitlement to the proposed final dividends, the register of members of the Company will also be closed from Thursday, 30 May 2024 to Friday, 31 May 2024, both days inclusive. In order to qualify for the proposed final dividends, which is subject to approval of Shareholders at the AGM, all transfers accompanied by the relevant share certificates must be lodged with the Hong Kong branch share registrar of the Company, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong no later than 4:30 p.m. on Wednesday, 29 May 2024.

## **Audit Committee**

The Group has established the audit committee of the Company (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 written terms of reference was revised pursuant to a resolution of the Board passed on 25 March 2019. The primary duties of the Audit Committee include (i) making recommendations to the Board on the appointment, reappointment and removal of the external auditor; (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 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 of the Audit Committee 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 annual results of the Group for the year ended 31 December 2023 have been reviewed by the Audit Committee.

## **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, 24 March 2022, 16 August 2022, 31 March 2023 and 16 August 2023; 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.

## **Scope of work of BDO Limited**

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 2023 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 2023. 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.

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

Pursuant to the requirements of the GEM Listing Rules, the 2023 annual report of the Company will set out all information required by the GEM Listing Rules and will be published on the Stock Exchange’s website at [www.hkexnews.hk](http://www.hkexnews.hk) and the Company’s website at [www.gmehk.com](http://www.gmehk.com) on or before 30 April 2024.

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

Hong Kong, 21 March 2024

*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 at [www.hkexnews.hk](http://www.hkexnews.hk) for at least seven days from the date of its posting and on the Company’s website at [www.gmehk.com](http://www.gmehk.com).*