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)

(1) ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2018; AND (2) ADOPTION OF DIVIDEND POLICY

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

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

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

*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 (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 2018, together with the comparative audited figures for the year ended 31 December 2017, as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2018

		2018	2017
	Notes	***HK$'000***	*HK$'000*
Revenue	*5*	**140,631**	157,121
Cost of services		**(127,581)**	(129,214)
Gross profit		**13,050**	27,907
Other income		**132**	328
Administrative and other expenses		**(23,893)**	(28,439)
Finance costs		**(89)**	(94)
Loss before income tax	*6*	**(10,800)**	(298)
Income tax	*7*	**941**	(1,364)
Loss and total comprehensive expenses for the year attributable to the owners of the Company		**(9,859)**	(1,662)
Loss per share			
– Basic and diluted *(HK cents)*	*9*	**(1.97)**	(0.34)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
Non-current assets			
Property, plant and equipment		**7,752**	9,150
Deferred tax assets		**308**	–
		8,060	9,150
Current assets			
Contract assets		**25,395**	–
Amounts due from customers for contract work		**–**	546
Trade and other receivables	*10*	**25,622**	68,207
Pledged bank deposits		**8,097**	8,000
Current tax recoverable		**1,497**	1,951
Cash and cash equivalents		**20,089**	26,665
		80,700	105,369
Current liabilities			
Trade and other payables	*11*	**6,147**	11,153
Bank borrowing, secured		**–**	3,946
Obligations under finance leases		**273**	178
		6,420	15,277
Net current assets		**74,280**	90,092
Total assets less current liabilities		**82,340**	99,242
Non-current liabilities			
Obligations under finance leases		**705**	524
Deferred tax liabilities		**–**	922
		705	1,446
NET ASSETS		**81,635**	97,796
EQUITY			
Equity attributable to owners of the Company			
Share capital	*12*	**4,982**	5,000
Reserves		**76,653**	92,796
TOTAL EQUITY		**81,635**	97,796

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 shares of the Company (the "**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 2018

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. Of these, the following developments are relevant to the Group's financial statements:

Annual Improvements to HKFRSs 2014-2016 Cycle	Amendments to HKAS 28, Investments in Associates and Joint Ventures
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15)
HK(IFRIC)–Int 22	Foreign Currency Transactions and Advance Consideration

Except as described below, the application of the new HKFRSs and amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for current and prior years and/or disclosures set out in these consolidated financial statements.

A. HKFRS 9 – Financial instruments

HKFRS 9 replaces HKAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: (1) classification and measurement; (2) impairment and (3) hedge accounting.

The adoption of HKFRS 9 from 1 January 2018 has resulted in changes in accounting policies of the Group and the amounts recognised in the consolidated financial statements.

(i) Classification and measurement of financial instruments

The management of the Group considers that its financial assets are classified at amortised cost and no material impact to the consolidated financial statement on 1 January 2018.

The accounting policies would be applied to the Group's financial assets at amortised cost at follow:

Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

The following table summarises the original measurement categories under HKAS 39 and the new measurement categories under HKFRS 9 for each class of the Group's financial assets as at 1 January 2018:

Financial assets	**Original classification under HKAS 39**	**New classification under HKFRS 9**	**Carrying amount as at 1 January 2018 under HKAS 39 HK$'000**	**Carrying amount as at 1 January 2018 under HKFRS 9 HK$'000**
Contract assets*	N/A	Recognised under HKFRS 15 and subjected to impairment provisions under HKFRS 9	23,139	23,139
Trade and other receivables	Loans and receivables	Amortised cost	44,389	44,389
Cash and cash equivalents	Loans and receivables	Amortised cost	26,665	26,665
Pledged bank deposits	Loans and receivables	Amortised cost	8,000	8,000

* *The amount under amounts due from customers for contract work and retention receivables has been reclassified to contract assets upon the adoption of the HKFRS 15.*

There was no impact on the amounts recognised in relation to these assets from the application of HKFRS 9.

The adoption of HKFRS 9 has no material impact on the Group's accounting policies related to financial liabilities and no standalone derivatives and financial liabilities designated as at fair value through profit or loss as at 1 January 2018 and 31 December 2018.

(ii) Impairment of financial assets

The adoption of HKFRS 9 has changed the Group's impairment model by replacing the HKAS 39 "incurred loss model" to the "expected credit losses model". HKFRS 9 requires the Group to recognised expected credit losses (the "**ECLs**") for trade receivables, financial assets at amortised costs and contract assets earlier than HKAS 39. Cash and cash equivalents are subject to ECLs model but the impairment is immaterial for the current period.

Under HKFRS 9, the losses allowances are measured on either of the following bases: (1) 12 months ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date: and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

Measurement of ECLs

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group has elected to measure loss allowances for trade receivables and contract assets and using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on reasonable and supportable information that is available without undue cost or effort at the reporting date, including the Group's 3 years historical credit loss experience, the number of days past due, adjusted for forward-looking factors (i.e. forecast GDP) and specific consideration (such as group size and reputation etc.) to the debtors and the economic environment, which may impact the customers' ability to repay the outstanding balances in order to estimate the ECLs for the impairment assessment.

The adoption of ECLs model does not have material impact on the carrying amount of the Group's trade receivables and contract assets and no loss allowance was recognised on 1 January 2018.

(iii) Hedge accounting

Hedge accounting under HKFRS 9 has no impact on the Group as the Group does not apply hedge accounting in its hedging relationships.

(iv) Transition

The Group has applied the transitional provision in HKFRS 9 such that HKFRS 9 was generally adopted without restating comparative information. The reclassifications and the adjustments arising from the new ECLs rules are therefore not reflected in the statement of financial position as at 31 December 2017, but are recognised in the statement of financial position on 1 January 2018. This mean that differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of HKFRS 9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 does not reflect the requirements of HKFRS 9 but rather those of HKAS 39.

B. HKFRS 15 – Revenue from contracts with customers

HKFRS 15 supersedes HKAS 11 Construction Contracts, HKAS 18 Revenue and related interpretations. HKFRS 15 has established a five-steps model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at the amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The Group elects to use the cumulative effect method for the adoption of HKFRS 15 with cumulative effect of initial application recognised in the opening balance of the retained earnings at 1 January 2018 and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the standard retrospectively only to the contracts that are not completed at 1 January 2018. Accordingly, certain comparative information was prepared with HKAS 18 Revenue and HKAS 11 Construction Contracts.

Under HKFRS 15, the Group recognises the revenue from contract work when the performance obligation is satisfied over time and measures the progress towards complete satisfaction in accordance with the output method. The measurement of the stage of completion of a contract is established by reference to surveys of work performed. HKFRS 15 includes a new terminology “Contract assets” which is defined as an entity’s right to consideration in exchange for goods or services that the entity has transferred to a customer when that right is conditioned on something other the passage of time. If there is any satisfied performance obligation but where the Group does not have an unconditional right to consideration, the Group should recognized contract assets.

The adoption of HKFRS 15 has no material impact on the adjustments to the opening balance of the retained earnings at 1 January 2018 in the consolidated statement of changes in equity and the amounts recognised in the consolidated statement of comprehensive income. The following adjustments were made to the amounts recognized in the consolidated statement of financial position at 1 January 2018. Line items that were not affected by the changes have not been included.

	At 1 January 2018	**Impact on adoption of HKFRS 15**	**At 1 January 2018**
	HK$’000	***HK$’000***	***HK$’000***
Amounts due from customers for contract work	546	(546)	–
Contract assets	–	23,139	23,139
Retention receivables	22,593	(22,593)	–
Total current assets	23,139	–	23,139

3. GROUP REORGANISATION AND BASIS OF PRESENTATION AND PREPARATION

Pursuant to a group reorganisation (the "**Group Reorganisation**") carried out by the Group in preparation for the listing of Shares on 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" in the prospectus issued by the Company dated 14 February 2017 (the "**Prospectus**").

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 year ended 31 December 2017 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 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**") issued by the HKICPA and the disclosure requirements of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong). In addition, the consolidated financial statements include applicable disclosures required by the GEM Listing Rules.

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.

4. SEGMENT INFORMATION

Operating segments

The Group was principally engaged in the provision of underground construction services in Hong Kong. Information reported to the Group's chief operating decision maker, for the purpose of resources allocation and performance assessment, focuses on the operating results of the Group as a whole, as the Group's resources are integrated and no discrete operating segment financial information is available. Accordingly, no operating segment information is presented.

Geographical information

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

Information about major customers

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

	2018	2017
	HK$'000	*HK$'000*
Customer B	**34,807**	18,822
Customer C	**38,020**	42,988
Customer K	**16,622**	76,868
Customer L	**38,550**	N/A

N/A: The relevant comparative figures for the corresponding period in 2017 representing revenue from relevant customers did not exceed 10% of the Group's revenue.

5. REVENUE

For the year ended 31 December 2018, the Group's revenue represents amount received and receivable from contract work performed and is recognised over time using output method, i.e. based on surveys of work completed by the Group to date. Please refer to the note 2(a)B to the consolidated financial statement above in relation to the adoption of HKFRS 15 – Revenue from contracts with customers for details.

For the year ended 31 December 2017, 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. LOSS BEFORE INCOME TAX

Loss before income tax is arrived after charging:

	2018	2017
	HK$'000	*HK$'000*
Auditor's remuneration	**730**	588
Listing expense (included in administrative and other expenses)	**–**	6,338
Loss on disposal of property, plant and equipment	**33**	26
Impairment loss on trade receivables	**441**	–
Impairment loss on contract assets	**75**	–
Depreciation of property, plant and equipment	**4,534**	4,277
Operating lease rentals in respect of:		
– Land and buildings	**2,346**	1,795
Finance costs:		
– Interest on bank overdrafts	**–**	72
– Interest on revolving loan	**23**	–
– Interest on bank borrowing, secured	**20**	3
– Interest on finance leases	**46**	19
Employee benefit expenses	**71,385**	92,286

7. INCOME TAX

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

	2018	2017
	HK$'000	*HK$'000*
Current tax – Hong Kong profits tax		
– charge for the year	**289**	1,508
Deferred tax	**(1,230)**	(144)
Income tax	**(941)**	1,364

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

8. DIVIDEND

The Directors do not recommend the payment of any dividend in respect of the year ended 31 December 2018.

9. LOSS PER SHARE

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

	2018	2017
	HK$'000	*HK$'000*
Loss:		
Loss for the purpose of basic loss per share	**(9,859)**	(1,662)

	Number of shares	Number of shares
	'000	*'000*
Weighted average number of ordinary shares for the purpose of basic loss per share	**499,887**	482,192

Note: The weighted average number of ordinary shares during the year ended 31 December 2018 was calculated as 499,887,000 based on the repurchase of Shares.

10. TRADE AND OTHER RECEIVABLES

	2018	2017
	HK$'000	*HK$'000*
Trade receivables *(Note (a))*	**19,682**	40,312
Less: Impairment	**(228)**	–
	19,454	40,312
Retention receivables *(Note (b))*	**–**	22,593
Prepayments and deposits	**6,168**	5,302
	25,622	68,207

Notes:

(a) Trade receivables were mainly derived from provision of 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.

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

	2018	2017
	HK$'000	*HK$'000*
Less than 1 month	**15,204**	27,275
1 to 3 months	**3,276**	12,674
More than 3 months but less than one year	**–**	15
More than one year	**974**	348
	19,454	40,312

(b) Upon the adoption of HKFRS 15, all of retention receivables, for which the Group's entitlement to the consideration was conditional on satisfactory completion of the retention period, were reclassified to "Contract assets".

11. TRADE AND OTHER PAYABLES

	2018	2017
	HK$'000	*HK$'000*
Trade payables *(Note)*	**1,439**	2,097
Other payables and accruals	**4,708**	9,056
	6,147	11,153

Note:

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

	2018	2017
	HK$'000	*HK$'000*
Current or less than 1 month	**617**	1,286
1 to 3 months	**754**	712
More than 3 months but less than one year	**68**	99
More than one year	**–**	–
	1,439	2,097

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

12. SHARE CAPITAL

	The Company	
	Number of shares	Amount HK'000
Authorised:		
Ordinary share of HK$0.01 each		
As at 1 January 2017	38,000,000	380
Increase in authorised share capital *(Note (a))*	1,962,000,000	19,620
As at 31 December 2017, 1 January 2018 and 31 December 2018	2,000,000,000	20,000
Issued and fully paid		
Ordinary share of HK$0.01 each		
As at 1 January 2017	1,800	–
Capitalisation issue of shares *(Note (b))*	374,998,200	3,750
Issue of new shares under placing *(Note (c))*	125,000,000	1,250
As at 31 December 2017 and 1 January 2018	500,000,000	5,000
Share repurchased and cancelled *(Note (d))*	(1,768,000)	(18)
As at 31 December 2018	498,232,000	4,982

Notes:

(a) Pursuant to the written resolution passed on 10 February 2017, the authorised share capital of the Company was increased from HK$380,000 to HK$20,000,000 by creation of an additional 1,962,000,000 ordinary shares of the Company.

(b) Pursuant to written resolutions passed on 10 February 2017, the Directors authorised to capitalize a sum of approximately HK$3,750,000 from the amount standing to the credit of the share premium account of the Company and applied such amount to pay up in full at par of 374,998,200 ordinary shares of the Company ("**Capitalisation Issue**").

(c) Under a placing which took place during the year ended 31 December 2017, 125,000,000 new ordinary shares of HK$0.01 each were issued at a price of HK$0.54 per share for a total cash consideration (before share issuance expenses) of approximately HK$67,500,000.

(d) Out of 2,136,000 ordinary shares of the Company repurchased on the Stock Exchange (the "**Share Repurchase**") during the year ended 31 December 2018, 1,768,000 ordinary shares were cancelled during the year ended 31 December 2018 while the remaining 368,000 ordinary shares were cancelled in January 2019. The total consideration of the Share Repurchase was approximately HK$302,000 excluding brokerage fees and other expenses. Particulars of the Share Repurchase and cancellation of Shares during the year ended 31 December 2018 are as follows:

Month of Share Repurchase	**Number of Shares repurchased**	**Highest price paid per Share**	**Lowest price paid per Share**	**Aggregate price paid**
		HK$	*HK$*	*HK$*
November 2018	236,000	0.118	0.100	25,760
December 2018	1,532,000	0.148	0.134	224,788
	1,768,000			250,548

(e) During the period from 20 December 2018 to 31 December 2018, 368,000 ordinary shares of the Company were repurchased at an aggregate cost of approximately HK$51,000. Subsequently, the Shares repurchased during such period were cancelled on 30 January 2019, and accordingly, the Company's share capital and share premium were reduced by approximately HK$3,000 and approximately HK$48,000, respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The 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 (the "**Hong Kong Government**"), 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, advanced and structural works) and utility construction and others (mainly structural works). The Group also provides programme design, costing and management for underground construction services. As a result, the Group works routinely with its key clients in pre-tenders.

Since 2014, the Group has been focusing on the development of a complete suite of tunnel construction services, which has laid a solid foundation for the Group's growth and a strong advantage in securing contracts. The Group is constantly evaluating opportunities within the underground construction industry and seeking profitable areas in which it can develop, broaden or commence operation. This is in line with the Group's business strategies as mentioned in the Prospectus.

During the year ended 31 December 2018, the Group had secured eight public construction contracts (2017: 13) and seven private sector projects (2017: nil) with the total contract sum and variation orders amount of approximately HK$43,808,000 (2017: approximately HK$134,600,000). Subsequent to the year ended 31 December 2018 and up to the date of this announcement, we had secured two public projects and two private projects with the total contract sum of approximately HK$85,589,000, which includes a public tunnel construction project. The construction works of such awarded projects in 2019 had commenced in March 2019. As at the date of this announcement the Group has also submitted certain number of tenders to main contractors, the results of which are still pending from the main contractors.

There have been challenges to meeting the abovementioned objectives for the Group during this fiscal year mainly because of a significant slowdown in infrastructure spending. Due to the delay of the funding approvals from the Legislative Council of the Hong Kong Special Administrative Region (the "**Legco**") in late 2017, the tendering schedules of certain major infrastructure projects, including Tseung Kwan O-Lam Tin Tunnel and Central Kowloon Route, were delayed. As a result, the tunnel construction works for these projects was also delayed resulting in less project opportunities for the Group. At the same time, the existing major infrastructure projects in Hong Kong such as Hong Kong-Zhuhai-Macao Bridge and the Hong Kong section of the Guangzhou-Shenzhen-Hong Kong Express Rail Link were substantially completed during the year ended 31 December 2018 (the "**Reporting Period**"). As a result, the limited supply of new construction works for sub-contractors in the market and increasing competition in the construction industry gradually affected the gross profit margin of the Group during the Reporting Period.

During the year ended 31 December 2018, the Group had been engaged in 19 public sector projects (2017: 17) and six private sector projects (2017: one). 10 public sector projects (2017: nine) and six private sector projects (2017: nil) were newly commenced in 2018. The estimated remaining contract value of these projects to be recognised as revenue after 31 December 2018 was approximately HK$52,683,000.

PRINCIPAL RISKS AND UNCERTAINTIES

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

The Group's business is subject to the budgeting process on public infrastructure and construction projects of the Hong Kong Government. The budgeting process on public infrastructure and construction projects may be lengthened and the expected timetable of projects may be delayed. As a result, the availability of construction projects may decrease owing to the decrease in the available funding of public sector projects in Hong Kong. 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 our future performance, which may vary from period to period in response to a variety of factors beyond our 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. Therefore, the profit margin may also vary from project to project due to factors such as the complexity and size of the project.

OUTLOOK OF TUNNEL CONSTRUCTION INDUSTRY IN HONG KONG

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

It is expected that the demand for tunnel construction services in Hong Kong will continue to grow in the foreseeable future. The growth in tunnel construction industry will mainly be supported by several major infrastructure projects including Tseung Kwan O-Lam Tin Tunnel, Central Kowloon Route and Sha Tin Cavern Tunnel.

In respect of the contribution of the Central Kowloon Route, the Legco had approved the funding of approximately HK$42.3 billion on 20 October 2017. As at 31 December 2018, the Highways Department of the Hong Kong Government (the "**Highways Department**") has awarded four construction contracts of Central Kowloon Route to the contractors with a total value of approximately HK$15 billion, which included the construction works of the proposed tunnels in Kai Tak West and Yau Ma Tei East and West. The tender period for the Central Kowloon Route – Kai Tak East published by the Highways Department on 28 September 2018 was subsequently extended from 14 December 2018 to 11 January 2019. Subsequent to the Reporting Period and up to the date of this announcement, the Highways Department also invited tenders for Central Kowloon Route – Central Tunnel, the tender period of which was extended from early March to late March 2019.

Apart from transport infrastructure, the Drainage Services Department of the Hong Kong Government has released the tender notice for Sha Tin Cavern Sewage Treatment Works in the third quarter of 2018. This project will involve tunnel constructions using the drill and blast technique and is expected to be completed in November 2021.

Pursuant to the Policy Address dated 10 October 2018 published by the Hong Kong Government, the new railway projects under the "Railway Development Strategy 2014" will be progressively implemented. However, due to the public concern about the workmanship of a public railway infrastructure project in Hong Kong, the tendering process of such new railway projects is expected to be postponed.

It is anticipated that the delay of certain public infrastructure projects may have an impact on the potential revenue source of the Group from the tunnel construction for the year ending 31 December 2019. In turn, the period to period performance of the Group may also be affected. The Group remains hopeful that these public infrastructure projects will come on stream in the foreseeable future. The Group is one of a select few subcontractors experienced in tunnel construction in Hong Kong and is well prepared to capitalise on the opportunities from these public infrastructure projects.

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2018, the revenue of the Group was approximately HK$140,631,000 (2017: approximately HK$157,121,000), representing a decrease of approximately HK$16,490,000 or 10.5% from the previous year.

The decrease in the revenue was mainly attributable to the combined effects of (i) a decrease in revenue generated from public sector projects – tunnel construction services from approximately HK$125,935,000 for the year ended 31 December 2017 to approximately HK$61,075,000 for the year ended 31 December 2018; and (ii) an increase in revenue generated from public sector projects – utility construction services and others from approximately HK$31,171,000 for the year ended 31 December 2017 to approximately HK$78,896,000 for the year ended 31 December 2018. The revenue generated from private sector projects was approximately HK$660,000 for the year ended 31 December 2018 (2017: approximately HK$15,000). The decrease in revenue generated from public sector projects – tunnel construction services was mainly resulted from the substantial completion of the tunnel construction works of several major infrastructure projects in Hong Kong as mentioned above. However, the Group has carried out mitigating measures, including but not limited to, actively submitting tenders for and participating in other public non-tunnel construction projects available in the market during the year ended 31 December 2018. Therefore, the revenue generated from public non-tunnel construction services was substantially increased during the Reporting Period.

Cost of services

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

The Group's cost of services decreased from approximately HK$129,214,000 for the year ended 31 December 2017 to approximately HK$127,581,000 for the year ended 31 December 2018, representing a decrease of approximately HK$1,633,000 or 1.3%. Such decrease was mainly due to the combined effects of (i) an increase in the construction materials and supplies to approximately HK$37,694,000 (2017: approximately HK$28,116,000); (ii) a decrease in staff costs to approximately HK$60,006,000 for the year ended 31 December 2018 (2017: approximately HK$82,381,000); and (iii) an increase in the subcontracting charges to approximately HK$17,698,000 (2017: approximately HK$2,729,000).

During the Reporting Period, the Group participated in more structural works projects, which increased the need to purchase construction materials and supplies from its customers through contra-charge arrangement and to engage subcontractors for the specialised services. In general, the purchase arrangement of construction materials and supplies and engagement of the subcontractors depend on the terms of the contracts, which may vary on a project-by-project basis.

The decrease in staff costs was in line with the decrease in the number of the workers during the Reporting Period.

Gross profit and gross profit margin

The Group's gross profit decreased to approximately HK$13,050,000 for the year ended 31 December 2018 (2017: approximately HK$27,907,000), representing a decrease of approximately HK$14,857,000 or 53.2%. The gross profit margin was approximately 9.3% for the year ended 31 December 2018 (2017: approximately 17.8%). Such decrease was mainly attributable to (i) the decrease in revenue from tunnel construction projects which had higher gross profit margins in general as compared to other structural works projects; (ii) the increase in operating expenses incurred during the Reporting Period in order to meet additional requirements; and (iii) increasing competition in the construction market which resulted in lower profit margin for the new projects.

Other income

The Group's other income was approximately HK$132,000 for the year ended 31 December 2018 (2017: approximately HK$328,000), which mainly consisted of the interest incomes of approximately HK$76,000 (2017: approximately HK$48,000) received from pledged bank deposit.

Administrative and other expenses

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

The Group's administrative and other expenses decreased from approximately HK$28,439,000 for the year ended 31 December 2017 to approximately HK$23,893,000 for the year ended 31 December 2018, representing a decrease of approximately HK$4,546,000 or 16.0%. This decrease was mainly attributable to the combined effects of (i) listing expenses of approximately HK$6,338,000 and other expenses in relation to the listing and resumption of trading in the Shares of approximately HK$1,603,000 for the year ended 31 December 2017, which did not recur in the Reporting Period; and (ii) the increase in the staff costs and benefits from approximately HK$6,777,000 for the year ended 31 December 2017 to approximately HK$8,069,000 for the year ended 31 December 2018, representing an increase of approximately HK$1,292,000 or 19.1%. The increase in staff costs and benefits was mainly attributable to salary increment and an increase in the Group's administrative headcounts. The Directors' remuneration was approximately HK$3,310,000 for the year ended 31 December 2018 (2017: approximately HK$3,128,000).

Finance costs

The Group's finance costs mainly comprised (i) interest expenses on bank borrowing, secured; (ii) interest expenses on revolving loan; and (iii) finance costs of the obligations under finance leases during the Reporting Period.

The Group's finance costs decreased from approximately HK$94,000 for the year ended 31 December 2017 to approximately HK$89,000 for the year ended 31 December 2018.

Income tax

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

The income tax credit for the year ended 31 December 2018 mainly resulted from the recognition of deferred tax during the Reporting Period.

Loss and total comprehensives for the year

The Group's loss and total comprehensive expenses for the year ("**Net Loss**") increased from approximately HK$1,662,000 for the year ended 31 December 2017 to approximately HK$9,859,000 for the year ended 31 December 2018, representing an increase of approximately HK$8,197,000. Such increase was mainly due to the decrease in gross profit during the Reporting Period as discussed above.

Dividends

A final dividend of HK0.4 cents per Share and a special dividend of HK0.8 cents per Share for the year ended 31 December 2017 amounting to a total payout of HK$6,000,000 were approved in the annual general meeting of the Company on 3 May 2018 and paid in cash on 21 May 2018.

The Board does not recommend the payment of any dividend for the year ended 31 December 2018.

Liquidity, financial resources and funding

As at 31 December 2018, the Group's cash and cash equivalents and pledged bank deposits amounted to approximately HK$20,089,000 (2017: approximately HK$26,665,000) and approximately HK$8,097,000 (2017: approximately HK$8,000,000), respectively, which were denominated in Hong Kong dollar. Such decrease was mainly due to the cash outflow from the financing activities during the Reporting Period.

As at 31 December 2018, the Group had the following banking facilities: (i) a revolving term loan granted by a licensed bank in Hong Kong of HK$10,000,000 at the interest rate of 1.25% per annum below the Hong Kong Prime Rate, which was secured by a corporate guarantee provided by the Company and the pledged bank deposits of approximately HK$8,097,000 (2017: approximately HK$8,000,000); and (ii) account receivables factoring services granted by another licensed bank in Hong Kong with a credit limit of HK$10,000,000 at an interest rate of 2.5% per annum above the Hong Kong Interbank Offered Rate, which was secured by a corporate guarantee provided by the Company of up to HK$10,000,000.

As at 31 December 2018, the obligations under finance leases amounted to approximately HK$978,000 (2017: approximately HK$702,000), which represented the finance leases arrangement of the Group's office equipment and motor vehicles.

The Group's gearing ratio, which is calculated by total debts divided by total equity, decreased from approximately 14.0% as at 31 December 2017 to approximately 7.0% as at 31 December 2018 due to a decrease in total debts during the Reporting Period.

Capital structure

As at 31 December 2017 and 2018, the capital structure of the Company comprised issued share capital and reserves.

Commitments

As at 31 December 2018, the capital commitment and operating lease commitments of the Group was nil (2017: nil) and approximately HK$896,000 (2017: approximately HK$1,893,000), respectively.

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

There was no significant investments, material acquisitions or disposal of subsidiaries and associated companies by the Company for the year ended 31 December 2018.

Contingent liabilities

As at 31 December 2018, 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. The Group anticipates that the outflow of resources required in settling these claims, if any, would be remote as these claims are usually covered by insurance maintained by relevant main contractors. Therefore, the ultimate liability under these claims would not have a material adverse impact on the financial position or performance of the Group and no provision for the contingent liabilities in respect of the litigations is necessary.

As at 31 December 2018, the Group has given guarantee to an insurance company in respect of surety bonds issued by such insurance company in favour of the Group's customers at an amount of approximately HK$5,647,000 (2017: approximately HK$2,049,000) in relation to two public construction contracts of the Group (2017: one) in the ordinary course of business. The surety bonds as at 31 December 2018 are expected to be released in accordance with the terms of the respective construction contracts. Save for the guarantee given on the surety bonds, the Group has no other material contingent liabilities.

Foreign currency exposure

The Group's reporting currency is Hong Kong dollar. During the years ended 31 December 2017 and 2018, 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

As at 31 December 2018, the Group had pledged bank deposits of approximately HK$8,097,000 (2017: approximately HK$8,000,000) to secure the revolving loan mentioned above. Also, the Group had placed cash collateral of approximately HK$560,000 (2017: approximately HK$200,000) to an insurance company in Hong Kong for the provision of the surety bonds for two of the public non-tunnel construction projects (2017: one). For details of the surety bonds, please refer to the paragraph headed "Contingent liabilities" above. Saved for the foregoing, the Group did not have any charges on its assets.

Information on employees

As at 31 December 2018, the Group had 149 employees which comprises management, technical staff, administration, accounting and human resources staff and workers (2017: 299 employees) 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 and other expenses) and Directors' remuneration amounted to approximately HK$71,385,000 for the year ended 31 December 2018 (2017: approximately HK$92,286,000), which was due to the combined effects of (i) an increase in staff costs and benefits in the administrative and other expenses due to salary increment and an increase in the Group's administrative headcounts; and (ii) a decrease in staff costs in the cost of services due to a decrease in number of workers during the Reporting Period.

Depending on the nature of works and the need of the projects, the Group will provide training to our 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 2018 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 and Corporate Governance Report (the "**CG Code**") as contained in Appendix 15 to the GEM Listing Rules. The Shares were listed on GEM of the Stock Exchange on 22 February 2017 (the "**Listing Date**"). The Company has since then adopted and complied with, where applicable, the CG Code from the Listing Date up to the date of this announcement to ensure that the Group's business activities and decision making processes are regulated in a proper and prudent manner.

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 2018, 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 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 and there was no event of non-compliance during the year ended 31 December 2018.

Purchase, sales or redemption of the Company's listed shares

During the Reporting Period, the Company repurchased a total of 2,136,000 Shares on the Stock Exchange and these Shares were subsequently cancelled by the Company. Details of those transactions are as follows:

Share Repurchase and cancellation of Shares during the year ended 31 December 2018:

Month of Share Repurchase	Number of Shares repurchased	Price per Share Highest	Price per Share Lowest	Total price paid (exclusive of related expenses)
		HK$	*HK$*	*HK$*
November 2018	236,000	0.118	0.100	25,760
December 2018	1,532,000	0.148	0.134	224,788
	1,768,000			250,548

Share Repurchase and cancellation of Shares on 30 January 2019:

Month of Share Repurchase	Number of Shares repurchased	Price per Share Highest	Price per Share Lowest	Total price paid (exclusive of related expenses)
		HK$	*HK$*	*HK$*
December 2018	368,000	0.142	0.140	51,856
	368,000			51,856

The Share Repurchase during the Reporting Period was effected by the Directors, pursuant to the general mandate from the shareholders of the Company ("**Shareholders**") granted at the last annual general meeting of the Company held on 3 May 2018, with a view to benefit the Shareholders as a whole by enhancing the net asset value per Share and earnings per Share of the Group.

Except as disclosed above, neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the Reporting Period.

Annual general meeting and closure of the register of members

The annual general meeting of the Company will be held on Thursday, 2 May 2019 at 4:00 p.m. ("**AGM**"). The register of members of the Company will be closed from Friday, 26 April 2019 to Thursday, 2 May 2019 (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 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 no later than 4:30 p.m. on Thursday, 25 April 2019.

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.

Audit committee

The Group has established the 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, 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 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 annual results of the Group for the year ended 31 December 2018 has been reviewed by the Audit Committee.

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 2018 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 2018. 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 2018 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 2019.

ADOPTION OF DIVIDEND POLICY

The Company has adopted a dividend policy on 25 March 2019.

The Group intends to strike a balance between maintaining sufficient capital to grow the business and rewarding the Shareholders. The Board will determine or recommend the dividend distribution ratio, as appropriate, at its absolute discretion after taking into account, inter alia, the following factors: –

1. the Group's earnings and its general financial conditions;

2. the future cash requirements and availability of the Group;

3. the future prospect and general market condition; and

4. any other factors that the Board deems appropriate, subject to the articles of association of the Company and any applicable laws of the Cayman Islands.

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

Hong Kong, 25 March 2019

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 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.