GME

GME Group Holdings Limited
駿傑集團控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 8188)

2019

THIRD QUARTERLY REPORT

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.

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*This report, for which the directors (the "**Directors**, each a "**Director**"") of GME Group Holdings Limited (the "**Company**") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "**GEM Listing Rules**") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.*

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CORPORATE INFORMATION

Board of Directors

Executive Directors

Mr. Chuang Chun Ngok Boris *(Chairman)*
Mr. Chuang Wei Chu

Independent non-executive Directors

Mr. Lam Man Bun Alan
Mr. Lau Chun Fai Douglas
Ir Ng Wai Ming Patrick

Audit Committee

Mr. Lau Chun Fai Douglas *(Chairman)*
Mr. Lam Man Bun Alan
Ir Ng Wai Ming Patrick

Remuneration Committee

Mr. Lam Man Bun Alan *(Chairman)*
Mr. Chuang Chun Ngok Boris
Mr. Lau Chun Fai Douglas
Ir Ng Wai Ming Patrick

Nomination Committee

Ir Ng Wai Ming Patrick *(Chairman)*
Mr. Chuang Chun Ngok Boris
Mr. Lam Man Bun Alan
Mr. Lau Chun Fai Douglas

Compliance Officer

Mr. Chuang Chun Ngok Boris

Company Secretary

Mr. Sze Chun Kit *(HKICPA)*
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Authorised Representatives

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Mr. Sze Chun Kit

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Hong Kong Branch Share Registrar and Transfer Office

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Auditor

BDO Limited
Certified Public Accountants
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Legal Advisers as to Hong Kong Laws

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Compliance Adviser

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Principal Bankers

Bank of China (Hong Kong) Limited

DBS Bank (Hong Kong) Limited

Dah Sing Bank, Limited

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Stock Code

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FINANCIAL HIGHLIGHTS (UNAUDITED)

The board of Directors (the "**Board**") of the Company hereby announces the unaudited condensed consolidated third quarterly results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the nine months ended 30 September 2019 (the "**Reporting Period**"), together with the unaudited comparative figures for the corresponding period in 2018.

The Group's revenue decreased from approximately HK$116,732,000 for the nine months ended 30 September 2018 to approximately HK$50,623,000 for the nine months ended 30 September 2019, representing a decrease of approximately HK$66,109,000 or 56.6%. Such significant decrease in revenue for the Reporting Period was due to the delayed handover of the construction sites of certain newly awarded public construction projects to the Group during the second and third quarter of 2019 and the overall weakened construction industry market resulting from the less available tenders in the market.

The gross loss and gross loss margin of the Group for the nine months ended 30 September 2019 was approximately HK$3,408,000 and 6.7%, respectively (the gross profit and gross profit margin of the Group for the nine months ended 30 September 2018: approximately HK$14,108,000 and 12.1%, respectively). The reported gross loss and gross loss margin of the Group for the Reporting Period was due to the generally lower profit margins of work performed on non-tunnel construction projects during the Reporting Period as compared to the tunnel construction projects in the corresponding period in 2018, the aforementioned delay in sites handover, increasing competition in the construction market which resulted in lower profit margins for the projects in 2019 and the process of reconciliation of variation orders and claims with the main contractors which are yet to be certified.

The Group's loss and total comprehensive expenses attributable to the owners of the Company ("**Net Loss**") for the nine months ended 30 September 2019 was approximately HK$19,299,000 (for the nine months ended 30 September 2018: approximately HK$2,421,000). Such increase was mainly due to the decrease in revenue and gross profit during the Reporting Period and the increasing competition in the construction market which resulted in lower profit margins for the projects in 2019 as discussed above.

BUSINESS AND OUTLOOK HIGHLIGHTS

The Legislative Council of the Hong Kong Special Administrative Region (the "**Legco**") had recently approved funding of public infrastructure projects such as Trunk Road T2 and Cha Kwo Ling Tunnel. For further details, please refer to subsection headed "Outlook of tunnel and construction industry in Hong Kong" in the section headed "Management Discussion and Analysis" of this report.

It is expected that there will be continuous demand for tunnel construction services in Hong Kong, underpinned by several imminent major infrastructure projects including Tseung Kwan O-Lam Tin Tunnel, Central Kowloon Route, Sha Tin Cavern Tunnel and Cha Kwo Ling Tunnel.

Nonetheless, the recent social incidents in Hong Kong since June 2019 as well as the slow construction industry in Hong Kong will continue to cause delay in certain public infrastructure projects. As a result, the limited supply of new construction works for sub-contractors in the market and the increasing competition in the construction industry gradually affected the revenue and gross profit margin of the Group during the Reporting Period. The Board expects that this will continue to affect the Group's revenue source and financial results for the year ending 31 December 2019.

Meanwhile, the Board hereby announces that the Group secured nine projects with a total contract sum of approximately HK$115,336,000 during the Reporting Period. The remaining contract value on hand to be recognised after 30 September 2019 was approximately HK$106,358,000. The Board expects that once the sluggish construction industry recovers and the pace of construction projects picks back up, the Group will be able to recognise the rest of the remaining contract sum.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the nine months ended 30 September 2019

	Notes	Three months ended 30 September 2019 HK$'000 (Unaudited)	Three months ended 30 September 2018 HK$'000 (Unaudited)	Nine months ended 30 September 2019 HK$'000 (Unaudited)	Nine months ended 30 September 2018 HK$'000 (Unaudited)
Revenue	5	**15,973**	36,044	**50,623**	116,732
Cost of services		**(18,109)**	(33,864)	**(54,031)**	(102,624)
Gross (loss)/profit		**(2,136)**	2,180	**(3,408)**	14,108
Other income		**221**	20	**457**	51
Administrative expenses		**(5,266)**	(5,730)	**(16,430)**	(16,804)
Finance costs		**(45)**	(12)	**(103)**	(54)
Loss before income tax	6	**(7,226)**	(3,542)	**(19,484)**	(2,699)
Income tax	7	**(1,635)**	634	**185**	278
Loss and total comprehensive expenses for the period attributable to the owners of the Company		**(8,861)**	(2,908)	**(19,299)**	(2,421)
Loss per share					
– Basic and diluted (HK cents)	9	**(1.8)**	(0.6)	**(3.9)**	(0.5)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2019

	Attributable to the owners of the Company						
	Share capital HK$'000 (Unaudited)	Share premium HK$'000 (Unaudited)	Share repurchase reserve HK$'000 (Unaudited)	Capital reserve HK$'000 (Unaudited)	Other reserve HK$'000 (Unaudited)	Retained earnings HK$'000 (Unaudited)	Total HK$'000 (Unaudited)
For the nine months ended 30 September 2019							
As at 1 January 2019	4,982	92,173	(51)	90	(36,104)	20,545	81,635
Loss and total comprehensive expenses for the period	–	–	–	–	–	(19,299)	(19,299)
Share repurchased during the year ended 31 December 2018 and cancelled during the Reporting Period (Note 10)	(3)	(48)	51	–	–	–	–
Share repurchased and cancelled during the Reporting Period (Note 10)	(101)	(1,372)	–	–	–	–	(1,473)
As at 30 September 2019	4,878	90,753	–	90	(36,104)	1,246	60,863
For the nine months ended 30 September 2018							
As at 1 January 2018	5,000	92,406	–	90	(36,104)	36,404	97,796
Loss and total comprehensive expenses for the period	–	–	–	–	–	(2,421)	(2,421)
Final and special dividends paid	–	–	–	–	–	(6,000)	(6,000)
As at 30 September 2018	5,000	92,406	–	90	(36,104)	27,983	89,375

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 30 September 2019

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 18 January 2016, as an exempted company with limited liability under the Companies Law, Cap. 22 of the Cayman Islands. The registered office and principal place of business of the Company in Hong Kong are located at 4th Floor, Harbour Place, 103 South Church Street, P.O. Box 10240, Grand Cayman KY1-1002, Cayman Islands and Room 1001-2, 10/F, 148 Electric Road, Hong Kong.

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

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements of the Group for the nine months ended 30 September 2019 (the "**Unaudited Condensed Consolidated Financial Statements**") have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRS**"), Hong Kong Accounting Standards ("**HKAS**") and Interpretations (hereinafter collectively referred to as the "**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and the applicable disclosures required by the GEM Listing Rules.

The Unaudited Condensed Consolidated Financial Statements do not include all of the information and disclosures required in the annual consolidated financial statements and hence should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2018 (the "**2018 Consolidated Financial Statements**"), which have been prepared in accordance with HKFRSs and the disclosure requirements of the Hong Kong Companies Ordinance (Chapter 622 of the Laws of Hong Kong).

The Unaudited Condensed Consolidated Financial Statements have not been audited by the Company's auditor, but have been reviewed by the audit committee of the Board ("**Audit Committee**").

The Unaudited Condensed Consolidated Financial Statements have been prepared under the historical cost basis.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (Continued)

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

Except as described in the section headed "Change in the accounting policies" below, the accounting policies applied and the method of computation used in the preparation of the Unaudited Condensed Consolidated Financial Statements are consistent with those adopted in the preparation of the 2018 Consolidated Financial Statements.

For the purpose of preparing and presenting the financial information of the Unaudited Condensed Consolidated Financial Statements, the Group has consistently adopted HKFRSs issued by HKICPA which are effective for the Group's financial year beginning on 1 January 2019. The Group has not early applied the new and revised HKFRSs that have been issued by HKICPA but are yet to be effective.

3. CHANGE IN THE ACCOUNTING POLICIES

HKFRS 16 – Leases

HKFRS 16 Leases ("**HKFRS 16**") supersedes HKAS 17 Leases ("**HKAS 17**") and related interpretations. HKFRS 16 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

3. CHANGE IN THE ACCOUNTING POLICIES (Continued)

HKFRS 16 – Leases (Continued)

The right-of-use asset should be recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability; (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee; and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The Group measures the right-of-use assets applying a cost model. Under the cost model, the Group measures the right-of-use asset at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability.

The lease liability should be recognised at the present value of the lease payments that are not paid at the date. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group shall use the Group's incremental borrowing rate.

The following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments: (i) fixed payments less any lease incentives receivable; (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent to the commencement date, a lessee shall measure the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and (iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g. a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in-substance fixed payments or a change in assessment to purchase the underlying asset.

The Group has applied HKFRS 16 using the cumulative effect approach and recognised the right-of-use asset at the amount equal to the lease liability, adjusted by the amount of any prepayments or accrued lease payments relating to that lease recognised in the consolidated statement of financial position as at 31 December 2018. The comparative information presented in 2018 has not been restated and continues to be reported under HKAS 17 and related interpretations as allowed by the transition provision in HKFRS 16.

3. CHANGE IN THE ACCOUNTING POLICIES (Continued)

HKFRS 16 – Leases (Continued)

The adoption of HKFRS 16 did not result in a significant impact on the Group's results but certain portion of these lease commitments was recognised in the consolidated statement of financial position as right-of-use assets and lease liabilities at 1 January 2019. The Group has transitioned to HKFRS 16 in accordance with the modified retrospective approach and recognised the cumulative effect of initial application to opening retained earnings at 1 January 2019 without restating the comparative information.

The Group elected to use the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17. Therefore, the Group did not reassess whether a contract is, or contains, a lease which already existed prior to the date of initial application. Therefore, the definition of a lease under HKFRS 16 was applied only to the contracts entered into or changed on or after 1 January 2019. The Group also elected the practical expedients to apply a single discount rate to a portfolio of leases with reasonably similar characteristics on transition and excluded the initial direct costs from the measurement of the right-of-use asset at 1 January 2019.

For the leases previously classified as operating leases, the Group recognises a lease liability, measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate at 1 January 2019. The Group applied the practical expedient not to recognise right-of-use assets and lease liabilities in respect of land and building that had a lease term of 12 months or less at 1 January 2019. The Group recognises the lease payments associated with these leases as the expenses related to short-term leases on a straight-line basis over the lease term.

For the leases previously classified as finance leases under HKAS 17, the carrying amount of the right-of-use asset and the lease liabilities at 1 January 2019 shall be the carrying amount of the lease asset and lease liabilities immediately before that date measured applying HKAS 17.

The adoption of HKFRS 16 has no material effect on the adjustments to the opening balance of the retained earnings at 1 January 2019 in the condensed consolidated statement of changes in equity.

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

Since 1 January 2019, the Group has adopted a new basis for its customers classification for the main contractors in joint ventures. The information about major customers during the Reporting Period and its comparative figures will be presented based on such classification. Under the new classification, the revenue contributed by a joint venture customer will be considered as equally contributed by each participant of such joint venture. The Directors consider that such classification is more accurate in describing and reflecting the composition of the contracting joint venture and gives a more comprehensive presentation and assessment of the credit risk of each participant in the joint venture.

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

	Three months ended 30 September		**Nine months ended 30 September**	
	2019	2018	**2019**	2018
	HK$'000	HK$'000	**HK$'000**	HK$'000
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Customer B	**5,917**	13,237	**16,748**	48,229
Customer C	**2,838**	12,949	**7,616**	29,031
Customer L	**2,188**	5,336	**4,913**	20,586
Customer P	**508**	–	**7,008**	–

5. REVENUE

The Group's revenue represents amount received and receivable from contract work performed and is recognised over time using output method, i.e. based on surveys of work completed by the Group to date.

6. LOSS BEFORE INCOME TAX

Loss before income tax is arrived at after charging:

	Three months ended 30 September		**Nine months ended 30 September**	
	2019	2018	**2019**	2018
	HK$'000	HK$'000	**HK$'000**	HK$'000
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Auditor's remuneration	**189**	159	**567**	531
Depreciation of				
– Property, plant and equipment	**1,163**	1,165	**3,488**	3,316
– Right-of-use assets	**616**	–	**1,723**	–
Expenses related to short-term leases	**107**	–	**364**	–
Operating lease rentals in respect of:				
– Land and buildings	**–**	587	**–**	1,759
Finance costs:				
– Interest on bank borrowing, secured	**–**	–	**–**	19
– Interest on finance leases	**–**	12	**–**	35
– Interest on lease liabilities	**45**	–	**103**	–
Employee benefit expenses, including Directors' remuneration	**10,978**	18,930	**33,265**	61,262

7. INCOME TAX

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

	Three months ended 30 September		Nine months ended 30 September	
	2019	2018	**2019**	2018
	HK$'000	HK$'000	**HK$'000**	HK$'000
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Current tax – Hong Kong profits tax				
– (credit)/charge for the Reporting Period	**–**	(408)	**–**	68
Deferred tax	**1,635**	(226)	**(185)**	(346)
Income tax expense/(credit)	**1,635**	(634)	**(185)**	(278)

Hong Kong profits tax is calculated at 16.5% (for the nine months ended 30 September 2018: 16.5%) of the estimated assessable profits during the Reporting Period.

8. DIVIDEND

The Board does not recommend the payment of any dividend for the nine months ended 30 September 2019 (for the nine months ended 30 September 2018: nil).

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:

	Three months ended 30 September		Nine months ended 30 September	
	2019	2018	**2019**	2018
	HK$'000	HK$'000	**HK$'000**	HK$'000
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Loss:				
Loss for the purpose of basic loss per share	**8,861**	2,908	**19,299**	2,421
	Number of shares '000	Number of shares '000	**Number of shares '000**	Number of shares '000
Weighted average number of ordinary shares for the purpose of earnings per share (Note)	**482,061**	500,000	**489,903**	500,000

Note:

The weighted average number of ordinary shares in issue during the nine months ended 30 September 2019 was calculated based on the number of ordinary shares in issue after the cancellation of the ordinary shares repurchased by the Company during the Reporting Period. Details of the movement of ordinary shares of the Company (the "**Shares**") are set out in the section headed "Share Capital" below.

Diluted loss per Share is same as basic loss per Share as there was no dilutive potential Shares for the nine months ended 30 September 2019 and 2018.

10. SHARE CAPITAL

	The Company Number of shares	Amount HK$'000
Authorised:		
Ordinary share of HK$0.01 each		
As at 31 December 2018, 1 January 2019 and 30 September 2019	2,000,000,000	20,000
Issued and fully paid:		
Ordinary share of HK$0.01 each		
As at 31 December 2018 and 1 January 2019	498,232,000	4,982
Share repurchased during the year ended 31 December 2018 and cancelled during the Reporting Period (Note (a))	(368,000)	(3)
Share repurchased and cancelled during the Reporting Period (Note (b))	(10,056,000)	(101)
As at 30 September 2019 (unaudited)	487,808,000	4,878

Notes:

(a) During the year ended 31 December 2018, 368,000 Shares were repurchased on the Stock Exchange at an aggregate cost of approximately HK$51,000 (excluding the brokerage fees and other expenses). These Shares were cancelled on 30 January 2019. Therefore, the share repurchase reserve was adjusted by approximately HK$51,000 and the share capital and share premium were reduced by approximately HK$3,000 and approximately HK$48,000, respectively.

(b) During the Reporting Period, 10,056,000 Shares were repurchased on the Stock Exchange at an aggregate cost of approximately HK$1,473,000 (excluding the brokerage fees and other expenses) of which, 4,804,000 Shares were cancelled on 30 January 2019; and 5,252,000 Shares were cancelled on 22 July 2019. Therefore, the share capital and share premium were reduced by approximately HK$101,000 and approximately HK$1,372,000, respectively.

11. CONTINGENT LIABILITIES

(a) Contingent liabilities in respect of legal claims

As at 30 September 2019, 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. In the opinion of the Directors, the outflow of resources required in settling these claims, if any, was remote as these claims are usually covered by insurance maintained by relevant main contractors. Therefore, the ultimate liability under these claims would not have a material adverse impact on the financial position or performance of the Group and no provision for the contingent liabilities in respect of these claims is necessary.

(b) Guarantee

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

	As at 30 September 2019 HK$'000 (Unaudited)	As at 31 December 2018 HK$'000 (Audited)
Surety bonds issued in favour of customers (Note)	**12,767**	5,647
	12,767	5,647

Note:

As at 30 September 2019, surety bonds at an amount of approximately HK$12,767,000 were given by insurance companies in favour of the Group's customers (as at 31 December 2018: approximately HK$5,647,000) as security for the due performance and observance of the Group's obligations under the subcontracts entered into between the Group and its customers. If the Group fails to provide satisfactory performance to its customers to whom the surety bonds have been given, the customers may demand the insurance companies to pay to them the sum or sums stipulated in such demand. The Group will then become liable to compensate the insurance companies accordingly pursuant to the guarantee granted by the Group to such insurance companies. The surety bonds will be released upon completion of the subcontract works for the customers.

The Directors are of the opinion that the amount of approximately HK$12,767,000 was the maximum exposure to the Group (as at 31 December 2018: approximately HK$5,647,000) and it is not probable that the insurance companies would claim against the Group for losses in respect of the guaranteed contracts as it is unlikely that the Group will be unable to fulfil the performance requirements of the relevant contracts. Accordingly, no provision for the Group's obligations under the guarantee has been made as at 30 September 2019.

11. CONTINGENT LIABILITIES (Continued)

The controlling shareholders of the Company ("**Controlling Shareholders**") have entered into a deed of indemnity on 10 February 2017 whereby they have agreed, subject to the terms and conditions therein, to indemnify the Group, among other matters, all losses and liabilities arising from any litigations against the Group prior to the placing of the Shares on 22 February 2017 (the "**IPO Placing**").

12. EVENT AFTER THE REPORTING PERIOD

On 16 October 2019, Good Mind Engineering Limited, an indirectly wholly-owned subsidiary of the Company, set up a new subsidiary named GMS Construction Limited ("**GMS**"). The particulars of GMS are set out as follow:

Name of entity	Place and date of incorporation and form of business structure	Percentage of equity attributable to the Company		Issued and fully paid ordinary share capital or registered capital	Principal activities and principal place of business
		Direct	Indirect		
GMS Construction Limited ("**GMS**")	Hong Kong, 16 October 2019, limited liability Company	–	60%	1,000,000 ordinary shares of HK$1,000,000	Provision of general construction services, Hong Kong

There is no other significant event subsequent to 30 September 2019 and up to the date of this report which would materially affect the Group's operating and financial performance.

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 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, 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.

For the nine months ended 30 September 2019, the Group had been engaged in 14 public sector projects (for the nine months ended 30 September 2018: 14) and nine private sector projects (for the nine months ended 30 September 2018: nil). The Group secured six public sector projects and three private sector projects with the total contract sum of approximately HK$115,336,000 during the Reporting Period (the "**Newly Awarded Contracts**"). The remaining contract value of the Newly Awarded Contracts to be recognised after 30 September 2019 was approximately HK$106,358,000. As at the date of this report, the Group has also submitted certain number of tenders to main contractors, the results of which are still pending from the main contractors.

Other than tunnel works, the Group has also participated in several tenders in earthworks and bridge works 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.

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 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. In particular, events such as demonstrations and protests may affect the budgeting process for public infrastructure and construction projects of the Hong Kong Government and the funding approval from the Legco. 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 due to the delay in funding approvals for 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 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 and other disasters which are beyond the Group's control may reduce the number of workdays and therefore hinder the Group's operations and may incur additional operational costs. These events may also materially and adversely affect the economic condition in Hong Kong and in turn the Group's business and financial results. Potential wars, riots or terrorist attacks may also cause uncertainties to the economic condition of Hong Kong. Therefore, the profit margin may also vary from project to project due to the aforementioned factors.

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. 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 long term, sustainable source of revenue. The growth in tunnel construction industry will mainly be supported by several major infrastructure projects including Tseung Kwan O-Lam Tin Tunnel, Central Kowloon Route, Sha Tin Cavern Tunnel and Cha Kwo Ling Tunnel. Due to the recent social incidents in Hong Kong since June 2019, the funding process for the infrastructure spending by the Hong Kong Government is expected to be affected. The delay of certain public infrastructure projects may have an impact on tunnel and civil construction industry for the year ending 31 December 2019 and hence the revenue source and financial results of the Group.

In respect of the contribution of the Central Kowloon Route, Legco had approved the funding of approximately HK$42.3 billion on 20 October 2017. As at the date of this report, the Highways Department of the Hong Kong Government has awarded six construction contracts of Central Kowloon Route to the main contractors with a total value of approximately HK$23.2 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; and (iv) the Central Tunnel.

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.

Pursuant to the Chief Executive's 2019 Policy Address dated 16 October 2019 published by the Hong Kong Government, the proposals of the new railway projects under the "Railway Development Strategy 2014", viz. Tuen Mun South Extension, Northern Link (and Kwu Tung Station), East Kowloon Line, Tung Chung Line Extension (comprising Tung Chung West Extension and Tung Chung East Station) and North Island Line, have been submitted to the Hong Kong Government. The detailed planning and design for the Tuen Mun South Extension, Northern Link and Tung Chung Line Extension will commence in the coming year.

Apart from transport infrastructure, the Drainage Services Department of the Hong Kong Government has awarded to a main contractor the site preparation and access tunnel construction contract for Sha Tin Sewage Treatment Works to Caverns in February 2019 which accounted for approximately HK$811 million out of the total value of the already approved funding by Legco of approximately HK$2.0 billion. This project will involve tunnel construction using the drill and blast technique and is expected to be completed in December 2022.

Besides, the Hong Kong Construction Industry Employees General Union has announced the wage freeze is mooted to commerce since November 2019 which poses a difficult situation for the Group on operational cost reduction despite the weakened market condition. As a result, the limited supply of new construction works for sub-contractors in the market and the increasing competition in the construction industry gradually affected the gross profit margin of the Group during the Reporting Period. In turn, the financial 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 the selected few subcontractors experienced in tunnel construction in Hong Kong and is well prepared to capitalise on the opportunities from these public infrastructure projects.

FINANCIAL REVIEW

Revenue

The Group's revenue was primarily generated from public sector projects for the provision of (i) tunnel construction services; and (ii) utility construction services and others for the nine months ended 30 September 2019. The following table sets out the breakdown of the Group's revenue by project types:

	For the nine months ended 30 September			
	2019	**2019**	2018	2018
	HK$'000	**% of total revenue**	HK$'000	% of total revenue
	(Unaudited)	**(Unaudited)**	(Unaudited)	(Unaudited)
Private sector projects	**8,848**	**17.5**	–	–
Public sector projects				
– Tunnel construction services	**15,807**	**31.2**	57,412	49.2
– Utility construction services and others	**25,968**	**51.3**	59,320	50.8
Sub-total	**41,775**	**82.5**	116,732	100.0
Total	**50,623**	**100.0**	116,732	100.0

The Group's revenue decreased from approximately HK$116,732,000 for the nine months ended 30 September 2018 to approximately HK$50,623,000 for the nine months ended 30 September 2019, representing a decrease of approximately HK$66,109,000 or 56.6%. Such significant decrease in revenue for the Reporting Period was due to the delayed handover of the construction sites of certain newly awarded public construction projects to the Group during the second and third quarter of 2019 and the overall weakened construction industry resulting from the less available tenders in the market.

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$102,624,000 for the nine months ended 30 September 2018 to approximately HK$54,031,000 for the nine months ended 30 September 2019, representing a decrease of approximately HK$48,593,000 or 47.4%. Such decrease was mainly due to: (i) a decrease in the construction materials and supplies from approximately HK$24,595,000 for the nine months ended 30 September 2018 to approximately HK$14,605,000 for the nine months ended 30 September 2019, representing a decrease of approximately HK$9,990,000 or 40.6%; (ii) a decrease in the staff costs from approximately HK$53,214,000 for the nine months ended 30 September 2018 to approximately HK$25,891,000 for the nine months ended 30 September 2019, representing a decrease of approximately HK$27,323,000 or 51.3%; and (iii) a decrease in the subcontracting charges from approximately HK$15,738,000 for the nine months ended 30 September 2018 to approximately HK$4,721,000 for the nine months ended 30 September 2019, representing a decrease of approximately HK$11,017,000 or 70.0%. 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 due to the decrease in number of workers during the Reporting Period.

(Gross loss and gross loss margin)/ gross profit and gross profit margin

The gross loss and gross loss margin of the Group for the nine months ended 30 September 2019 was approximately HK$3,408,000 and 6.7%, respectively (the gross profit and gross profit margin of the Group for the nine months ended 30 September 2018: approximately HK$14,108,000 and 12.1%, respectively). The reported gross loss and gross loss margin of the Group for the Reporting Period was due to the generally lower profit margins of work performed on non-tunnel construction projects during the Reporting Period as compared to the tunnel construction projects in the corresponding period in 2018, the aforementioned delay in sites handover and increasing competition in the construction market which resulted in lower profit margins for the projects in 2019 and the process of reconciliation of variation orders and claims with the main contractors which are yet to be certified.

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 decreased from approximately HK$16,804,000 for the nine months ended 30 September 2018 to approximately HK$16,430,000 for the nine months ended 30 September 2019, representing a decrease of approximately HK$374,000 or 2.2%. The staff costs and benefits for the nine months ended 30 September 2019 was approximately HK$4,939,000 (for the nine months ended 30 September 2018: approximately HK$5,685,000), representing a decrease of approximately HK$746,000 or 13.1%. The decrease in staff costs and benefits was mainly attributable to the decrease in the Group's administrative headcounts and the staff quarters expenses being classified as the depreciation of the right-of-use assets under HKFRS 16 at 1 January 2019. The Directors' remuneration increased from approximately HK$2,363,000 for the nine months ended 30 September 2018 to approximately HK$2,435,000 for the nine months ended 30 September 2019, representing an increase of approximately HK$72,000 or 3.0%. Such increase was due to an increase in the salaries payable to the executive Directors during the Reporting Period. The office expenses decreased from approximately HK$1,283,000 for the nine months ended 30 September 2018 to approximately HK$475,000 for the nine months ended 30 September 2019, representing a decrease of approximately HK$808,000 or 63.0%. Such decrease was mainly due to the rental of the office premise being classified as the depreciation of the right-of-use assets under HKFRS 16 at 1 January 2019. The professional fees decreased from approximately HK$1,626,000 for the nine months ended 30 September 2018 to approximately HK$1,274,000 for the nine months ended 30 September 2019, representing a decrease of approximately HK$352,000 or 21.6%.

Due to the adoption of HKFRS 16, the Group recognised the depreciation of the right-of-use assets of approximately HK$1,723,000 for the nine months ended 30 September 2019 (for the nine months ended 30 September 2018: nil). Such expenses were previously classified respectively as the rental expense under office expenses, the staff quarters expenses under staff costs and benefits and the depreciation of the office equipment and motor vehicles under the depreciation of property, plant and equipment for the nine months ended 30 September 2018.

Finance costs

The Group's finance costs increased from approximately HK$54,000 for the nine months ended 30 September 2018 to approximately HK$103,000 for the nine months ended 30 September 2019 due to the increase in the interest on the lease liabilities as a result of adoption of HKFRS 16 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 credit for the nine months ended 30 September 2019 mainly resulted from the recognition of deferred tax during the Reporting Period.

Net Loss

The Group's Net Loss for the nine months ended 30 September 2019 was approximately HK$19,299,000 (for the nine months ended 30 September 2018: approximately HK$2,421,000). Such increase was mainly due to the decrease in revenue and gross profit during the Reporting Period and the increasing competition in the construction market which resulted in lower profit margins for the projects in 2019 as discussed above.

Dividend

The Board does not recommend the payment of any dividend for the nine months ended 30 September 2019 (for the nine months ended 30 September 2018: nil).

Liquidity, financial resources and funding

As at 30 September 2019, the Group had 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 of HK$10,000,000 and the pledged bank deposits of approximately HK$8,183,000 (as at 31 December 2018: approximately HK$8,097,000).

Future plans for material investments and capital assets

Save as disclosed in the section headed "Future plans and use of proceeds" in the prospectus of the Company dated 22 February 2017 and the section headed "Event after the Reporting Period" below, the Group did not have other plans for material investment or capital assets as at 30 September 2019.

Contingent liabilities

As at 30 September 2019, 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. In the opinion of the Directors, the outflow of resources required in settling these claims, if any, was remote as these claims are usually covered by insurance maintained by relevant main contractors. Therefore, the ultimate liability under these claims would not have a material adverse impact on the financial position or performance of the Group and no provision for the contingent liabilities in respect of these claims is necessary.

As at 30 September 2019, the Group has given guarantee to insurance companies in respect of surety bonds issued by such insurance company in favour of the Group's customers at an amount of approximately HK$12,767,000 (as at 31 December 2018: approximately HK$5,647,000) in relation to three public construction contracts of the Group in the ordinary course of business (as at 31 December 2018: two). The surety bonds as at 30 September 2019 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 nine months ended 30 September 2019 and 2018, the Group's transactions were denominated in Hong Kong dollar. The Group had no material exposure to foreign currency risk.

Event after the Reporting Period

On 16 October 2019, Good Mind Engineering Limited, an indirectly wholly-owned subsidiary of the Company, set up a new subsidiary named GMS Construction Limited ("**GMS**"). The particulars of GMS are set out as follow:

Name of entity	Place and date of incorporation and form of business structure	Percentage of equity attributable to the Company		Issued and fully paid ordinary share capital or registered capital	Principal activities and principal place of business
		Direct	Indirect		
GMS Construction Limited ("**GMS**")	Hong Kong, 16 October 2019, limited liability Company	–	60%	1,000,000 ordinary shares of HK$1,000,000	Provision of general construction services, Hong Kong

There is no other significant event subsequent to 30 September 2019 and up to the date of this report which would materially affect the Group's operating and financial performance.

OTHER INFORMATION

Use of net proceeds from the IPO Placing

The net proceeds received by the Company from the IPO Placing, after deducting underwriting fees and other expenses, were approximately HK$45.9 million, which has been/will be deployed as to:

(i) HK$4.9 million for tunnel machinery purchase;

(ii) HK$7.0 million for underground machinery and equipment purchase;

(iii) HK$12.7 million for additional prospective and/or experienced employees recruitment for the projects;

(iv) HK$9.5 million for repayment of overdraft facilities from a bank;

(v) HK$1.3 million for the Group's newly rented office rental expense;

(vi) HK$0.1 million for the new office space refurbishment and decoration;

(vii) HK$1.3 million for information technology and project management systems upgrade;

(viii) HK$6.1 million for the surety bonds cash collaterals; and

(ix) HK$3.0 million for the funding of the working capital and general corporate purposes of the Group.

As at 30 September 2019, the net proceeds had been utilised as follows:

	Actual net proceeds HK$ million	Amount utilised as at 30 September 2019 HK$ million	Balance HK$ million
Tunnel machinery purchase	4.9	–	4.9
Underground machinery and equipment purchase	7.0	0.6	6.4
Additional prospective and/or experienced employees recruitment for our projects	12.7	12.7	–
Repayment of overdraft facilities from a bank	9.5	9.5	–
Newly rented office rental expense	1.3	1.3	–
New office space refurbishment and decoration	0.1	0.1	–
Information technology and project management systems upgrade	1.3	0.1	1.2
Surety bonds cash collaterals	6.1	4.0	2.1
Working capital and general corporate purposes	3.0	3.0	–
Total	45.9	31.3	14.6

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 of the Company (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 and any applicable laws of the Cayman Islands.

Purchase, Sales or Redemption of the Company's listed shares

During the Reporting Period, the Company repurchased a total of 10,056,000 Shares on the Stock Exchange of which, 4,804,000 Shares, together with 368,000 Shares repurchased on the Stock Exchange during the year ended 31 December 2018 and 5,252,000 Shares (the "**Share Repurchase**") were subsequently cancelled by the Company on 30 January 2019 and 22 July 2019, respectively (the "**Shares Cancellation**").

Share Repurchase and Shares Cancellation on 30 January 2019:

Month of Share Repurchase	Number of Shares repurchased	Price per Share Highest	Price per Share Lowest	Total price paid (excluding the brokerage fees and other expenses)
		HK$	HK$	HK$
December 2018	368,000	0.142	0.140	51,856
January 2019	4,804,000	0.149	0.139	687,480
	5,172,000			739,336

Share Repurchase and Shares Cancellation on 22 July 2019:

Month of Share Repurchase	Number of Shares repurchased	Price per Share Highest	Price per Share Lowest	Total price paid (excluding the brokerage fees and other expenses)
		HK$	HK$	HK$
May 2019	2,800,000	0.139	0.121	378,000
June 2019	1,752,000	0.174	0.141	274,952
July 2019	700,000	0.190	0.188	132,200
	5,252,000			785,152

The Share Repurchase during the Reporting Period was effected by the Directors, pursuant to the general mandates from the Shareholders granted at the annual general meeting of the Company held on 2 May 2019 and the 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.

Directors' and Chief Executives' Interest and Short Positions in Shares, Underlying Shares and Debentures

As at 30 September 2019, the interests or short positions of the Directors and chief executives of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong ("**SFO**")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions in which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein or which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

Long Position in Shares

Name of Directors	Notes	Directly beneficially owned	Through spouse	Acting in concert	Total	Percentage of Company's issued share capital
Mr. Chuang Chun Ngok Boris	(a)/(c)	103,000,000	–	172,000,000	275,000,000	56.4%
Mr. Chuang Wei Chu	(b)/(c)	103,000,000	34,500,000	137,500,000	275,000,000	56.4%

Notes:

(a) Mr. Chuang Chun Ngok Boris (i) personally holds 103,000,000 Shares; and (ii) is a party to the acting in concert deed dated 21 March 2016 (the "**Acting in Concert Deed**") entered into by the Controlling Shareholders pursuant to which each of Mr. Chuang Wei Chu, Mr. Chuang Chun Ngok Boris, Ms. To Yin Ping and Ms. Chuang Yau Ka has agreed to consolidate their respective interests in the Company and to vote on any resolution to be passed at any shareholders' meeting of the Company in a unanimous manner. Mr. Chuang Chun Ngok Boris is therefore deemed to be interested in the Shares held by Mr. Chuang Wei Chu, Ms. To Yin Ping and Ms. Chuang Yau Ka respectively under the SFO. Each of Mr. Chuang Chun Ngok Boris, Mr. Chuang Wei Chu, Ms. To Yin Ping and Ms. Chuang Yau Ka is deemed to be interested in all the Shares held by them in aggregate by virtue of the SFO. Mr. Chuang Chun Ngok Boris is the son of Mr. Chuang Wei Chu and Ms. To Yin Ping and the brother of Ms. Chuang Yau Ka.

(b) Mr. Chuang Wei Chu (i) personally holds 103,000,000 Shares; (ii) is the spouse of Ms. To Yin Ping, who personally holds 34,500,000 Shares and is deemed to be interested in the Shares personally interested by Ms. To Yin Ping; and (iii) is a party to the Acting in Concert Deed pursuant to which each of Mr. Chuang Wei Chu, Mr. Chuang Chun Ngok Boris, Ms. To Yin Ping and Ms. Chuang Yau Ka has agreed to consolidate their respective interests in the Company and to vote on any resolution to be passed at any shareholders' meeting of the Company in a unanimous manner. Mr. Chuang Wei Chu is therefore deemed to be interested in the Shares held by Mr. Chuang Chun Ngok Boris, Ms. To Yin Ping and Ms. Chuang Yau Ka respectively under the SFO. Each of Mr. Chuang Chun Ngok Boris, Mr. Chuang Wei Chu, Ms. To Yin Ping and Ms. Chuang Yau Ka is deemed to be interested in all the Shares held by them in aggregate by virtue of the SFO. Mr. Chuang Wei Chu is the father of Mr. Chuang Chun Ngok Boris and Ms. Chuang Yau Ka.

(c) The percentage of Company's issued share capital of each of the Directors for his long position in Shares is calculated based on the total number of Shares in issue after the Share Cancellation on 22 July 2019.

As at 30 September 2019, none of the Directors and chief executives of the Company has any interests in the underlying shares in respect of physically settled, cash settled or other equity derivatives of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

Saved as disclosed above, as at 30 September 2019, none of the Directors and chief executives of the Company has any interests or short positions in any Shares, underlying Shares and debenture of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions in which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares or Underlying Shares

As at 30 September 2019, so far as is known to the Directors, the following persons' interests and short positions of the share capital and underlying Shares, other than a Director or chief executive of the Company, were recorded in the register of interests required to be kept by the Company pursuant to section 336 of the SFO:

Long Position in Shares

Name of Shareholders	Notes	Nature of interest	Total	Percentage of Company's issued share capital
Ms. To Yin Ping	(a)/(c)	Beneficial owner, interest held jointly with another person and interest of a spouse	275,000,000	56.4%
Ms. Chuang Yau Ka	(b)/(c)	Beneficial owner and interest held jointly with another person	275,000,000	56.4%
Mr. Ng Kwok Lun	(c)	Beneficial owner	37,500,000	7.7%

Notes:

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

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

(c) The percentage of Company's issued share capital of each of the substantial shareholders of the Company for their long position in Shares is calculated based on the total number of Shares in issue after the Share Cancellation on 22 July 2019.

Save as disclosed above, as at 30 September 2019, the Directors were not aware of any person who had an interest or short positions in any Shares, underlying Shares and debenture of the Company as recorded in the register required to be kept pursuant to section 336 of the SFO.

Audit Committee

The Group has established an Audit Committee pursuant to a resolution of the Board passed on 10 February 2017 in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules and with written terms of reference in compliance with the Corporate Governance Code set out in Appendix 15 of the GEM Listing Rules.

The Audit Committee currently consists of all three of 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 third quarterly report of the Group for the nine months ended 30 September 2019 had been reviewed by the Audit Committee, which was of the opinion that such report has been prepared in compliance with the applicable accounting standards and the GEM Listing Rules.

Purchase, Sales or Redemption of the Company's Listed Shares

Neither the Company, nor any of its subsidiaries, purchased, redeemed or sold any of the Company's listed securities during the Reporting Period up to the date of this report.

Share Option Scheme

The Company has not granted or issued any option or adopted any share option scheme up to 30 September 2019.

Competing Interests

As far as the Directors are aware of, during the nine months ended 30 September 2019, none of the Directors and their respective associates (as defined in the GEM Listing Rules) or the Controlling Shareholders (as defined in the GEM Listing Rules) have any interests in a business which competed or may compete (directly or indirectly) with the business of the Group.

Interest of the Compliance Adviser

As at the date of this report, except for (i) the participation of Altus Capital Limited ("**Altus**") as the sponsor in relation to the listing of the Company on GEM; (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.

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

Hong Kong, 8 November 2019

As at the date of this report, the executive Directors are Mr. Chuang Chun Ngok Boris and Mr. Chuang Wei Chu and the independent non-executive Directors are Mr. Lam Man Bun Alan, Mr. Lau Chun Fai Douglas and Ir Ng Wai Ming Patrick.