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

Third Quarterly Report
2018

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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

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Mr. Sze Chun Kit

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DBS Bank (Hong Kong) Limited

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FINANCIAL HIGHLIGHTS (UNAUDITED)

The board of Directors (the "**Board**") of the Company is pleased to announce 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 2018 (the "**Reporting Period**"), together with the unaudited comparative figures for the corresponding period in 2017.

The Group's revenue increased from approximately HK$109,304,000 for the nine months ended 30 September 2017 to approximately HK$116,732,000 for the nine months ended 30 September 2018, representing an increase of approximately HK$7,428,000 or 6.8%.

The Group's gross profit decreased from approximately HK$18,602,000 for the nine months ended 30 September 2017 to approximately HK$14,108,000 for the nine months ended 30 September 2018, representing a decrease of approximately HK$4,494,000 or 24.2%.

The Group's loss and total comprehensive expenses for the period attributable to the owners of the Company ("**Net Loss**") decreased from approximately HK$4,594,000 for the nine months ended 30 September 2017 to approximately HK$2,421,000 for the nine months ended 30 September 2018, representing a decrease of approximately HK$2,173,000 or 47.3%. Such decrease was mainly due to the listing expenses of approximately HK$6,338,000 and other expenses in relation to the listing and resumption of trading in the shares of the Company (the "**Shares**") of approximately HK$1,603,000 for the nine months ended 30 September 2017, which did not recur in the Reporting Period. If the one-off items mentioned above were excluded, the Group would have recorded a profit and total comprehensive income for the period attributable to the owners of the Company ("**Net Profit**") of approximately HK$3,347,000 for the nine months ended 30 September 2017.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the nine months ended 30 September 2018

	Notes	Three months ended 30 September 2018 HK$'000 (Unaudited)	Three months ended 30 September 2017 HK$'000 (Unaudited)	Nine months ended 30 September 2018 HK$'000 (Unaudited)	Nine months ended 30 September 2017 HK$'000 (Unaudited)
Revenue	5	**36,044**	35,069	**116,732**	109,304
Cost of services		**(33,864)**	(28,404)	**(102,624)**	(90,702)
Gross profit		**2,180**	6,665	**14,108**	18,602
Other income		**20**	41	**51**	258
Administrative and other expenses		**(5,730)**	(4,956)	**(16,804)**	(22,532)
Finance costs		**(12)**	(7)	**(54)**	(83)
(Loss)/profit before income tax	6	**(3,542)**	1,743	**(2,699)**	(3,755)
Income tax credit/(expense)	7	**634**	(259)	**278**	(839)
(Loss)/profit and total comprehensive (expenses)/ income for the period attributable to the owners of the Company		**(2,908)**	1,484	**(2,421)**	(4,594)
(Loss)/earnings per share					
– Basic and diluted (HK cents)	9	**(0.6)**	0.3	**(0.5)**	(1.0)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2018

	Attributable to the owners of the Company					
	Share capital HK$'000 (Unaudited)	Share premium HK$'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 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 (Note 8)	–	–	–	–	(6,000)	(6,000)
As at 30 September 2018	5,000	92,406	90	(36,104)	27,983	89,375
For the nine months ended 30 September 2017						
As at 1 January 2017	–*	37,904	90	(36,104)	38,066	39,956
Loss and total comprehensive expenses for the period	–	–	–	–	(4,594)	(4,594)
Capitalisation issue of Shares	3,750	(3,750)	–	–	–	–
Issuance of new Shares by placing	1,250	66,250	–	–	–	67,500
Share issuance expenses	–	(7,998)	–	–	–	(7,998)
As at 30 September 2017	5,000	92,406	90	(36,104)	33,472	94,864

* The amount representing the issued share capital of the Company as at 1 January 2017 was less than HK$1,000.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 30 September 2018

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 in Hong Kong 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.

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

The Shares were listed on GEM of the Stock Exchange on 22 February 2017 (the "**Listing Date**") by way of placing (the "**IPO Placing**").

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements of the Group for the nine months ended 30 September 2018 (the "**Unaudited Condensed Consolidated Financial Statements**") have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**"), Hong Kong Accounting Standards ("**HKAS**") and Interpretations (hereinafter collectively referred to as the "**HKFRS**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and the applicable disclosures required by the GEM Listing Rules.

The Unaudited Condensed Consolidated Financial Statements do not include all of the information and disclosures required in the annual consolidated financial statements and hence should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2017 (the "**2017 Consolidated Financial Statements**"), which have been prepared in accordance with HKFRS and the disclosure requirements of the 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 Company ("**Audit Committee**").

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

2. BASIS OF PREPARATION AND 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 2017 Consolidated Financial Statements.

For the purpose of preparing and presenting the financial information of the Unaudited Condensed Consolidated Financial Statements, the Group has consistently adopted HKFRS issued by HKICPA which are effective for the Group's financial year beginning on 1 January 2018. The Group has not early applied the new and revised HKFRS that have been issued by HKICPA but are yet to be effective.

3. CHANGE IN THE ACCOUNTING POLICIES

HKFRS 9 – Financial Instruments

The Group has applied HKFRS 9 "Financial Instruments" on 1 January 2018. HKFRS 9 introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at fair value through other comprehensive income ("**FVTOCI**") if the objective of the entity's business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at FVTOCI. All other debt and equity instruments are measured at fair value through profit or loss ("**FVTPL**").

HKFRS 9 includes a new expected loss impairment model for all financial assets not measured at FVTPL replacing the incurred loss model in HKAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in the financial statements. HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at FVTPL, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities. Under HKFRS 9, it is no longer necessary for an incurred loss event to have occurred.

3. CHANGE IN THE ACCOUNTING POLICIES (Continued)

HKFRS 9 – Financial Instruments (Continued)

The application of HKFRS 9 has no material effect on the classification and measurement of financial assets in the Unaudited Condensed Consolidated Financial Statements, except the adoption of the expected credit losses ("**ECL**") model. The application of the ECL model of HKFRS 9 might result in earlier provision of credit losses in relation to the Group's trade receivables measured at amortised cost. The Group expects to apply the simplified approach and record lifetime ECL estimated based on the present value of all cash shortfalls over the remaining life of all of its trade and other receivables. The Group has performed a detailed analysis and has considered all reasonable and supportable information, including forward-looking elements, for estimation of ECL on its trade and other receivables upon the adoption of HKFRS 9. The adoption of HKFRS 9 has no material effect on the Group's Unaudited Condensed Consolidated Financial Statements.

HKFRS 15 – Revenue from Contracts with Customers

The Group has applied HKFRS 15 "Revenue from Contracts with Customers" on 1 January 2018. This new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. HKFRS 15 has superseded existing revenue recognition guidance including HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and related interpretations. As a result, the Group has changed its accounting policy in the Unaudited Condensed Consolidated Financial Statements for revenue recognition as detailed below.

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.

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.

The adoption of HKFRS 15 has no material effect on the adjustments to the opening balance of the retained earnings at 1 January 2018 in the condensed consolidated statement of changes in equity and the amounts recognised in the condensed consolidated statement of comprehensive income.

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 revenue during the Reporting Period is as follows:

	Three months ended 30 September		**Nine months ended 30 September**	
	2018	2017	**2018**	2017
	HK$'000	HK$'000	**HK$'000**	HK$'000
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Customer B	**9,758**	N/A	**29,099**	N/A
Customer C	**12,282**	7,374	**30,196**	34,662
Customer K	**–**	22,996	**17,435**	57,277
Customer L	**10,630**	N/A	**35,150**	N/A

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

5. REVENUE

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

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.

6. (LOSS)/PROFIT BEFORE INCOME TAX

(Loss)/profit before income tax is arrived at after charging:

	Three months ended 30 September		Nine months ended 30 September	
	2018	2017	**2018**	2017
	HK$'000	HK$'000	**HK$'000**	HK$'000
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Auditor's remuneration	**159**	109	**531**	409
Listing expenses (included in administrative and other expenses)	**–**	–	**–**	6,338
Loss/(gain) on disposal of property, plant and equipment	**33**	(60)	**33**	26
Depreciation of property, plant and equipment	**1,165**	1,155	**3,316**	3,136
Operating lease rentals in respect of:				
– Land and buildings	**587**	423	**1,759**	1,329
Finance costs:				
– Interest on bank borrowing, secured	**–**	–	**19**	–
– Interest on bank overdrafts	**–**	–	**–**	71
– Interest on finance leases	**12**	7	**35**	12
Employee benefit expenses, including Directors' remuneration	**18,930**	21,475	**61,262**	68,269

7. INCOME TAX (CREDIT)/EXPENSE

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	
	2018	2017	**2018**	2017
	HK$'000	HK$'000	**HK$'000**	HK$'000
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Current tax – Hong Kong profits tax				
– charge/(credit) for the Reporting Period	**(408)**	319	**68**	899
Deferred tax	**(226)**	(60)	**(346)**	(60)
Income tax (credit)/expense	**(634)**	259	**(278)**	839

On 21 March 2018, the Legislative Council of the Hong Kong Special Administrative Region (the "**Legco**") passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "**Bill**") which introduces the two-tiered profits tax rates regime (the "**Two-tiered Profits Tax Rates Regime**"). The Bill was signed into law on 28 March 2018 and was gazetted on the following day.

Under the Two-tiered Profits Tax Rates Regime, the first HK$2 million of the assessable profits of the qualifying group entity will be taxed at 8.25% and the assessable profits above HK$2 million will be taxed at 16.5% (the "**Two-tiered Profits Tax Rates**"). The profits of group entities not qualifying for the Two-tiered Profits Tax Rates Regime will continue to be taxed at a flat rate of 16.5%.

A subsidiary of the Company has been nominated to be chargeable the Two-tiered Profits Tax Rates and such Hong Kong profits tax has been provided at the rate of 8.25% on the first HK$2 million of the estimated assessable profits and 16.5% on the estimated assessable profits above HK$2 million during the nine months ended 30 September 2018 (for the nine months ended 30 September 2017: 16.5%).

8. DIVIDEND

The Board does not recommend the payment of any dividend for the nine months ended 30 September 2018 (for the nine months ended 30 September 2017: nil).

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 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.

9. (LOSS)/EARNINGS PER SHARE

The calculation of the basic (loss)/earnings 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	
	2018	2017	**2018**	2017
	HK$'000	HK$'000	**HK$'000**	HK$'000
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
(Loss)/earnings :				
(Loss)/earnings for the purpose of basic (loss)/earnings per share	**(2,908)**	1,484	**(2,421)**	(4,594)
	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)	**500,000**	500,000	**500,000**	476,190

Note: The weighted average number of ordinary shares in issue during the nine months ended 30 September 2017 was calculated based on the assumption that 375,000,000 ordinary shares of the Company in issue immediately after the completion of capitalisation issue were deemed to have been issued on 1 January 2017. Details of the capitalisation issue are set out in the section headed "Share capital" in the prospectus of the Company dated 14 February 2017 (the "**Prospectus**").

Diluted (loss)/earnings per share is the same as basic (loss)/earnings per share as there was no dilutive potential shares for the nine months ended 30 September 2018 and 2017.

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 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.

For the nine months ended 30 September 2018, the Group had been engaged in 14 public sector projects.

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 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. 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 transport infrastructure projects including Tseung Kwan O-Lam Tin Tunnel and Central Kowloon Route.

In respect of the Central Kowloon Route, the Legco approved the funding of approximately HK$42.3 billion for the construction on 20 October 2017. As at 30 September 2018, the Highways Department of the Hong Kong Government (the "**Highways Department**") has awarded three construction contracts of Central Kowloon Route to the contractors with a total value of approximately HK$12 billion, which included the construction works of the proposed tunnels in Kai Tak and Yau Ma Tei. The Highways Department also invited tenders for the Central Kowloon Route – Kai Tak East on 28 September 2018 and such construction works are scheduled to commence in March 2019 and expected to take about 70 months to complete.

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. The works of such tender are scheduled to commence in January 2019 for completion in November 2021.

These major infrastructure projects will provide further support to the demand for Hong Kong's tunnel construction industry. All of these new projects, coupled with the ongoing projects, will provide significant revenue receipts for the tunnel construction industry in the future. Given the relatively large scale of these projects, the main contractors will usually subcontract various tunnel construction parts of the contract to subcontractors such as the Group, which the Group may benefit from if it is granted these subcontracts.

FINANCIAL REVIEW

Revenue

The Group's revenue increased from approximately HK$109,304,000 for the nine months ended 30 September 2017 to approximately HK$116,732,000 for the nine months ended 30 September 2018, representing an increase of approximately HK$7,428,000 or 6.8%.

The increase in the revenue was mainly attributable to the combined net effects of (i) a decrease in revenue generated from public sector projects – tunnel construction services from approximately HK$100,208,000 for the nine months ended 30 September 2017 to approximately HK$57,413,000 for the nine months ended 30 September 2018; and (ii) an increase in revenue generated from public sector projects – utility construction services and others from approximately HK$9,081,000 for the nine months ended 30 September 2017 to approximately HK$59,319,000 for the nine months ended 30 September 2018. No revenue was generated from any private sector project for the nine months ended 30 September 2018 (for the nine months ended 30 September 2017: approximately HK$15,000).

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 increased from approximately HK$90,702,000 for the nine months ended 30 September 2017 to approximately HK$102,624,000 for the nine months ended 30 September 2018, representing an increase of approximately HK$11,922,000 or 13.1%. Such increase was mainly due to an increase in the construction materials and supplies from approximately HK$14,705,000 for the nine months ended 30 September 2017 to approximately HK$24,595,000 for the nine months ended 30 September 2018, representing an increase of approximately HK$9,890,000 or 67.3%. 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. In general, the purchase arrangement of construction materials and supplies depends on the terms of the contracts, which may vary on a project-by-project basis. The staff costs were approximately HK$53,214,000 for the nine months ended 30 September 2018 (for the nine months ended 30 September 2017: approximately HK$61,511,000). Such decrease 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$14,108,000 for the nine months ended 30 September 2018 (for the nine months ended 30 September 2017: approximately HK$18,602,000), representing a decrease of approximately HK$4,494,000 or 24.2%. The gross profit margin was approximately 12.1% for the nine months ended 30 September 2018 (for the nine months ended 30 September 2017: approximately 17.0%). 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; and (ii) the increase in operating expenses incurred during the Reporting Period in order to meet additional requirements, including variation orders, of certain tunnel construction projects.

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$22,532,000 for the nine months ended 30 September 2017 to approximately HK$16,804,000 for the nine months ended 30 September 2018, representing a decrease of approximately HK$5,728,000 or 25.4%. This decrease was mainly attributable to the 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 nine months ended 30 September 2017, which did not recur in the Reporting Period. The staff costs and benefits increased from approximately HK$4,579,000 for the nine months ended 30 September 2017 to approximately HK$5,685,000 for the nine months ended 30 September 2018, representing an increase of approximately HK$1,106,000 or 24.2%. The increase in staff costs and benefits was mainly attributable to salary increment and increase in the Group's administrative headcounts in line with its business expansion and revenue growth. The Directors' remuneration increased from approximately HK$2,179,000 for the nine months ended 30 September 2017 to approximately HK$2,363,000 for the nine months ended 30 September 2018 due to the Directors' fee payable by the Company since the Listing Date.

Finance costs

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

The Group's finance costs decreased from approximately HK$83,000 for the nine months ended 30 September 2017 to approximately HK$54,000 for the nine months ended 30 September 2018.

Income tax (credit)/expense

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

A subsidiary of the Company has been nominated to be chargeable the Two-tiered Profits Tax Rates and such Hong Kong profits tax has been provided at the rate of 8.25% on the first HK$2 million of the estimated assessable profits and 16.5% on the estimated assessable profits above HK$2 million during the nine months ended 30 September 2018 (for the nine months ended 30 September 2017: 16.5%).

The income tax credit for the nine months ended 30 September 2018 was approximately HK$278,000 (the income tax expense for the nine months ended 30 September 2017: approximately HK$839,000). Such decrease was due to the decrease in the Group's assessable profits and the adoption of the Two-tiered Profits Tax Rates Regime during the Reporting Period.

Net Profit/(Net Loss)

The Group's Net Loss decreased from approximately HK$4,594,000 for the nine months ended 30 September 2017 to approximately HK$2,421,000 for the nine months ended 30 September 2018, representing a decrease of approximately HK$2,173,000 or 47.3%. Such decrease was mainly due to the 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 nine months ended 30 September 2017, which did not recur in the Reporting Period. If the one-off items mentioned above were excluded, the Group would have recorded a Net Profit of approximately HK$3,347,000 for the nine months ended 30 September 2017.

Dividend

The Board does not recommend the payment of any dividend for the nine months ended 30 September 2018 (for the nine months ended 30 September 2017: nil).

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 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.

Contingent liabilities

As at 30 September 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 in relation to two public construction contracts of the Group in the ordinary course of business. The surety bonds as at 30 September 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 nine months ended 30 September 2018 and 2017, 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

There is no significant event of the Group subsequent to 30 September 2018 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$16.9 million for machinery purchase;

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

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

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

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

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

(vii) HK$1.1 million for the surety bonds cash collaterals; and

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

As at 30 September 2018, the net proceeds had been utilised as follows:

	Actual net proceeds HK$ million	Amount utilised as at 30 September 2018 HK$ million	Balance HK$ million
Machinery purchase	16.9	–	16.9
Additional prospective and/or experienced employees recruitment for our projects	12.7	9.9	2.8
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	1.1	–	1.1
Working capital and general corporate purposes	3.0	3.0	–
Total	45.9	23.9	22.0

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

As at 30 September 2018, 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 shares capital
Mr. Chuang Chun Ngok Boris	(a)	103,000,000	–	172,000,000	275,000,000	55.0%
Mr. Chuang Wei Chu	(b)	103,000,000	34,500,000	137,500,000	275,000,000	55.0%

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

(b) Mr. Chuang Wei Chu (i) personally holds 103,000,000 Shares; (ii) is the spouse of Ms. To Yin Ping, who personally holds 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.

As at 30 September 2018, 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 2018, none of the Directors and chief executives of the Company had 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 2018, so far as is known to the Directors, the following persons' interests and short positions of the share capital and underlying Shares of the Company, other than a Director or chief executive of the Company, were recorded in the register of interests required to be kept by the Company pursuant to section 336 of the SFO:

Long Position in Shares

Name of shareholders	Notes	Nature of interest	Total	Percentage of Company's issued shares capital
Ms. To Yin Ping	(a)	Beneficial owner, interest held jointly with another person and interest of a spouse	275,000,000	55.0%
Ms. Chuang Yau Ka	(b)	Beneficial owner and interest held jointly with another person	275,000,000	55.0%
Mr. Ng Kwok Lun		Beneficial owner	37,500,000	7.5%

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 is 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 held by Mr. Chuang Wei Chu, Ms. To Yin Ping and Mr. Chuang Chun Ngok Boris respectively under the SFO. Each of Mr. Chuang Wei Chu, Mr. Chuang Chun Ngok Boris, Ms. To Yin Ping and Ms. Chuang Yau Ka is deemed to be interested in all the Shares held by them in aggregate by virtue of the SFO. Ms. Chuang Yau Ka is the daughter of Mr. Chuang Wei Chu and Ms. To Yin Ping and the sister of Mr. Chuang Chun Ngok Boris.

Save as disclosed above, as at 30 September 2018, 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 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 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 2018 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.

Competing Interests

As far as the Directors are aware of, during the nine months ended 30 September 2018, 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.

Disclosures Pursuant to Rule 17.23 of the GEM Listing Rules

In accordance with the disclosure requirements of Rule 17.23 of the GEM Listing Rules and the Company's announcement dated 22 November 2017, the following disclosures are included in this report in respect of the factoring agreement with a licensed bank in Hong Kong dated 22 November 2017 (the "**Factoring Agreement**"), which contain covenants requiring specific performance obligations of the Controlling Shareholders. Pursuant to the Factoring Agreement, a termination event would arise if the Controlling Shareholders do not remain as the single largest shareholder of the Company.

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 IPO Placing; (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, 9 November 2018

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.