



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)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2021**

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

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

UNAUDITED CONDENSED CONSOLIDATED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2021

The board of Directors (the “**Board**”) of the Company hereby announces that the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the six months ended 30 June 2021 (the “**Reporting Period**”), together with the comparative unaudited figures for the six months ended 30 June 2020, are as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2021

		Three months ended 30 June		Six months ended 30 June	
		2021	2020	2021	2020
	Notes	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue	4	74,234	32,562	124,498	59,196
Cost of services		(65,013)	(26,805)	(108,482)	(47,303)
Gross profit		9,221	5,757	16,016	11,893
Other income	5	92	1,126	2,847	1,179
Administrative expenses		(5,299)	(5,475)	(11,447)	(11,378)
Finance costs		(42)	(101)	(91)	(147)
Profit before income tax	6	3,972	1,307	7,325	1,547
Income tax	7	(807)	(363)	(1,093)	(583)
Profit for the period		3,165	944	6,232	964
Profit for the period attributable to:					
Owners of the Company		3,165	944	6,233	965
Non-controlling interests		–	–	(1)	(1)
		3,165	944	6,232	964
Earnings per share					
– Basic and diluted (HK cents)	9	0.65	0.19	1.28	0.20

	Three months ended		Six months ended	
	30 June		30 June	
	2021	2020	2021	2020
Notes	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Other comprehensive income				
<i>Items that may be reclassified subsequent to profit or loss</i>				
Exchange difference on translating foreign operation	—	—	—	(4)
Other comprehensive income/(expenses) for the period, net of tax	—	—	—	(4)
Profit and total comprehensive income for the period	3,165	944	6,232	960
Profit and total comprehensive income for the period attributable to:				
Owners of the Company	3,165	944	6,233	961
Non-controlling interests	—	—	(1)	(1)
	3,165	944	6,232	960

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

		As at 30 June 2021 HK\$'000 (Unaudited)	As at 31 December 2020 HK\$'000 (Audited)
	Notes		
Non-current assets			
Property, plant and equipment		15,471	10,799
Deferred tax assets		—	183
		<u>15,471</u>	<u>10,982</u>
Current assets			
Contract assets		24,508	23,729
Trade and other receivables	10	48,999	32,037
Amount due from a minority shareholder of a subsidiary		400	400
Cash and cash equivalents		1,686	6,937
		<u>75,593</u>	<u>63,103</u>
Current liabilities			
Trade and other payables	11	27,290	15,432
Bank borrowing		—	3,000
Lease liabilities		2,220	1,296
		<u>29,510</u>	<u>19,728</u>
Net current assets		<u>46,083</u>	<u>43,375</u>
Total assets less current liabilities		<u>61,554</u>	<u>54,357</u>
Non-current liabilities			
Lease liabilities		1,066	1,011
Deferred tax liabilities		910	—
		<u>1,976</u>	<u>1,011</u>
NET ASSETS		<u>59,578</u>	<u>53,346</u>

		As at 30 June 2021 <i>HK\$'000</i> (Unaudited)	As at 31 December 2020 <i>HK\$'000</i> (Audited)
	<i>Notes</i>		
EQUITY			
Equity attributable to owners of the Company			
Share capital	12	4,878	4,878
Reserves		54,308	48,075
		<hr/>	<hr/>
		59,186	52,953
Non-controlling interests		392	393
		<hr/>	<hr/>
TOTAL EQUITY		59,578	53,346
		<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

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, respectively.

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

Mr. Chuang Wei Chu and Mr. Chuang Chun Ngok Boris, both of whom are also executive Directors, and their family members, Ms. To Yin Ping (the spouse of Mr. Chuang Wei Chu) and Ms. Chuang Yau Ka, entered into an acting in concert deed dated 21 March 2016 (the “**Acting in Concert Deed**”) as the controlling shareholders of the Company (the “**Controlling Shareholders**”). The Controlling Shareholders have agreed to consolidate their respective interests in the Company and to vote on any resolution to be passed at any shareholders’ meeting of the Company in an unanimous manner. 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 of the Company (“**Shares**”, each a “**Share**”) held by them in aggregate by virtue of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (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.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2021 (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 2020 (the “**2020 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.

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.

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 2020 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 2021. The Group has not early applied the new and revised HKFRs that have been issued by HKICPA but are yet to be effective.

3. 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		Six months ended	
	30 June		30 June	
	2021	2020	2021	2020
	HK\$’000	HK\$’000	HK\$’000	HK\$’000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Customer B	17,374	6,760	22,741	9,234
Customer L	17,541	5,196	22,755	6,251
Customer S	26,486	6,332	45,378	9,914
Customer T	8,098	N/A	18,824	6,709
Customer V	–	7,289	–	16,637

N/A: The relevant revenue figures did not exceed 10% of the Group’s revenue.

4. 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.

5. OTHER INCOME

	Three months ended		Six months ended	
	30 June		30 June	
	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Government grants (<i>Note</i>)	(31)	899	2,541	949
Gain on disposal of property, plant and equipment	10	53	55	53
Sales of surplus materials	12	14	120	17
Sundry income	101	160	131	160
	<u>92</u>	<u>1,126</u>	<u>2,847</u>	<u>1,179</u>

Note:

The government grants were received by Good Mind Engineering Limited ("GMEHK"), an indirect wholly-owned subsidiary of the Company, from the Employment Support Scheme ("ESS") under the Anti-epidemic Fund launched by the Government of Hong Kong Special Administrative Region (the "Hong Kong Government"), which were used to support the payroll of GMEHK's employees. Under ESS, GMEHK is required to utilise these grants on payroll expenses, and not to reduce the employee headcount below certain prescribed level for a specified period of time. GMEHK does not have other unfulfilled obligations relating to this programme.

6. PROFIT BEFORE INCOME TAX

Profit before income tax expense is arrived at after charging:

	Three months ended 30 June		Six months ended 30 June	
	2021	2020	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Included in cost of services:				
– Subcontracting costs	5,580	1,710	11,029	3,985
– Construction materials and supplies	22,811	9,010	37,437	11,434
Auditor's remuneration	165	175	330	350
Impairment loss on trade receivables	–	7	–	7
Impairment loss on contract assets	–	2	–	2
Depreciation charges:				
– Owned property, plant and equipment	1,234	1,009	2,280	2,040
– Right-of-use-assets included within				
– Leased properties	360	406	719	816
– Office equipment	3	3	7	7
– Plant and machinery	217	156	372	209
– Motor vehicles	43	89	86	177
Consultancy fees	663	693	1,512	1,452
Lease payment not included in the measurement of lease liabilities:				
– Leased properties (included in cost of services and administrative expenses)	143	213	251	390
– Short-term leases of plant and machinery (included in cost of services)	4,754	1,485	7,055	2,630
Finance costs:				
– Interest on bank borrowing	–	32	–	58
– Interest on lease liabilities	42	69	91	89
Employee benefit expenses, including Directors' remuneration	31,873	14,963	53,953	30,152

7. INCOME TAX

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

	Three months ended 30 June		Six months ended 30 June	
	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Current tax – Hong Kong profits tax – charge for the Reporting Period	484	–	728	–
Deferred tax	323	363	365	583
	<u>807</u>	<u>363</u>	<u>1,093</u>	<u>583</u>
Income tax	<u>807</u>	<u>363</u>	<u>1,093</u>	<u>583</u>

Hong Kong profits tax is calculated at 16.5% (for the six months ended 30 June 2020: 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 six months ended 30 June 2021 (for the six months ended 30 June 2020: nil).

9. EARNINGS PER SHARE

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

	Three months ended 30 June		Six months ended 30 June	
	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Earnings:				
Earnings for the purpose of basic earnings per Share	3,165	944	6,233	965
	<u>3,165</u>	<u>944</u>	<u>6,233</u>	<u>965</u>
	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)	487,808	487,808	487,808	487,808
	<u>487,808</u>	<u>487,808</u>	<u>487,808</u>	<u>487,808</u>

Note:

Diluted earnings per Share is same as basic earnings per Share as there was no dilutive potential Shares for the six months ended 30 June 2021 and 2020.

10. TRADE AND OTHER RECEIVABLES

	As at 30 June 2021 <i>HK\$'000</i> (Unaudited)	As at 31 December 2020 <i>HK\$'000</i> (Audited)
Trade receivables (<i>Note</i>)	42,332	25,430
Less: impairment	<u>(576)</u>	<u>(576)</u>
	41,756	24,854
Prepayments, deposits and other receivables	<u>7,243</u>	<u>7,183</u>
	<u>48,999</u>	<u>32,037</u>

Note:

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

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

	As at 30 June 2021 <i>HK\$'000</i> (Unaudited)	As at 31 December 2020 <i>HK\$'000</i> (Audited)
Less than 1 month	23,907	15,254
1 to 3 months	15,506	9,584
More than 3 months but less than one year	<u>2,343</u>	<u>16</u>
	<u>41,756</u>	<u>24,854</u>

11. TRADE AND OTHER PAYABLES

	As at 30 June 2021 HK\$'000 (Unaudited)	As at 31 December 2020 HK\$'000 (Audited)
Trade payables (<i>Note</i>)	8,480	4,614
Other payables and accruals	18,810	10,818
	<u>27,290</u>	<u>15,432</u>

Note:

An ageing analysis of trade payables, based on invoice dates, is as follows:

	As at 30 June 2021 HK\$'000 (Unaudited)	As at 31 December 2020 HK\$'000 (Audited)
Current or less than 1 month	3,859	2,346
1 to 3 months	3,522	1,663
More than 3 months but less than one year	982	502
More than one year	117	103
	<u>8,480</u>	<u>4,614</u>

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

12. SHARE CAPITAL

	The Company	
	Number of Shares	Amount HK\$'000
Authorised:		
Ordinary share of HK\$0.01 each		
As at 31 December 2020 (audited), 1 January 2021 (unaudited) and 30 June 2021 (unaudited)	2,000,000,000	20,000
	<u>2,000,000,000</u>	<u>20,000</u>
Issued and fully paid:		
Ordinary share of HK\$0.01 each		
As at 31 December 2020 (audited), 1 January 2021 (unaudited) and 30 June 2021 (unaudited)	487,808,000	4,878
	<u>487,808,000</u>	<u>4,878</u>

13. CONTINGENT LIABILITIES

(a) *Contingent liabilities in respect of legal claims*

As at 30 June 2021, there were a number of labour claims lodged against the Group arising from the ordinary course of its civil engineering construction business. No specific claim amount has been specified in the applications of these claims. It is anticipated that, the outflow of resources required in settling these claims, if any, 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 issued*

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

	As at 30 June 2021 HK\$'000 (Unaudited)	As at 31 December 2020 HK\$'000 (Audited)
Surety bonds issued in favour of customers (<i>Note</i>)	9,169	9,169
	<u>9,169</u>	<u>9,169</u>

Note:

As at 30 June 2021, surety bonds at an amount of approximately HK\$9,169,000 were given by insurance companies in favour of the Group's customers (as at 31 December 2020: approximately HK\$9,169,000) 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.

It is anticipated that the amount of approximately HK\$9,169,000 as at 30 June 2021 was the maximum exposure to the Group (as at 31 December 2020: approximately HK\$9,169,000). 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 June 2021 (as at 31 December 2020: nil).

The 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.

14. CAPITAL COMMITMENT

As at 30 June 2021, the Group did not have any capital commitment (as at 31 December 2020: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

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

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

During the six months ended 30 June 2021, the Group had secured five public construction projects and one private sector project with the aggregate secured contract sum of approximately HK\$111,289,000 and approximately HK\$2,894,000, respectively (the “**Newly Awarded Contracts**”).

During the six months ended 30 June 2021, the Group had been engaged in 24 public sector projects (during the six months ended 30 June 2020: 18) and two private sector projects (during the six months ended 30 June 2020: six). The Newly Awarded Contracts were commenced in 2021. Please refer to the subsection headed “Financial Review” below for the analysis on the Group's revenue. The total backlog of the Newly Awarded Contracts and contracts carried over from 2020 to be recognised as revenue after 30 June 2021 was approximately HK\$416,862,000.

PRINCIPAL RISKS AND UNCERTAINTIES

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

The Group operates solely in Hong Kong and derived all its income in Hong Kong during the Reporting Period. Accordingly, the Group's business, financial results and prospects are affected by policies of the Hong Kong Government, political environment, economic and legal development in Hong Kong. The budgeting and funding approval process on public infrastructure and construction projects may be lengthened and the expected timetable of projects may be delayed. The Hong Kong Government's policy and public spending patterns on the civil engineering construction industry may also affect the availability of construction projects in Hong Kong.

The Group's historical results may not be indicative of its future performance, which may vary from period to period in response to a variety of factors beyond the Group's control, including general economic conditions, regulations pertaining to the underground construction industry in Hong Kong and the ability to secure new business in the future. Besides, adverse weather conditions, natural disasters, potential wars, terrorist attacks, riots, epidemics, pandemics (such as coronavirus disease ("COVID-19")) and other disasters which are beyond the Group's control may reduce the number of workdays and hinder the Group's operations. Yet, COVID-19 had no significant adverse effect on the Group during the Reporting Period.

OUTLOOK OF TUNNEL AND CONSTRUCTION INDUSTRY IN HONG KONG

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

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

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

The Airport Authority Hong Kong had awarded two major construction contracts on (i) tunnels and related works for an automatic people mover and baggage handling system; and (ii) expansion works of Terminal 2 at Hong Kong International Airport to a main contractor with the total contract sum of approximately HK\$7.2 billion and HK\$12.9 billion, respectively. Such construction works form major parts of the Three-runway System of Hong Kong International Airport.

The 2021-22 budget speech by the Financial Secretary of the Hong Kong Government on 24 February 2021 has mentioned that the Hong Kong Government will continue to invest in infrastructure. The annual capital work expenditure will exceed HK\$100 billion in the coming years. The annual total construction output will increase to around HK\$300 billion.

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 six months ended 30 June 2021. The following table sets out the breakdown of the Group's revenue by project types:

	For the six months ended 30 June			
	2021	2021	2020	2020
	<i>HK\$'000</i>	<i>% of total</i>	<i>HK\$'000</i>	<i>% of total</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Public sector projects				
– Tunnel construction services	50,301	40.4	25,625	43.3
– Utility construction services and others	71,292	57.3	30,782	52.0
Sub-total	121,593	97.7	56,407	95.3
Private sector projects	2,905	2.3	2,789	4.7
Total	124,498	100.0	59,196	100.0

The Group's revenue increased from approximately HK\$59,196,000 for the six months ended 30 June 2020 to approximately HK\$124,498,000 for the six months ended 30 June 2021, representing an increase of approximately HK\$65,302,000 or 110.3%. Such significant increase in revenue for the Reporting Period was due to the combined effects of (i) an increase in revenue generated from public sector projects – tunnel construction services from approximately HK\$25,625,000 for the six months ended 30 June 2020 to approximately HK\$50,301,000 for the six months ended 30 June 2021, representing an increase of approximately HK\$24,676,000 or 96.3%; (ii) an increase in revenue generated from public sector projects – utility construction services and others from approximately HK\$30,782,000 for the six months ended 30 June 2020 to approximately HK\$71,292,000 for the six months ended 30 June 2021, representing an increase of approximately HK\$40,510,000 or 131.6%; and (iii) an increase in revenue generated from private sector projects from approximately HK\$2,789,000 for the six months ended 30 June 2020 to approximately HK\$2,905,000 for the six months ended 30 June 2021, representing an increase of approximately HK\$116,000 or 4.2%.

The increase in revenue was mainly attributable to the construction works at Tseung Kwan O-Lam Tin Tunnel and Central Kowloon Route gearing up during the Reporting Period.

Cost of services

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

The Group's cost of services increased from approximately HK\$47,303,000 for the six months ended 30 June 2020 to approximately HK\$108,482,000 for the six months ended 30 June 2021, representing an increase of approximately HK\$61,179,000 or 129.3%. Such increase was mainly due to: (i) an increase in the construction materials and supplies from approximately HK\$11,434,000 for the six months ended 30 June 2020 to approximately HK\$37,437,000 for the six months ended 30 June 2021, representing an increase of approximately HK\$26,003,000 or 227.4%; (ii) an increase in the staff costs from approximately HK\$25,374,000 for the six months ended 30 June 2020 to approximately HK\$48,872,000 for the six months ended 30 June 2021, representing an increase of approximately HK\$23,498,000 or 92.6%; and (iii) an increase in the subcontracting costs from approximately HK\$3,985,000 for the six months ended 30 June 2020 to approximately HK\$11,029,000 for the six months ended 30 June 2021, representing an increase of approximately HK\$7,044,000 or 176.8%.

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 increase in staff costs was due to the increase in number of workers during the Reporting Period.

Gross profit and gross profit margin

The gross profit and gross profit margin of the Group for the six months ended 30 June 2021 was approximately HK\$16,016,000 and 12.9%, respectively (for the six months ended 30 June 2020: approximately HK\$11,893,000 and 20.1%, respectively). During the Reporting Period, the Group engaged more structural works, which relied heavily on construction materials and supplies and resulted in decrease in gross profit margin.

Other income

The Group's other income was approximately HK\$2,847,000 for the six months ended 30 June 2021 (for the six months ended 30 June 2020: approximately HK\$1,179,000), which was mainly attributable to the government grants of approximately HK\$2,541,000 (for the six months ended 30 June 2020: approximately HK\$949,000) under ESS.

During the Reporting Period, GMEHK submitted a request for review of the application results for the wage subsidy from September 2020 to November 2020 under the second tranche of the ESS. On 5 May 2021, the Group received a reply from the ESS processing agent and concluded the government grant under such second tranche, after deducting the penalty, was approximately HK\$2,314,000.

Administrative expenses

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

The Group's administrative expenses increased from approximately HK\$11,378,000 for the six months ended 30 June 2020 to approximately HK\$11,447,000 for the six months ended 30 June 2021, representing an increase of approximately HK\$69,000 or 0.6%. The staff costs and benefits for the six months ended 30 June 2021 was approximately HK\$3,458,000 (for the six months ended 30 June 2020: approximately HK\$3,155,000), representing an increase of approximately HK\$303,000 or 9.6%. The Directors' remuneration was approximately HK\$1,623,000 (during the six months ended 30 June 2020: approximately HK\$1,623,000) during the Reporting Period.

Finance costs

The Group's finance costs decreased from approximately HK\$147,000 for the six months ended 30 June 2020 to approximately HK\$91,000 for the six months ended 30 June 2021 due to the decrease in interest expenses on the bank borrowing during the Reporting Period.

Income tax

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

The income tax for the six months ended 30 June 2021 mainly resulted from the utilisation of tax loss previously recognised as deferred tax assets as at 31 December 2020 for the assessable profit of GMEHK during the Reporting Period.

Profit and total comprehensive income for the period attributable to the owners of the Company ("Net Profit")

The Group's Net Profit for the six months ended 30 June 2021 was approximately HK\$6,233,000 (for the six months ended 30 June 2020: approximately HK\$965,000). Such increase in Net Profit was mainly due to increase in revenue during the Reporting Period as discussed above.

Dividend

The Board does not recommend the payment of any dividend for the six months ended 30 June 2021 (for the six months ended 30 June 2020: nil).

Liquidity, financial resources and funding

As at 30 June 2021, the Group's cash and cash equivalents amounted to approximately HK\$1,686,000 (as at 31 December 2020: approximately HK\$6,937,000), which were denominated in Hong Kong dollar. The decrease in cash and cash equivalents was due to the combined effects of the increase in cashflow from operating activities, offsetting the net cash used in purchase of the property, plant and equipment and the repayment of the bank borrowing and the principal portion of lease liabilities during the Reporting Period.

As at 30 June 2021, the lease liabilities amounted to approximately HK\$3,286,000 (as at 31 December 2020: approximately HK\$2,307,000), which represented the leases arrangement of the Group's office equipment, leased buildings, a machinery and motor vehicles. Such increase was due to the renew of the tenancy agreement for the Group's office in Hong Kong under lease arrangement.

The Group's gearing ratio, which is calculated by total debts divided by total equity, increased from approximately 30.2% as at 31 December 2020 to approximately 37.3% as at 30 June 2021 due to the increase in total debts during the Reporting Period.

Capital structure

As at 30 June 2021, the capital structure of the Company comprised issued share capital and reserves.

Commitments

As at 30 June 2021, the capital commitment of the Group was nil.

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

There was no significant investments, material acquisitions or disposal of subsidiaries and associated companies by the Company for the six months ended 30 June 2021.

Contingent liabilities

Save as disclosed in note 13 to the Unaudited Condensed Consolidated Financial Statements, there were no other contingent liabilities as at 30 June 2021.

Foreign currency exposure

The Group's reporting currency is Hong Kong dollar. During the six months ended 30 June 2021 and 2020, the Group's transactions were denominated in Hong Kong dollar. The Group had no material exposure to foreign currency risk.

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 “Use of net proceeds from the IPO Placing” in the annual report of the Company in 2019 dated 23 March 2020, the Group did not have other plans for material investment or capital assets as at 30 June 2021.

Charge on the Group’s assets

The Group had placed cash collateral of approximately HK\$3,900,000 as at 30 June 2021 (as at 31 December 2020: approximately HK\$3,900,000) to an insurance company in Hong Kong for the provision of the surety bonds for two of the public construction projects (as at 31 December 2020: two). For details of the surety bonds, please refer to note 13 to the Unaudited Condensed Consolidated Financial Statements. Saved for the foregoing, the Group did not have any charges on its assets as at 30 June 2021.

Information on employees

As at 30 June 2021, the Group had 650 employees which comprises management, technical staff, administration, accounting and human resources staff and workers (as at 30 June 2020: 323 employees) in Hong Kong. The total staff costs (included in cost of services and administrative expenses) and Directors’ remuneration amounted to approximately HK\$53,953,000 for the six months ended 30 June 2021 (for the six months ended 30 June 2020: approximately HK\$30,152,000), which was mainly due to the increase in number of headcount during the Reporting Period.

Employee remuneration package is based on previous working experience and actual performance of each individual employee. Apart from the basic salary, discretionary bonus and allowance will be granted to employees based on their individual performance subject to the executive Directors’ approval. Depending on the nature of works and the need of the projects, the Group will provide training to its employees from time to time. The Group’s customers sometimes require the employees to attend their own on-site occupational safety trainings.

Event after the Reporting Period

There is no significant event subsequent to 30 June 2021 and up to the date of this announcement which would materially affect the Group’s operating and financial performance.

OTHER INFORMATION

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.

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

As at 30 June 2021, 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 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)	103,000,000	–	187,120,000	290,120,000	59.5%
Mr. Chuang Wei Chu	(b)	103,000,000	49,620,000	137,500,000	290,120,000	59.5%

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 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 49,620,000 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 June 2021, none of the Directors and chief executives of the Company had 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 June 2021, none of the Directors and chief executives of the Company had any interests or short positions in any shares, underlying shares and debentures 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 June 2021, 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 share capital
Ms. To Yin Ping	(a)	Beneficial owner, interest held jointly with another person and interest of spouse	290,120,000	59.5%
Ms. Chuang Yau Ka	(b)	Beneficial owner and interest held jointly with another person	290,120,000	59.5%
Mr. Ng Kwok Lun		Beneficial owner	39,500,000	8.1%

Notes

- (a) Ms. To Yin Ping (i) personally holds 49,620,000 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 in an 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 in an 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 June 2021, 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.

Corporate Governance

The Company considers the maintenance of a high standard of corporate governance important to the continuous growth of the Group. The Company's corporate governance practices are based on the code provisions as set out in the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") as contained in Appendix 15 to the GEM Listing Rules. The Shares were listed on GEM of the Stock Exchange on 22 February 2017 (the "**Listing Date**"). The Company has since then adopted and complied with, where applicable, the CG Code from the Listing Date up to the date of this announcement to ensure that the Group's business activities and decision making processes are regulated in a proper and prudent manner.

During the Reporting Period up to the date of this announcement, the Board has reviewed the Group's corporate governance practices and is satisfied that the Company has complied with the code provisions of the CG Code as set out in Appendix 15 to the GEM Listing Rules. The Board will continue to review and enhance its corporate governance practices from time to time to comply with statutory requirements and regulations.

Code of Conduct for Securities Transactions by Directors

The Company has adopted the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules (the "**Required Standard of Dealings**") as the code of conduct regarding securities transactions by the Directors in respect of the Shares (the "**Code of Conduct**").

Pursuant to Rule 5.56(a) of the GEM Listing Rules, the Directors must not deal in any securities of the Company on any day on which its financial results are published and during the period of 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and during the period of 30 days immediately preceding the publication date of the quarterly results or, if shorter, the period from the end of the relevant quarterly period up to the publication date of the results (the "**Black-out Period**"). This Required Standard of Dealings will be regarded as equally applicable to any dealings by the Director's spouse or by or on behalf of any minor child (natural or adopted) and any other dealings in which for the purposes of Part XV of the SFO he is or is to be treated as interested under Rule 5.59 of the GEM Listing Rules.

On 6 March 2021, the Board appointed SHINEWING Risk Services Limited as an independent internal control consultant to review and strengthen the Group's internal control measures in relation to the Required Standard of Dealings as the Code of Conduct from 10 November 2020 to 31 January 2021.

The independent internal control consultant reported the review results to the Audit Committee on 23 March 2021. Based on the review results, the Company has implemented a specific procedure to strengthen such internal controls. The company secretary of the Company shall obtain the acknowledgement of receipt of the memorandum for the Black-out Period from the Directors, senior management of the Company and relevant parties (including family members) before the commencement of each Black-out Period.

The Company has made specific enquiry with the Directors, senior management of the Company and relevant parties (including family members) and all of them confirmed that they had fully complied with the required standard of dealings set out in the Code of Conduct and there was no event of non-compliance during the Reporting Period up to the date of this announcement.

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 the independent non-executive Directors, namely Mr. Lau Chun Fai Douglas, Ir Ng Wai Ming Patrick and Mr. Lam Man Bun Alan and the chairman 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 interim results of the Group for the six months ended 30 June 2021 had been reviewed by the Audit Committee, which was of the opinion that such interim results have been prepared in compliance with the applicable accounting standards and the GEM Listing Rules.

Share Option Scheme

The Company has not granted or issued any option or adopted any share option scheme up to 30 June 2021.

Competing Interests

As far as the Directors are aware of, during the six months ended 30 June 2021, 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 announcement, except for (i) the participation of Altus Capital Limited (“**Altus**”) as the sponsor in relation to the listing of the Company on GEM; (ii) the compliance adviser agreement entered into between the Company and Altus dated 26 April 2016 and extended on 31 March 2020 and 24 March 2021; 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, 6 August 2021

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

This announcement will remain on the “Latest Listed Company Information” page of the GEM website at www.hkgem.com for at least seven days from the date of its posting and on the Company’s website at www.gmehk.com.