



GME Group Holdings Limited
駿傑集團控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 8188)

**ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2020**

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

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

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

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

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

ANNUAL RESULTS

The board of Directors (the “**Board**”) of the Company hereby announces that the audited consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 December 2020, together with the comparative audited figures for the year ended 31 December 2019, are as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2020

	<i>Notes</i>	2020 HK\$'000	2019 <i>HK\$'000</i>
Revenue	5	134,572	80,793
Cost of services		(115,011)	(86,572)
Gross profit/(loss)		19,561	(5,779)
Other income	6	4,728	969
Administrative expenses		(22,599)	(23,549)
Finance costs		(295)	(127)
Profit/(loss) before income tax	7	1,395	(28,486)
Income tax (expense)/credit	8	(390)	265
Profit/(loss) and total comprehensive income/ (expense) for the year		1,005	(28,221)
Profit/(loss) and total comprehensive income/(expense) attributable to:			
Owners of the Company		1,008	(28,217)
Non-controlling interests		(3)	(4)
		1,005	(28,221)
Earnings/(loss) per share			
– Basic and diluted (HK cents)	10	0.21	(5.76)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	<i>Notes</i>	2020 HK\$'000	2019 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		10,799	7,203
Deferred tax assets		183	573
		<u>10,982</u>	<u>7,776</u>
Current assets			
Contract assets		23,729	15,270
Trade and other receivables	<i>11</i>	32,037	29,857
Amount due from a minority shareholder of a subsidiary		400	400
Cash and cash equivalents		6,937	17,375
		<u>63,103</u>	<u>62,902</u>
Current liabilities			
Trade and other payables	<i>12</i>	15,432	13,285
Bank borrowing		3,000	3,000
Lease liabilities		1,296	1,526
		<u>19,728</u>	<u>17,811</u>
Net current assets		<u>43,375</u>	<u>45,091</u>
Total assets less current liabilities		<u>54,357</u>	<u>52,867</u>
Non-current liabilities			
Lease liabilities		1,011	526
		<u>1,011</u>	<u>526</u>
NET ASSETS		<u>53,346</u>	<u>52,341</u>

	<i>Notes</i>	2020 HK\$'000	2019 <i>HK\$'000</i>
EQUITY			
Equity attributable to owners of the Company			
Share capital	<i>13</i>	4,878	4,878
Reserves		48,075	47,067
		52,953	51,945
Non-controlling interests		393	396
TOTAL EQUITY		53,346	52,341

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

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

The Company's controlling shareholders are Mr. Chuang Wei Chu and Mr. Chuang Chun Ngok Boris, both of whom are also executive directors of the Company and their family members entered into an acting in concert deed dated 21 March 2016 as controlling shareholders (the "**Controlling Shareholders**") of the Company. The Controlling Shareholders have agreed to consolidate their respective interests in the Company and to vote on any resolution to be passed at any shareholders' meeting of the Company in a unanimous manner. Mr. Chuang Chun Ngok Boris is therefore deemed to be interested in the shares of the Company (the "**Shares**", each a "**Share**") held by Mr. Chuang Wei Chu, Ms. To Yin Ping and Ms. Chuang Yau Ka respectively under the Securities and Futures Ordinance ("**SFO**"). Each of Mr. Chuang Chun Ngok Boris, Mr. Chuang Wei Chu, Ms. To Yin Ping and Ms. Chuang Yau Ka is deemed to be interested in all the Shares held by them in aggregate by virtue of the SFO. Mr. Chuang Chun Ngok Boris is the son of Mr. Chuang Wei Chu and Ms. To Yin Ping and the brother of Ms. Chuang Yau Ka.

The Company's shares were listed on GEM of the Stock Exchange on 22 February 2017.

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

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

(a) Adoption of new/revised HKFRSs – effective 1 January 2020

The Hong Kong Institute of Certified Public Accountants ("**HKICPA**") has issued a number of new Hong Kong Financial Reporting Standard ("**HKFRSs**") and amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's consolidated financial statements:

Amendments to HKFRS 3	Definition of a Business
Amendment to HKFRS 16	Covid-19-Related Rent Concessions (early applied)
Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKAS 39, HKFRS 7 and HKFRS 9	Interest Rate Benchmark Reform

Except for the amendments included in Amendments to HKAS 39, HKFRS 7 and HKFRS 9, which are not relevant to the preparation of the Group's consolidated financial statements, the nature and impact of the amendments are described below.

Amendments to HKFRS 3, Definition of a Business

The amendments clarify the definition of a business and introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The election to apply the concentration test is made for each transaction. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. If the concentration test is met, the set of activities and assets is determined not to be a business. If the concentration test is failed, the acquired set of activities and assets is further assessed based on the elements of a business.

The Group elected to apply the amendments prospectively to acquisitions for which the acquisition date is on or after 1 January 2020.

Amendments to HKAS 1 and HKAS 8, Definition of Material

The amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make based on those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. These amendments have no impact on the Group's consolidated financial statements.

(b) New/revised HKFRSs that have been issued but are not yet effective

The following new/revised HKFRSs, potentially relevant to the Group's consolidated financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group's current intention is to apply these changes on the date they become effective.

Amendments to HKFRS 1	Classification of Liabilities as Current or Non-current ⁴
HK Interpretation 5 (2020), Presentation of Financial Statements	Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ⁴
Amendments to HKAS 16	Proceeds before Intended Use ²
Amendments to HKAS 37	Onerous Contracts - Cost of Fulfilling a Contract ²
HKFRS 17	Insurance Contracts ⁴
Amendments to HKFRS 3	Reference to the Conceptual Framework ³
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁵
Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2 ¹
Amendments to HKFRS Standards	Annual Improvements to HKFRS Standards 2018-2020 ²

- ¹ Effective for annual periods beginning on or after 1 January 2021
- ² Effective for annual periods beginning on or after 1 January 2022
- ³ Effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022.
- ⁴ Effective for annual periods beginning on or after 1 January 2023.
- ⁵ The amendments shall be applied prospectively to the sale or contribution of assets occurring in annual periods beginning on or after a date to be determined.

Further information about those HKFRSs that are expected to be relevant to the Group is as follows:

Amendments to HKAS 37, Onerous Contracts – Cost of Fulfilling a Contract

The amendments specify that the ‘cost of fulfilling’ a contract comprises the ‘costs that relate directly to the contract’. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (e.g. direct labour and materials) or an allocation of other costs that relate directly to fulfilling contracts (e.g. the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The Directors are currently assessing the impact that the application of the amendments will have on the Group’s consolidated financial statements. The Directors anticipate that the application of the amendments will likely impact on the Group’s accounting policies in respect of the determination of when contracts are onerous, and the measurement of provision for onerous contracts recognised.

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

3. BASIS OF PREPARATION

(a) Statement of compliance

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

(b) Basis of measurement

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

(c) Functional and presentation currency

The consolidated financial statements are presented in Hong Kong Dollars (“**HK\$**”), which is also the functional currency of the Company, and all values are rounded to the nearest thousands, except when otherwise indicated.

4. SEGMENT INFORMATION

(a) Operating segments

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

(b) Geographical information

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

(c) Information about major customers

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

	2020 HK\$'000	2019 HK\$'000
Customer S	28,118	N/A
Customer B	23,863	24,376
Customer V	18,436	8,823
Customer T	17,394	N/A
Customer L	16,223	9,058

N/A: The relevant revenue for the year ended 31 December 2019, did not exceed 10% of the Group's revenue.

5. REVENUE

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

	2020 HK\$'000	2019 HK\$'000
Public tunnel projects	57,375	29,035
Public utilities construction services and other projects (<i>note</i>)	73,989	41,420
Private projects	3,208	10,338
	134,572	80,793

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

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

	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables (<i>Note 11</i>)	24,854	22,597
Contract assets	23,729	15,270

The contract assets primarily relate to the Group's rights to consideration for work completed but not billed and retention receivables at the reporting date on revenue related to the provisions of public and private construction. The contract assets are transferred to receivables when the rights become unconditional. This usually occurs when the Group provides the invoice to the customer.

As at 31 December 2020, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts is approximately HK\$406,439,000 (2019: HK\$283,179,000). This amount represents revenue expected to be recognised in the future from partially-completed long-term construction contracts. The Group will recognise the expected revenue in future when or as the work is completed, which is expected to occur in the next 1 to 2 years (2019: 1 to 2 years).

The Group has applied the practical expedient to its contracts for construction services and therefore the above information does not include information about revenue that the Group will be entitled to when it satisfies the remaining performance obligations under the contracts for construction services that had an original expected duration of one year or less.

6. OTHER INCOME

	2020 HK\$'000	2019 HK\$'000
Bank interest income	–	72
Reimbursement from a main contractor	250	354
Gain on disposal of property, plant and equipment	55	28
Mandatory Provident Fund refund	–	158
Government grants (<i>note</i>)	4,056	–
Sundry income	367	357
	<u>4,728</u>	<u>969</u>

Note:

The government grants of approximately HK\$3,986,000 were mainly received by Good Mind Engineering Limited (“**GMEHK**”), an indirect wholly-owned subsidiary of the Company, from Employment Support Scheme (“**ESS**”) under the Anti-epidemic Fund launched by the Government of the Hong Kong Special Administrative Region (the “**Hong Kong Government**”) supporting the payroll of the GMEHK’s employees. Under the ESS, GMEHK committed to utilise these grants on payroll expenses, and not reduce employee headcount below prescribed levels for a specified period of time. GMEHK does not have other unfulfilled obligations relating to this program.

7. PROFIT/(LOSS) BEFORE INCOME TAX

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

	2020	2019
	HK\$'000	HK\$'000
Included in cost of services:		
– Subcontracting costs	13,764	11,679
– Construction materials and supplies	34,962	23,745
 Auditor's remuneration	 660	 700
Gain on disposal of property, plant and equipment	(55)	(28)
Impairment loss on trade receivables	266	82
Impairment loss on contract assets	14	11
 Depreciation charges		
– Owned property, plant and equipment	3,961	4,604
– Right-of-use-assets included within		
– Leased properties	1,578	1,897
– Office equipment	15	17
– Plant and machinery	524	–
– Motor vehicles	320	417
 Consultancy fees	 3,288	 2,348
 Lease payment not included in the measurement of lease liabilities		
– Leased properties (included in cost of services and administrative expenses)	804	1,230
– Short term leases of plant and machinery (included in cost of services)	5,937	4,550
 Employee benefit expenses	 63,021	 49,661

8. INCOME TAX EXPENSE/(CREDIT)

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

	2020 HK\$'000	2019 HK\$'000
Current tax - Hong Kong profits tax		
– charge for the year	–	–
Deferred tax	390	(265)
Income tax expenses/(credit)	390	(265)

Hong Kong profits tax is calculated at 16.5% (2019: 16.5%) of the estimated assessable profits for the year ended 31 December 2020. According to the Inland Revenue (Amendment) Bill 2017 (the “**Bill**”) which was substantively enacted after passing its Third Reading in the Legislative Council of the Hong Kong Special Administrative Region (the “**Legco**”) on 28 March 2018, the two-tiered profits tax regime (the “**Regime**”) is first effective for the year of assessment 2018/19. Profits tax rate for the first HK\$2 million of assessable profits of corporations is lowered to 8.25% with the excess assessable profits continue to be taxed at 16.5%. No nominated entity of the Group is entitled to the Regime as no such entity generated assessable profit for the years ended 31 December 2020 and 2019.

9. DIVIDEND

The Directors do not recommend the payment of any dividend in respect of the years ended 31 December 2019 and 2020.

10. EARNINGS/(LOSS) PER SHARE

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

	2020 HK\$'000	2019 HK\$'000
Profit/(loss) for the year attributable to owners of the Company	1,008	(28,217)
	Number of shares '000	Number of shares '000
Weighted average number of ordinary shares during the year used in the basic earnings/(loss) per share calculation	487,808	490,211

Note:

The diluted earnings/(loss) per share was same as basic earnings/(loss) per share as there was no potential share outstanding for each of the years ended 31 December 2020 and 2019.

11. TRADE AND OTHER RECEIVABLES

	2020 HK\$'000	2019 HK\$'000
Trade receivables (<i>Note</i>)	25,430	22,907
Less: Impairment loss	(576)	(310)
	<u>24,854</u>	<u>22,597</u>
Prepayments, deposits and other receivables	7,183	7,260
	<u>32,037</u>	<u>29,857</u>

Note:

Trade receivables were mainly derived from the provision of underground construction services and are non-interest bearing. The Group does not hold any collateral or other credit enhancements over these balances. The credit period granted by the Group to its customers is generally 21 to 60 days for the years ended 31 December 2020 and 2019.

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

	2020 HK\$'000	2019 HK\$'000
Less than 1 month	15,254	11,195
1 to 3 months	9,584	10,514
More than 3 months but less than one year	16	888
	<u>24,854</u>	<u>22,597</u>

12. TRADE AND OTHER PAYABLES

	2020 HK\$'000	2019 HK\$'000
Trade payables (<i>Note</i>)	4,614	2,179
Other payables and accruals	10,818	11,106
	<u>15,432</u>	<u>13,285</u>

Note:

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

	2020 HK\$'000	2019 HK\$'000
Current or less than 1 month	2,346	1,097
1 to 3 months	1,663	803
More than 3 months but less than one year	502	261
More than one year	103	18
	<u>4,614</u>	<u>2,179</u>

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

13. SHARE CAPITAL

	The Company	
	Number of shares	Amount HK'000
Authorised:		
Ordinary shares of HK\$0.01 each		
As at 31 December 2019, 1 January 2020 and 31 December 2020	2,000,000,000	20,000
Issued and fully paid:		
Ordinary shares of HK\$0.01 each		
As at 1 January 2019	498,232,000	4,982
Shares repurchased and cancelled (<i>Note</i>)	(10,424,000)	(104)
As at 31 December 2019, 1 January 2020 and 31 December 2020	487,808,000	4,878

Note:

Particulars of the share repurchase and cancellation of Shares during the year ended 31 December 2019 are as follows:

2019	Number of Shares repurchased	Highest price paid per Share HK\$	Lowest price paid per Share HK\$	Aggregate price paid HK\$
Month of repurchase				
January 2019	4,804,000	0.149	0.139	687,480
May 2019	2,800,000	0.139	0.121	378,000
June 2019	1,752,000	0.174	0.141	274,952
July 2019	700,000	0.190	0.188	132,200
	10,056,000			1,472,632

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

14. CAPITAL COMMITMENT

	2020 HK\$'000	2019 HK\$'000
Commitment for the acquisition of:		
short film and feature-length motion picture	—	3,504

In October 2019, the Group incorporated a wholly-owned subsidiary, Jade Phoenix Enterprises Limited (“JP”), in British Virgin Islands, which is engaging in film production.

On 11 December 2019, JP entered into the assignment agreement (the “**Assignment Agreement**”) with the independent third parties (the “**Assignors**”) to acquire the rights, titles, interests and benefits of the short film and the feature-length motion picture (collectively known as the “**Properties**”) at a consideration of US\$450,000. Pursuant to the Assignment Agreement, the transaction was completed immediately after the signing of this Assignment Agreement and JP has to settle 10% of the consideration in February 2020 and the remaining 90% of the consideration will be settled in 6 months after the date of the Assignment Agreement.

JP also entered into an option agreement (the “**Option Agreement**”) with the Assignors on the same date of the Assignment Agreement, including the options whereby (i) the Assignors would grant to JP the right to assign the rights of the Properties back to the Assignors (the “**Put Option**”) and (ii) JP would grant the Assignors the rights to assign the rights of the Properties back to the Assignors (the “**Call Option**”). Pursuant to the Option Agreement, the consideration was US\$1 and the option exercise price was the paid consideration under the Assignment Agreement for both Put Option and Call Option. The Option Agreement will be expired in 6 months after the signing date.

In the view of the management of the Company, the Group had not obtained control over the Properties. The Option Agreement was binding on both parties as at 31 December 2019, the assignment of the rights of the Properties back to the Assignors upon the exercise of the Call Option by the Assignors was outside the control of the Group. Therefore, in the option period the Group did not have the power to obtain the future economic benefits flowing from the underlying resource of the Properties. The management of the Company considered that the Group had a commitment to pay under the above transaction but did not have control over the Properties as at 31 December 2019. When either the Assignors exercise their Call Option or the Company exercise the Put Option, the management of the Company has confirmed that the Company has no obligation to pay the remaining 90% of the consideration to the Assignors.

On 10 June 2020, JP and the Assignors entered into supplemental agreements to the Assignment Agreement and the Option Agreement, respectively, for the purpose of the extension of the payment of 90% consideration on or before 31 December 2020 and the extension of the expiry date of the Option Agreement to 31 December 2020.

On 30 December 2020, the Assignors issued a notice of exercise of the call option of the Option Agreement to JP that requested JP to assign the right of the Properties back to Assignors at the consideration of US\$1 pursuant to the terms and conditions of the Option Agreement.

The paid consideration (i.e. approximately HK\$350,000 or equivalent to US\$45,000) should be satisfied by the Assignors by remittance immediately to JP at the exercise date, of which, JP agreed to constitute a complete discharge of the obligation for payment of the outstanding consideration (i.e. 90% of the consideration) to the Assignors. As at 31 December 2020, the Group classified the paid consideration at amount of approximately HK\$350,000 in other receivable (note 11).

On 9 February 2021, JP and the Assignors entered into another assignment agreement that JP wishes to assign the right of Properties to the Assignors and the Assignors agreed to accept such assignments on the term of this assignment agreement. Based on the deed of set-off signed on 9 February 2021, both JP and the Assignors agreed to offset the outstanding consideration payable under the Assignment Agreement to the option price. In the opinion of the Directors of the Company, JP was entitled to receive the paid 10% of the consideration from the Assignors.

15. EVENT AFTER THE REPORTING DATE AND EFFECT OF COVID-19

There is no other significant event subsequent to the date of this announcement which would materially affect the Group's operating and financial performance except for note 14 stated.

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 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 underground public utility works such as road and drainage works) and others (mainly structural works and construction of service buildings and support structure). 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 year ended 31 December 2020 (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 year ended 31 December 2020, the Group had secured 15 public construction projects (2019: 16) and five private sector projects (2019: four) with a Secured contract sum and the amount of variation orders (the **"Secured Project Sum"**) of approximately HK\$219,105,000 (2019: approximately HK\$307,026,000). Two of these 20 newly secured projects in 2020 relate to the provision of the construction works at Organic Waste Treatment Facilities Phase 2 with a Secured Project Sum of approximately HK\$122,568,000. The Group was also awarded additional works by the main contractors for the projects at Tseung Kwan O-Lam Tin Tunnel and Central Kowloon Route with the Secured Project Sum of approximately HK\$65,597,000 and approximately HK\$22,627,000, respectively. The estimated revenue to be recognised from the abovementioned Secured Project Sum and the projects carried over from 2020 was approximately HK\$406,439,000.

The projects at Tseung Kwan O-Lam Tin Tunnel had experienced operation disruption from 9 December 2020 to 27 December 2020 due to coronavirus disease (“**COVID-19**”) outbreak. The workers who worked for these projects were subject to mandatory COVID-19 tests and temporary suspended from work. Therefore, the construction progress of these projects has been affected in December 2020.

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. In particular, events such as demonstrations and protests may affect the budgeting process for public infrastructure and construction projects of the Hong Kong Government and the funding approval from the Legco. The budgeting and funding approval process on public infrastructure and construction projects may be lengthened and the expected timetable of projects may be delayed. As a result, the availability of construction projects may decrease due to the delay in funding approval for public sector projects in Hong Kong. The Hong Kong Government’s policy and public spending patterns on the civil engineering construction industry may also affect the availability of construction projects in Hong Kong.

The Group’s historical results may not be indicative of its future performance, which may vary from period to period in response to a variety of factors beyond the Group’s control, including general economic conditions, regulations pertaining to the underground construction industry in Hong Kong and the ability to secure new business in the future. Besides, adverse weather conditions, natural disasters, potential wars, terrorist attacks, riots, epidemics, pandemics (such as COVID-19) and other disasters which are beyond the Group’s control may reduce the number of workdays and therefore hinder the Group’s operations. These events may also materially and adversely affect the economic condition in Hong Kong and in turn the Group’s business and financial results. Potential wars, terrorist attacks, riots, epidemics and pandemics (such as COVID-19) may also cause uncertainties to the economic condition of Hong Kong. As a result, the Group may incur additional operational costs and the Group’s profit margin may also vary from project to project due to the aforementioned factors.

OUTLOOK OF TUNNEL AND CONSTRUCTION INDUSTRY IN HONG KONG

It is expected that there will be continuous demand for tunnel construction services in Hong Kong 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 long term sustainable source of revenue. The growth in tunnel construction industry will mainly be supported by several major infrastructure projects including Tseung Kwan O-Lam Tin Tunnel, Central Kowloon Route, Sha Tin Cavern Tunnel, Cha Kwo Ling Tunnel and the Three-runway System of Hong Kong International Airport.

In respect of the contribution of the Central Kowloon Route, Legco had approved the funding of approximately HK\$42.3 billion on 20 October 2017. As at the date of this 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

For the year ended 31 December 2020, the revenue of the Group was approximately HK\$134,572,000 (2019: approximately HK\$80,793,000), representing an increase of approximately HK\$53,779,000 or 66.6% from the previous year.

The increase in the revenue was mainly attributable to (i) an increase in revenue generated from public sector projects – tunnel construction services from approximately HK\$29,035,000 for the year ended 31 December 2019 to approximately HK\$57,375,000 for the year ended 31 December 2020; and (ii) an increase in revenue generated from public sector projects – utility construction services and others from approximately HK\$41,420,000 for the year ended 31 December 2019 to approximately HK\$73,989,000 for the year ended 31 December 2020. The increase in revenue generated from public sector projects was mainly resulted from the construction works at Tseung Kwan O-Lam Tin Tunnel and Central Kowloon Route. The revenue generated from private sector projects decreased to approximately HK\$3,208,000 for the year ended 31 December 2020 (2019: approximately HK\$10,338,000).

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 costs; and (vi) other expenses.

The Group's cost of services increased from approximately HK\$86,572,000 for the year ended 31 December 2019 to approximately HK\$115,011,000 for the year ended 31 December 2020, representing an increase of approximately HK\$28,439,000 or 32.9%. Such increase during the Reporting Period was mainly due to (i) an increase in the construction materials and supplies to approximately HK\$34,962,000 (2019: approximately HK\$23,745,000); (ii) an increase in staff costs to approximately HK\$53,135,000 (2019: approximately HK\$39,180,000); and (iii) an increase in the subcontracting costs to approximately HK\$13,764,000 (2019: approximately HK\$11,679,000).

During the Reporting Period, the Group participated in more structural works, which increased the total number of workers' workdays and relied heavily on the construction materials and supplies.

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

The gross profit and gross profit margin of the Group for the year ended 31 December 2020 was approximately HK\$19,561,000 and 14.5%, respectively (the gross loss and gross loss margin of the Group for the year ended 31 December 2019: approximately HK\$5,779,000 and 7.2%, respectively). The reported gross profit and gross profit margin of the Group for the Reporting Period was due to the generally higher profit margins of work performed on tunnel construction projects.

Other income

The Group's other income was approximately HK\$4,728,000 for the year ended 31 December 2020 (2019: approximately HK\$969,000), which was mainly attributable to the government grants of HK\$4,056,000 for GMEHK, an indirect wholly-owned subsidiary of the Company. The government grants of approximately HK\$3,986,000 were received by GMEHK from ESS under the Anti-epidemic Fund launched by the Hong Kong Government supporting the payroll of GMEHK employees. Under ESS, GMEHK committed to utilise these grants on payroll expenses, and not reduce headcount below prescribed levels for a specified period of time.

Administrative expenses

The Group's administrative 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 expenses decreased from approximately HK\$23,549,000 for the year ended 31 December 2019 to approximately HK\$22,599,000 for the year ended 31 December 2020, representing a decrease of approximately HK\$950,000 or 4.0%. The staff costs and benefits for the year ended 31 December 2020 was approximately HK\$6,472,000 (2019: approximately HK\$7,067,000), representing a decrease of approximately HK\$595,000 or 8.4%. The decrease in staff costs and benefits was mainly attributable to the decrease in the Group's administrative headcounts. The Directors' remuneration for the year ended 31 December 2020 was approximately HK\$3,414,000 (2019: approximately HK\$3,414,000).

Finance costs

The Group's finance costs increased from approximately HK\$127,000 for the year ended 31 December 2019 to approximately HK\$295,000 for the year ended 31 December 2020 due to the interest expenses on the revolving loan of approximately HK\$131,000 (2019: nil). The interest expenses on the lease liabilities was approximately HK\$164,000 during the Reporting Period (2019: approximately HK\$127,000).

Income tax

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

The income tax expenses for the year ended 31 December 2020 resulted from the movement of accelerated tax depreciation during the Reporting Period.

During the years ended 31 December 2019 and 2020, the Group did not generate any assessable profits in Hong Kong and did not recognise any tax losses as deferred tax assets as at 31 December 2020 (2019: nil).

Profit and total comprehensive income for the year attributable to the owners of the Company (“Net Profit”)/(Loss and total comprehensive expenses for the attributable to the owners of the Company) (the “Net Loss”)

The Group’s Net Profit was approximately HK\$1,008,000 for the year ended 31 December 2020, whereas the Group’s Net Loss for the year ended 31 December 2019 was approximately HK\$28,217,000. The improvement of the financial performance was as a result of the increase in revenue and gross profit margin as discussed above.

Dividends

The Board does not recommend the payment of any dividend for the year ended 31 December 2020. (2019: nil)

Liquidity, financial resources and funding

As at 31 December 2020, the Group’s cash and cash equivalents amounted to approximately HK\$6,937,000 (2019: approximately HK\$17,375,000), which were denominated in Hong Kong dollar. Such decrease was mainly due to the cash outflow for the purchases of property, plant and equipment of approximately HK\$6,689,000 during the Reporting Period.

As at 31 December 2020, the Group had a banking facility of a revolving term loan granted by a licensed bank in Hong Kong of HK\$3,000,000 at the interest rate of 1.25% per annum below the Hong Kong Prime Rate, which was secured by a corporate guarantee provided by the Company. The bank borrowing of HK\$3,000,000 as at 31 December 2020 was subsequently repaid in January 2021.

As at 31 December 2020, the lease liabilities represented the leases arrangement of the Group's office equipment, leased buildings, a machinery, and motor vehicles amounted to approximately HK\$2,307,000 (2019: approximately HK\$2,052,000). During the Reporting Period, the Group acquired a machinery for a project at Organic Waste Treatment Facilities Phase 2 and leased a staff quarter under lease arrangements of approximately HK\$2,090,000 and HK\$715,000, respectively. Such amount represented the present value of the leases payments and recognised as right-of-use assets at the commencement date of the leases. The lease payments and interest expenses on leases liabilities were approximately HK\$2,714,000 and HK\$164,000, respectively, during the Reporting Period.

The Group's gearing ratio, which is calculated by total debts divided by total equity, was approximately 30.2% as at 31 December 2020 (2019: approximately 30.9%).

Capital structure

As at 31 December 2019 and 2020, the capital structure of the Company comprised issued share capital and reserves.

Commitments

Save as disclosed in note 14 to the consolidated financial statements, there were no other capital commitments as at 31 December 2020.

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

There was no significant investments, material acquisitions or disposal of subsidiaries and associated companies by the Company for the year ended 31 December 2020.

Contingent liabilities

As at 31 December 2020, there were a number of labour claims lodged against the Group arising from the ordinary course of its civil engineering construction business. No specific claim amount has been specified in the applications of these claims.

It is anticipated that the outflow of resources required in settling these claims, if any, is remote and furthermore, these claims are usually covered by insurance maintained by the relevant main contractors. Therefore, the ultimate liability under these claims would not have a material adverse impact on the financial position or performance of the Group. No provision for the contingent liabilities in respect of the litigations is necessary.

As at 31 December 2020, the Group provided 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\$9,169,000 (2019: approximately HK\$12,767,000) in relation to two public construction contracts of the Group (2019: three) in the ordinary course of business. It is anticipated that this amount is the maximum exposure to the Group when the Group fails to provide satisfactory performance to its customers to whom the surety bond has been given. It is not probable that this insurance company would claim the Group for losses in respect of the guarantee contracts as it is unlikely that the Group would be unable to fulfil the performance requirements of the relevant contract. The surety bonds as at 31 December 2020 are expected to be released in accordance with the terms of the respective construction contracts. Save for the guarantee given on the surety bonds, the Group has no other material contingent liabilities.

Foreign currency exposure

The Group's reporting currency is Hong Kong dollar. During the years ended 31 December 2019 and 2020, the Group's transactions were mainly denominated in Hong Kong dollar.

Charges on the Group's assets

The Group had placed cash collateral of approximately HK\$3,900,000 (2019: approximately HK\$4,260,000) to an insurance company in Hong Kong for the provision of the surety bonds for two of the public construction projects (2019: three). For details of the surety bonds, please refer to the paragraph headed "Contingent liabilities" above. Saved for the foregoing, the Group did not have any charges on its assets.

Information on employees

As at 31 December 2020, the Group had 290 employees (2019: 322), which comprises 6 management (2019: 6), 10 technical staff (2019: 5), 12 administration, accounting and human resources staff (2019: 14) and 262 workers (2019: 297) in Hong Kong.

Employee remuneration package is based on previous working experience and actual performance of each individual employee. Apart from the basic salary, discretionary bonus and allowance will be granted to employees based on their individual performance subject to the executive Directors' approval. The total staff costs (included in cost of services and administrative expenses) and Directors' remuneration amounted to approximately HK\$63,021,000 for the year ended 31 December 2020 (2019: approximately HK\$49,661,000). Such increase was mainly resulted from the increase in staff costs in the cost of services which was in line with the increase in revenue and the increase of the average headcount of workers and their total number of workdays during the Reporting Period.

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

Events after the Reporting Period

Save as disclosed in note 14 to the consolidated financial statement, no other event has occurred after 31 December 2020 and up to the date of this announcement which would have material effect on the Group.

OTHER INFORMATION

Corporate governance practices

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

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

During the year ended 31 December 2020, the Directors considered that the Company has complied with the CG Code.

Code of conduct for securities transactions by Directors

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

Pursuant to Rule 5.56(a)(ii) 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 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 9 November 2020, the same day on which the Company published its third quarterly results for the nine months ended 30 September 2020 after market closed, Ms. To Yin Ping, a substantial shareholder of the Company under the definition of the SFO, inadvertently purchased 12,000 Shares through a broker at the consideration of HK\$0.08 per Share (the “**Share Purchase**”), which occurred during the Black-out Period. Ms. To Yin Ping is the spouse of Mr. Chuang Wei Chu (an executive Director of the Company) and mother to both Mr. Chuang Chun Ngok Boris (the chairman of the Company) and Ms. Chuang Yau Ka (the “**Chuang Family**”). The Chuang Family are parties acting in concert pursuant to a deed dated 21 March 2016. Ms. To Ying Ping informed Mr. Chuang Chun Ngok Boris of the Share Purchase in the evening on the same day.

On 10 November 2020, the company secretary of the Company (the “**Company Secretary**”) had by way of telephone orally informed the Listing Department of the Stock Exchange about the Share Purchase. The Chuang Family also submitted the disclosure of interests forms with the Stock Exchange in accordance with the requirements under the SFO in the afternoon on the same day. The Company immediately re-circulated the inside information manual and a reminder to all Directors regarding the prohibition of dealing in securities of the Company during the Black-out Period to avoid the re-occurrence of similar incidents in the future and formally submitted a notification of the non-compliance of the Required Standard of Dealings to the Stock Exchange in the evening on the same day.

On 7 December 2020, the Board, senior management of the Company (“**Senior Management**”), Company Secretary and other relevant persons (including family members) completed an internal training conducted by the legal advisors of the Company, Howse Williams, on GEM Listing Rules compliance, in particular with regard to the Required Standard of Dealings, Directors’ duties and corporate governance.

On 24 December 2020, the Board reviewed and enhanced the internal control measures of the Company regarding procedures on Directors’ dealing (including spouses). On 6 March 2021, the Board appointed SHINGWING Risk Services Limited as an independent internal control consultant to review and strengthen the internal controls in relation to the Required Standard of Dealings from 10 November 2020 to 31 January 2021. The independent internal control consultant reported the review results to the audit committee of the Board (the “**Audit Committee**”) on 23 March 2021. Based on the review results, the Company has implemented a specific procedure to mitigate the risk of re-occurrence of incidents similar to the Share Purchase. The Company Secretary shall obtain the acknowledgement of receipt of the memorandum for the Black-out Period from the Directors, Senior Management and relevant parties (including family members) before the commencement of each Black-out Period.

The Company had made specific enquiry with the Directors. Save and except for the incident of the Share Purchase mentioned above, all Directors confirmed that they had fully complied with the Required Standard of Dealings set out in the Code of Conduct and there was no other event of non-compliance during the year ended 31 December 2020.

Annual general meeting and closure of the register of members

The annual general meeting of the Company will be held on Tuesday, 29 June 2021 (“AGM”). The register of members of the Company will be closed from Wednesday, 23 June 2021 to Tuesday, 29 June 2021 (the “closure period”), both days inclusive, for the purposes of determining the entitlements of the shareholders of the Company to attend and vote at the forthcoming AGM. During this closure period, no transfer of the Shares will be registered. In order to qualify for attending and voting at the AGM, all transfers, accompanied by the relevant Share certificates must be lodged with the Company’s Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong, for registration no later than 4:30 p.m. on Tuesday, 22 June 2021.

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 14 August 2020; and (iii) the financial advisory mandate entered into between the Company and Altus dated 6 March 2017, neither Altus nor any of its directors, employees or associates had any interests in relation to the Group which requires to be notified to the Company pursuant to Rule 6A.32 of GEM Listing Rules.

Audit Committee

The Group has established the Audit Committee pursuant to a resolution of the Board passed on 10 February 2017 in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules and with written terms of reference in compliance with the CG Code. The written terms of reference was revised pursuant to a resolution of the Board passed on 25 March 2019. The primary duties of the Audit Committee include (i) making recommendations to the Board on the appointment, reappointment and removal of the external auditor; (ii) reviewing and supervising the financial statements and material advice in respect of financial reporting; (iii) overseeing internal control procedures and corporate governance of the Company; (iv) supervising internal control and risk management systems of the Group; and (v) monitoring continuing connected transactions (if any).

The Audit Committee currently consists of all three of 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 of the Audit Committee is Mr. Lau Chun Fai Douglas, who holds the appropriate professional qualifications as required under Rules 5.05(2) and 5.28 of the GEM Listing Rules.

The annual results of the Group for the year ended 31 December 2020 has been reviewed by the Audit Committee.

Scope of work of BDO Limited

The figures in respect of the Group's consolidated statement of the financial position, consolidated statement of comprehensive income, and the related notes thereto for the year ended 31 December 2020 as set out in the preliminary announcement have been agreed by the Group's auditor, BDO Limited, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2020. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by BDO Limited on the preliminary announcement.

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

Pursuant to the requirements of the GEM Listing Rules, the 2020 annual report of the Company will set out all information required by the GEM Listing Rules and will be published on the GEM website at www.hkgem.com and the Company's website at www.gmehk.com on or before 31 March 2021.

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

Hong Kong, 23 March 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.