



**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 2022**

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

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

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

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*This 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 2022 (the “**Reporting Period**”), together with the comparative audited figures for the year ended 31 December 2021, are as follows:

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*For the year ended 31 December 2022*

		<b>2022</b>	2021
	<i>Notes</i>	<b><i>HK\$’000</i></b>	<i>HK\$’000</i>
Revenue	5	<b>440,528</b>	443,548
Cost of services		<u><b>(426,601)</b></u>	<u>(411,175)</u>
Gross profit		<b>13,927</b>	32,373
Other income	6	<b>17,251</b>	4,319
Administrative expenses		<b>(25,154)</b>	(25,402)
Finance costs		<u><b>(1,267)</b></u>	<u>(241)</u>
Profit before income tax	7	<b>4,757</b>	11,049
Income tax credit/(expense)	8	<u><b>1,045</b></u>	<u>(601)</u>
Profit and total comprehensive income for the year		<u><b>5,802</b></u>	<u>10,448</u>
<b>Profit and total comprehensive income attributable to:</b>			
Owners of the Company		<b>5,804</b>	10,451
Non-controlling interests		<u><b>(2)</b></u>	<u>(3)</u>
		<u><b>5,802</b></u>	<u>10,448</u>
<b>Earnings per share</b>			
– Basic and diluted ( <i>HK cents</i> )	10	<u><b>1.19</b></u>	<u>2.14</u>

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	<i>Notes</i>	<b>2022</b> <b>HK\$'000</b>	2021 HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment		13,744	17,559
Deferred tax assets		627	–
		<u>14,371</u>	<u>17,559</u>
<b>Current assets</b>			
Contract assets		83,782	42,660
Trade and other receivables	11	44,958	82,300
Amount due from a minority shareholder of a subsidiary		400	400
Pledged bank deposits		2,004	–
Cash at bank and in hand		11,431	5,430
		<u>142,575</u>	<u>130,790</u>
<b>Current liabilities</b>			
Trade and other payables	12	36,045	63,820
Bank borrowings, secured		40,000	17,000
Amount due to a director		10,000	–
Lease liabilities		779	2,598
		<u>86,824</u>	<u>83,418</u>
<b>Net current assets</b>		<u>55,751</u>	<u>47,372</u>
<b>Total assets less current liabilities</b>		<u>70,122</u>	<u>64,931</u>
<b>Non-current liabilities</b>			
Lease liabilities		526	719
Deferred tax liabilities		–	418
		<u>526</u>	<u>1,137</u>
<b>NET ASSETS</b>		<u>69,596</u>	<u>63,794</u>
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	13	4,878	4,878
Reserves		64,330	58,526
		<u>69,208</u>	<u>63,404</u>
Non-controlling interests		388	390
<b>TOTAL EQUITY</b>		<u>69,596</u>	<u>63,794</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 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**") 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 2022

The Hong Kong Institute of Certified Public Accountants ("**HKICPA**") has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group:

Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments Improvement to HKFRS	Annual Improvements to HKFRS 2018-2020
Revised Accounting Guideline 5	Merger Accounting for Common Control Combination (AG5)

## 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 of the Company 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 amendments of the standards above has no material impact on the Group’s results and financial position for the current or prior period. The Group has not early applied any new or amended HKFRSs that is not yet effective for the current accounting period.

### (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.

HKFRS 17	Insurance Contracts and the related amendments <sup>1</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
Amendments to HKFRS 1	Classification of Liabilities as Current or Non-current, Non-Current Liabilities with Covenants and the related amendments to Hong Kong Interpretation 5 (2022) <sup>2</sup>
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting policies <sup>1</sup>
Amendments to HKAS 8	Definition of Accounting Estimates <sup>1</sup>
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a single transaction <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2023.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2024.

<sup>3</sup> Effective for annual periods beginning on or after a date to be determined.

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 Rules Governing the Listing Securities on GEM of the Stock Exchange.

#### **(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:

	<b>2022</b>	2021
	<b>HK\$'000</b>	<b>HK\$'000</b>
Customer C	<b>94,934</b>	N/A
Customer B	<b>92,349</b>	122,644
Customer L	<b>88,816</b>	122,692
Customer S	<b>80,188</b>	124,257
	<b><u>80,188</u></b>	<b><u>124,257</u></b>

N/A: The relevant revenue for the year ended 31 December 2021 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.

	<b>2022</b>	2021
	<b>HK\$'000</b>	<b>HK\$'000</b>
Public tunnel projects	<b>223,521</b>	229,986
Public utilities construction services and other projects ( <i>Note</i> )	<b>209,705</b>	210,657
Private projects	<b>7,302</b>	2,905
	<b><u>440,528</u></b>	<b><u>443,548</u></b>

*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.

	<b>2022</b>	2021
	<b>HK\$'000</b>	HK\$'000
Trade receivables ( <i>Note 11</i> )	<b>36,178</b>	74,423
Contract assets	<b>83,782</b>	42,660

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 services. 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 2022, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts is approximately HK\$985,703,000 (2021: HK\$298,048,000). 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 3 years (2021: 1 to 2 years).

## 6. OTHER INCOME

	<b>2022</b>	2021
	<b>HK\$'000</b>	HK\$'000
Bank interest income	<b>8</b>	–
Government grants ( <i>Note</i> )	<b>14,546</b>	2,541
Sundry income	<b>1,406</b>	1,018
Reimbursement from a main contractor	<b>1,269</b>	674
Gain on disposal of property, plant and equipment	<b>22</b>	86
	<b>17,251</b>	4,319

*Note:*

During the year ended 31 December 2022, the government grants of approximately HK\$14,546,000 (2021: HK\$2,541,000) were received by Good Mind Engineering Limited (“GMEHK”), an indirect wholly-owned subsidiary of the Company. The government grants include amount of HK\$14,546,000 (2021: HK\$2,314,000) 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 payable of GMEHK's employee; and amount of HK\$Nil (2021: HK\$227,000) from Employment Support Scheme for the Construction Sector (Casual Employees) (“ESSC”) launched by the Construction Industry Council supporting the payroll of GMEHK's employees.

Under both ESSC and ESS scheme, 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 these programs.



## 7. PROFIT BEFORE INCOME TAX

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

	<b>2022</b>	2021
	<b>HK\$'000</b>	HK\$'000
Included in cost of services:		
– Construction materials and supplies	<b>99,016</b>	131,502
– Subcontracting costs	<b>40,853</b>	53,507
Auditor's remuneration	<b>680</b>	600
Gain on disposal of property, plant and equipment	<b>(22)</b>	(86)
Impairment loss on other receivables	<b>–</b>	350
(Reversal)/provision of impairment loss on trade receivables	<b>(155)</b>	208
(Reversal)/provision of impairment loss on contract assets	<b>(238)</b>	348
Depreciation charges:		
– Owned property, plant and equipment	<b>6,548</b>	5,581
– Right-of-use-assets included within		
– Leased properties	<b>1,555</b>	1,576
– Office equipment	<b>15</b>	15
– Plant and machinery	<b>667</b>	627
– Motor vehicles	<b>265</b>	124
Consultancy fees	<b>2,786</b>	2,778
Lease payment not included in the measurement of lease liabilities		
– Leased properties (included in cost of services and administrative expenses)	<b>432</b>	432
– Plant and machinery (included in cost of services)	<b>37,098</b>	24,802
Employee benefit expenses	<b>246,230</b>	200,728

## 8. INCOME TAX (CREDIT)/EXPENSE

The amount of income tax (credit)/expense in the consolidated statement of comprehensive income represents:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Current tax – Hong Kong profits tax		
Charge for the year	–	–
Deferred tax	<u>(1,045)</u>	<u>601</u>
Income tax (credit)/expense	<u><u>(1,045)</u></u>	<u><u>601</u></u>

Hong Kong profits tax is calculated at 16.5% (2021: 16.5%) of the estimated assessable profits for the year. According to the Inland Revenue (Amendment) Bill 2017 (the “**Bill**”) which was substantively enacted after passing its Third Reading in the Legislative Council 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 2022 and 2021.

## 9. DIVIDEND

The Directors do not recommend the payment of any dividend in respect of the years ended 31 December 2022 and 2021.

## 10. EARNINGS PER SHARE

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

	<b>2022</b>	2021
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Profit for the year attributable to owners of the Company	<u><b>5,804</b></u>	<u>10,451</u>
	<b>Number</b>	Number
	<b>of shares</b>	of shares
Weighted average number of ordinary shares during the year used in the basic earnings per share calculation	<u><b>487,808,000</b></u>	<u>487,808,000</u>

*Note:*

The diluted earnings per share was same as basic earnings per share as there was no potential share outstanding for each of the years ended 31 December 2022 and 2021.

## 11. TRADE AND OTHER RECEIVABLES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade receivables ( <i>Note</i> )	36,807	75,207
Less: Impairment loss	<u>(629)</u>	<u>(784)</u>
	<b><u>36,178</u></b>	<b><u>74,423</u></b>
Prepayments, deposits and other receivables	9,130	8,227
Less: Impairment loss	<u>(350)</u>	<u>(350)</u>
	<u>8,780</u>	<u>7,877</u>
	<b><u>44,958</u></b>	<b><u>82,300</u></b>

### *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 2022 and 2021.

An ageing analysis of trade receivables as at the end of Reporting Period, based on the invoice dates and net of loss allowance is as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Less than 1 month	26,591	48,989
1 to 3 months	9,587	25,434
More than 3 months but less than one year	<u>–</u>	<u>–</u>
	<b><u>36,178</u></b>	<b><u>74,423</u></b>

## 12. TRADE AND OTHER PAYABLES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade payables ( <i>Note</i> )	17,376	17,961
Other payables and accruals	<u>18,669</u>	<u>45,859</u>
	<u><u>36,045</u></u>	<u><u>63,820</u></u>

*Note:*

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Less than 1 month	4,721	5,573
1 to 3 months	6,870	10,447
More than 3 months but less than one year	5,667	1,823
More than one year	<u>118</u>	<u>118</u>
	<u><u>17,376</u></u>	<u><u>17,961</u></u>

The trade payables are non-interest bearing and generally have payment terms ranging from 0 to 30 days.

## 13. SHARE CAPITAL

	<b>The Company</b>	
	<b>Number of shares</b>	<b>Amount HK\$'000</b>
Authorised:		
Ordinary shares of HK\$0.01 each		
As at 31 December 2021, 1 January 2022 and 31 December 2022	<u>2,000,000,000</u>	<u>20,000</u>
Issued and fully paid:		
Ordinary shares of HK\$0.01 each		
As at 31 December 2021, 1 January 2022 and 31 December 2022	<u>487,808,000</u>	<u>4,878</u>

## 14. CAPITAL COMMITMENT

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Commitments for the acquisition of:		
Property, plant and equipment	<u>2,386</u>	<u>410</u>

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

The Group is an established subcontractor engaged in civil engineering works which operates solely in Hong Kong. GMEHK, an indirect wholly-owned subsidiary of the Company, is a Group 2 Registered Specialist Trade Contractor with various trades qualification under the Construction Industry Council. 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 had submitted certain number of tenders to main contractors, the results of which were still pending.

During the year ended 31 December 2022, the Group had secured 17 public construction projects and five private sector projects with aggregate secured contract sums and confirmed variation orders of approximately HK\$927,513,000 and approximately HK\$4,471,000, respectively (the "**Newly Awarded Contracts**"). Among these 17 public construction projects, on 19 August 2022, GMEHK was awarded two construction contracts for infrastructure works in Tung Chung East, including (i) reinforced concrete for common utility tunnel, bridge, underpass, and cycle subway; and (ii) reinforced concrete works for eastern and western sewage pumping stations and common utility tunnel supporting building with a total contract sum of approximately HK\$711,377,000. The construction works of these Tung Chung East projects commenced in August 2022 and are expected to be completed at the end of 2025.

During the year ended 31 December 2022, the Group had been engaged in 43 public sector projects (2021: 35) and six private sector projects (2021: three). 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 2022 to be recognised as revenue after the Reporting Period was approximately HK\$985,703,000. Subsequent to the Reporting Period, GMEHK was also awarded with the construction contracts for the infrastructure works at Trunk Road T2 and five private projects with the total secured contract sum of approximately HK\$27,405,000.

To maintain consistent quality services for all customers, the Group has established a formal quality management system which is certified to be in compliance with the requirements of ISO 9001:2015. The Group has in-house quality assurance requirements specifying, amongst other things, specific work procedures for performing various types of works, responsibilities of personnel of different levels, and accident reporting. Compliance with these quality assurance requirements is mandatory for all workers of the Group.

## **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 the coronavirus disease (“COVID-19”)) and other disasters which are beyond the Group’s control.

## 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 and the Three-runway System of the 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 Central Kowloon Route, Sha Tin Cavern Tunnel, Cha Kwo Ling Tunnel and the Three-runway System of the 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 had 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.

Recently, the Airport Authority Hong Kong has awarded several major construction contracts to the main contractors, which includes: (i) tunnels and related works for an automatic people mover and baggage handling system; (ii) expansion works at Terminal 2; (iii) North runway modification works and (iv) Third Runway Concourse and Apron Works. Such construction works form major parts of the Three-runway System of the Hong Kong International Airport and consists of underground construction works.

The Group observes that these public infrastructure projects are coming on full stream in 2023. 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 year ended 31 December 2022. The following table sets out the breakdown of the Group's revenue by project types for the periods indicated:

	For the year ended 31 December			
	2022	2022	2021	2021
	HK\$'000	% of total revenue	HK\$'000	% of total revenue
Public sector projects				
– Tunnel construction services	223,521	50.7	229,986	51.9
– Utility construction services and others	209,705	47.6	210,657	47.4
Sub-total	433,226	98.3	440,643	99.3
Private sector projects	7,302	1.7	2,905	0.7
Total	440,528	100.0	443,548	100.0

The Group's revenue decreased from approximately HK\$443,548,000 for the year ended 31 December 2021 to approximately HK\$440,528,000 for the year ended 31 December 2022, representing a decrease of approximately HK\$3,020,000 or 0.7%. The decrease in revenue was due to the net effect of: (i) a decrease in revenue generated from tunnel construction projects in the public sector from approximately HK\$229,986,000 for the year ended 31 December 2021 to approximately HK\$223,521,000 for the year ended 31 December 2022, representing a decrease of approximately HK\$6,465,000 or 2.8%; (ii) a decrease in revenue generated from utility construction services and others in the public sector from approximately HK\$210,657,000 for the year ended 31 December 2021 to approximately HK\$209,705,000 for the year ended 31 December 2022, representing a decrease of approximately HK\$952,000 or 0.5%; and (iii) an increase in revenue generated from the private sector from HK\$2,905,000 for the year ended 31 December 2021 to HK\$7,302,000 for the year ended 31 December 2022, representing an increase of HK\$4,397,000 or 151.4%. Such slight decrease in revenue was mainly attributable to the reconciliation process of the variation orders and final accounts for the construction works at Tseung Kwan O-Lam Tin Tunnel and Organic Resources Recovery Centre during the Reporting Period.

## **Cost of services**

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

The Group's cost of services increased from approximately HK\$411,175,000 for the year ended 31 December 2021 to approximately HK\$426,601,000 for the year ended 31 December 2022, representing an increase of approximately HK\$15,426,000 or 3.8%. Such increase was mainly due to net effect of: (i) an increase in the staff costs from approximately HK\$189,766,000 for the year ended 31 December 2021 to approximately HK\$233,673,000 for the year ended 31 December 2022, representing an increase of approximately HK\$43,907,000 or 23.1%; and (ii) the decrease in the construction materials and supplies from approximately HK\$131,502,000 for the year ended 31 December 2021 to approximately HK\$99,016,000 for the year ended 31 December 2022, representing a decrease of approximately HK\$32,486,000 or 24.7%.

The purchase arrangement of construction materials and supplies depends on the terms of the contracts, which may vary on a project-by-project basis. The increase in staff costs was due to the increase in volume of works for the completion of the Tseung Kwan O-Lam Tin Tunnel during the Reporting Period.

## **Gross profit and gross profit margin**

The gross profit and gross profit margin of the Group for the year ended 31 December 2022 were approximately HK\$13,927,000 and 3.2%, respectively (2021: approximately HK\$32,373,000 and 7.3%, respectively). During the Reporting Period, the Group engaged more structural works that relied heavily on skilled workers for the completion of the Tseung Kwan O-Lam Tin Tunnel, which had a negative impact on the gross profit margin. In addition, the variation orders and final accounts of some construction projects were not yet finalised between the Group and the main contractors, which resulted in the decrease of the gross profit margin of the Group during the Reporting Period.

## **Other income**

The Group's other income was approximately HK\$17,251,000 for the year ended 31 December 2022 (2021: approximately HK\$4,319,000), which was mainly attributable to the government grants of approximately HK\$14,546,000 (2021: approximately HK\$2,314,000) from the Employment Support Scheme under the Anti-epidemic Fund launched by the Hong Kong Government for GMEHK.

## **Administrative expenses**

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

The Group's administrative expenses decreased slightly from approximately HK\$25,402,000 for the year ended 31 December 2021 to approximately HK\$25,154,000 for the year ended 31 December 2022, representing a decrease of approximately HK\$248,000 or 0.01%. The staff costs and benefits for the year ended 31 December 2022 was approximately HK\$9,143,000 (2021: approximately HK\$7,548,000), representing an increase of approximately HK\$1,595,000 or 21.1%. The Directors' remuneration was approximately HK\$3,414,000 (2021: approximately HK\$3,414,000) during the Reporting Period.

## **Finance costs**

The Group's finance costs increased from approximately HK\$241,000 for the year ended 31 December 2021 to approximately HK\$1,267,000 for the year ended 31 December 2022 due to the increase in interest expenses on the bank borrowings as well as increase in total bank borrowings 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 year ended 31 December 2022 mainly resulted from the recognition of the tax losses as deferred tax assets during the Reporting Period.

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

The Group's Net Profit for the year ended 31 December 2022 was approximately HK\$5,804,000 (2021: approximately HK\$10,451,000). Such decrease in the Net Profit was mainly due to the decrease in revenue and gross profit during the Reporting Period as discussed above.

## **Dividends**

The Board does not recommend the payment of any dividend for the year ended 31 December 2022 (2021: nil).

## **Liquidity, financial resources and funding**

As at 31 December 2022, the Group's cash at banks and in hand amounted to approximately HK\$11,431,000 (2021: approximately HK\$5,340,000), which were denominated in Hong Kong dollar. Such increase was mainly due to the cash inflow generated from the financing activities during the Reporting Period.

On 23 August 2021, GMEHK received a banking facility letter of a revolving loan granted by a licensed bank in Hong Kong of HK\$18,000,000 at an interest rate of 1% per annum below the Hong Kong Prime Rate under the SME Financing Guarantee Scheme, which is secured by personal guarantees executed by the Controlling Shareholders. On 9 December 2022, GMEHK has entered into another bank facility letter with the same bank, for which the bank provided bank facilities of revolving loan and import invoice discounting for two construction contracts of GMEHK up to an aggregate amount of HK\$30,000,000 at an interest rate of 0.5% per annum below the Hong Kong Prime Rate, which is secured by personal guarantees executed by Chuang Chun Ngok Boris and Mr. Chuang Wei Chu, the executive Directors, and a corporate guarantee by the Company. Pursuant to this facility letter, the Controlling Shareholders shall at all times collectively maintain not less than 50% of the issued share capital of the Company. Besides, Mr. Chuang Chun Ngok Boris shall remain as the chairman of the Company.

On the other hand, on 10 December 2021, GMEHK received another banking facility letter of export invoice discounting with another licensed bank in Hong Kong of HK\$12,000,000 at an interest rate of 3.5% per annum over the higher of HIBOR and the bank's cost of fund, which is secured by a corporate guarantee by the Company.

As at 31 December 2022, the Group had bank borrowings of HK\$40,000,000.

As at 31 December 2022, the lease liabilities represented the leases arrangement of the Group's office equipment, office premise and staff quarters, machineries, and motor vehicles amounted to approximately HK\$1,305,000 (2021: approximately HK\$3,317,000). The lease payments and interest expenses on leases liabilities of approximately HK\$2,847,000 (2021: approximately HK\$2,661,000) and HK\$118,000 (2021: approximately HK\$171,000), respectively.

The Group's gearing ratio, which is calculated by total debts divided by total equity, was approximately 102% as at 31 December 2022 (2021: approximately 104%).

## **Capital structure**

As at 31 December 2021 and 2022, 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 capital commitments of approximately HK\$2,386,000 for the acquisition of property, plant and equipment as at 31 December 2022.

## **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 2022.

## **Future plans for material investments and capital assets**

The Group did not have other plans for material investment or capital assets as at 31 December 2022.

## **Contingent liabilities**

As at 31 December 2022, 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 2022, 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\$7,889,000 (2021: approximately HK\$9,169,000) in relation to a public construction contract of the Group (2021: two public construction contracts) 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 bond as at 31 December 2022 was released on 28 February 2023 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 2021 and 2022, 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\$3,450,000 (2021: 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 (2021: two). 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. Also, the Group had pledged bank deposits of HK\$2,004,000 to secure the export invoice discounting bank facility as of 31 December 2022 (2021: nil).

## **Information on employees**

As at 31 December 2022, the Group had 542 employees (2021: 913), which comprises 6 management staff (2021: 6), 22 technical staff (2021: 20), 10 administration, accounting and human resources staff (2021: 14) and 504 construction workers (2021: 873) 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\$246,230,000 for the year ended 31 December 2022 (2021: approximately HK\$200,728,000). Such increase was mainly resulted from the increase in staff costs in the cost of services 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**

No event has occurred after 31 December 2022 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 (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 and enable the evaluation by the Company's shareholders of such application.

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 2022, 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**”).

The Company had made specific enquiry with the Directors and all Directors confirmed that they had fully complied with the Required Standard of Dealings set out in the Code of Conduct during the year ended 31 December 2022.

### **Purchase, Sale or Redemption of the Company’s Listed Shares**

Neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company’s listed securities during the Reporting Period.

### **Annual general meeting and closure of the register of members**

The annual general meeting of the Company will be held on Friday, 19 May 2023 (“**AGM**”). The register of members of the Company will be closed from Monday, 15 May 2023 to Friday, 19 May 2023 (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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration no later than 4:30 p.m. on Friday, 12 May 2023.

## **Audit Committee**

The Group has established the audit committee of the Company (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 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 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 2022 have been reviewed by the Audit Committee.

## **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 of the Stock Exchange; (ii) the compliance adviser agreement entered into between the Company and Altus dated 26 April 2016 and extended on 31 March 2020, 14 August 2020, 24 March 2021, 11 August 2021, 24 March 2022 and 16 August 2022; 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.

## **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 2022 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 2022. 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 2022 annual report of the Company will set out all information required by the GEM Listing Rules and will be published on the Stock Exchange's website at [www.hkexnews.hk](http://www.hkexnews.hk) and the Company's website at [www.gmehk.com](http://www.gmehk.com) on or before 31 March 2023.

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

Hong Kong, 23 March 2023

*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 Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) for at least seven days from the date of its posting and on the Company's website at [www.gmehk.com](http://www.gmehk.com).*