



GME Group Holdings Limited

駿傑集團控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 8188)

THIRD QUARTERLY REPORT /
2023

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

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CORPORATE INFORMATION

Board of Directors

Executive Directors

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

Independent non-executive Directors

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

Audit Committee

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

Remuneration Committee

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

Nomination Committee

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

Compliance Officer

Mr. Chuang Chun Ngok Boris

Company Secretary

Mr. Sze Kevin Chun Kit HKFCG(PE) FCPA
E-mail: companysecretary@gmehk.com
Fax: +852 3105 1881

Authorised Representatives

Mr. Chuang Chun Ngok Boris
Mr. Sze Kevin Chun Kit

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Cayman Islands

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Hong Kong Branch Share Registrar and Transfer Office

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Hong Kong

Auditor

BDO Limited
Registered Public Interest Entity Auditor
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Legal Advisers as to Hong Kong Laws

Howse Williams
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Hong Kong

Compliance Adviser

Altus Capital Limited
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Hong Kong

Principal Bankers

Bank of China (Hong Kong) Limited

Citibank, N.A., Hong Kong Branch

Dah Sing Bank, Limited

DBS Bank (Hong Kong) Limited

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Stock Code

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FINANCIAL HIGHLIGHTS (UNAUDITED)

The board of Directors (the “**Board**”) of the Company hereby announces the unaudited condensed consolidated third quarterly results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the nine months ended 30 September 2023 (the “**Reporting Period**”), together with the unaudited comparative figures for the corresponding period in 2022.

The Group’s revenue decreased from approximately HK\$319,053,000 for the nine months ended 30 September 2022 to approximately HK\$305,907,000 for the nine months ended 30 September 2023, representing a decrease of approximately HK\$13,146,000 or 4.1%. Such decrease was mainly attributable to the delay in site handover and the reconciliation process of the variation orders for the construction works during the Reporting Period.

The gross profit and gross profit margin of the Group for the nine months ended 30 September 2023 were approximately HK\$25,486,000 and 8.3%, respectively (for the nine months ended 30 September 2022: approximately HK\$17,721,000 and 5.6%, respectively). During the Reporting Period, the increase in gross profit and gross profit margin was mainly attributable to participating in several public tunnel construction projects with higher gross profit margin.

The Group’s profit and total comprehensive income for the period attributable to the owners of the Company (“**Net Profit**”) for the nine months ended 30 September 2023 were approximately HK\$4,490,000 (for the nine months ended 30 September 2022: approximately HK\$16,257,000). Such decrease in Net Profit was mainly due to the recognition of one-off other income for the government grants from Employment Support Scheme (“**ESS**”) in 2022.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the nine months ended 30 September 2023

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Revenue	4	75,624	103,257	305,907	319,053
Cost of services		(68,407)	(102,715)	(280,421)	(301,332)
Gross profit		7,217	542	25,486	17,721
Other income	5	891	8,625	913	17,177
Administrative expenses		(6,815)	(6,128)	(19,808)	(18,243)
Finance costs		(1,029)	(339)	(2,600)	(838)
Profit before income tax	6	264	2,700	3,991	15,817
Income tax	7	49	120	497	438
Profit for the period		313	2,820	4,488	16,255
Profit and total comprehensive income for the period attributable to:					
Owners of the Company		314	2,821	4,490	16,257
Non-controlling interests		(1)	(1)	(2)	(2)
		313	2,820	4,488	16,255
Earnings per share					
– Basic and diluted (HK cents)	9	0.06	0.58	0.92	3.33

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2023

	Attributable to the owners of the Company						Non-controlling interests	Total
	Share capital	Share premium	Capital reserve	Other reserve	Retained earnings	Total		
	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)		
For the nine months ended 30 September 2023								
As at 1 January 2023	4,878	90,753	90	(36,104)	9,591	69,208	388	69,596
Profit for the period	-	-	-	-	4,490	4,490	(2)	4,488
As at 30 September 2023	4,878	90,753	90	(36,104)	14,081	73,698	386	74,084
For the nine months ended 30 September 2022								
As at 1 January 2022	4,878	90,753	90	(36,104)	3,787	63,404	390	63,794
Profit for the period	-	-	-	-	16,257	16,257	(2)	16,255
As at 30 September 2022	4,878	90,753	90	(36,104)	20,044	79,661	388	80,049

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 30 September 2023

1. GENERAL INFORMATION

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

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

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

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements of the Group for the nine months ended 30 September 2023 (the “**Unaudited Condensed Consolidated Financial Statements**”) have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRS**”), Hong Kong Accounting Standards (“**HKAS**”) and Interpretations (hereinafter collectively referred to as the “**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and the applicable disclosures required by the GEM Listing Rules.

The Unaudited Condensed Consolidated Financial Statements do not include all of the information and disclosures required in the annual consolidated financial statements and hence should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2022 (the “**2022 Consolidated Financial Statements**”), which have been prepared in accordance with HKFRSs and the disclosure requirements of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong).

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

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

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

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

The accounting policies applied and the method of computation used in the preparation of the Unaudited Condensed Consolidated Financial Statements are consistent with those adopted in the preparation of the 2022 Consolidated Financial Statements.

For the purpose of preparing and presenting the financial information of the Unaudited Condensed Consolidated Financial Statements, the Group has consistently adopted HKFRSs issued by HKICPA which are effective for the Group's financial year beginning on 1 January 2023. The Group has not early applied the new and revised HKFRSs that have been issued by HKICPA but are yet to be effective.

3. SEGMENT INFORMATION

Operating segments

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

Geographical information

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

3. SEGMENT INFORMATION (Continued)

Information about major customers

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

	Three months ended 30 September		Nine months ended 30 September	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Customer B	N/A	25,221	N/A	76,124
Customer C	25,824	33,483	82,610	64,312
Customer L	N/A	25,170	N/A	75,410
Customer M	28,960	N/A	161,096	N/A
Customer S	N/A	11,376	N/A	66,303

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

4. REVENUE

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

5. OTHER INCOME

	Three months ended		Nine months ended	
	30 September		30 September	
	2023	2022	2023	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Interest income	17	-	21	-
Government grants (Note)	-	8,430	-	14,546
Reimbursement from main contractors	-	-	-	1,269
Rental income	146	-	146	337
Sales of surplus materials	-	12	-	175
Gain on disposal of property, plant and equipment	-	22	-	22
Sundry income	728	161	746	828
	891	8,625	913	17,177

Note:

The government grants were received by Good Mind Engineering Limited (“GMEHK”), an indirect wholly-owned subsidiary of the Company, from the ESS in 2022 under the Anti-epidemic Fund launched by the Government of Hong Kong Special Administrative Region (the “**Hong Kong Government**”), which were used to support the payroll of GMEHK’s employees. Under the ESS, GMEHK is required to utilise these grants on payroll expenses, and not to reduce the employee headcount below certain prescribed level for a specified period of time. GMEHK does not have other unfulfilled obligations relating to this programme.

6. PROFIT BEFORE INCOME TAX

Profit before income tax expense is arrived at after charging:

	Three months ended 30 September		Nine months ended 30 September	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Included in cost of services:				
– Subcontracting costs	3,541	11,382	14,419	29,444
– Construction materials and supplies	13,943	19,945	97,450	48,416
Auditor's remuneration	171	150	513	450
Depreciation charges:				
– Owned property, plant and equipment	1,670	1,586	5,197	4,823
– Right-of-use-assets included within				
– Leased properties	359	249	1,077	1,181
– Office equipment	4	4	11	11
– Plant and machinery	291	189	900	561
– Motor vehicles	120	38	260	141
Consultancy fees	669	665	2,351	2,057
Lease payment not included in the measurement of lease liabilities:				
– Leased properties (included in cost of services and administrative expenses)	108	303	324	519
– Short-term leases of plant and machinery (included in cost of services)	7,172	8,369	19,681	29,974
Finance costs:				
– Interest on bank borrowings	924	313	2,362	738
– Interest on lease liabilities	105	26	238	100
Employee benefit expenses, including Directors' remuneration	43,006	61,311	144,320	190,846

7. INCOME TAX

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

	Three months ended		Nine months ended	
	30 September		30 September	
	2023	2022	2023	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Current tax – Hong Kong profits tax – charge for the Reporting Period	-	-	-	-
Deferred tax	49	120	497	438
Income tax credit	49	120	497	438

Hong Kong profits tax is calculated at 16.5% (for the nine months ended 30 September 2022: 16.5%) of the estimated assessable profits during the Reporting Period.

8. DIVIDEND

The Board does not recommend the payment of any dividend for the nine months ended 30 September 2023 (for the nine months ended 30 September 2022: nil).

9. EARNINGS PER SHARE

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

	Three months ended 30 September		Nine months ended 30 September	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Earnings:				
Earnings for the purpose of basic earnings per Share	314	2,821	4,490	16,257
	Number of Shares '000	Number of Shares '000	Number of Shares '000	Number of Shares '000
Weighted average number of ordinary Shares for the purpose of earnings per Share (Note)	487,808	487,808	487,808	487,808

Note:

Diluted earnings per Share is same as basic earnings per Share as there were no dilutive potential Shares for the nine months ended 30 September 2023 and 2022.

10. SHARE CAPITAL

	The Company	
	Number of Shares	Amount HK\$'000
Authorised:		
Ordinary share of HK\$0.01 each		
As at 31 December 2022 (audited), 1 January 2023 (unaudited) and 30 September 2023 (unaudited)	2,000,000,000	20,000
Issued and fully paid:		
Ordinary share of HK\$0.01 each		
As at 31 December 2022 (audited), 1 January 2023 (unaudited) and 30 September 2023 (unaudited)	487,808,000	4,878

11. CONTINGENT LIABILITIES

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

As at 30 September 2023, there were a number of labour claims lodged against the Group arising from the ordinary course of its civil engineering construction business. No specific claim amount has been specified in the applications of these claims. It is anticipated that, the outflow of resources required in settling these claims, if any, was remote as these claims are usually covered by insurance maintained by relevant main contractors. Therefore, the ultimate liability under these claims would not have a material adverse impact on the financial position or performance of the Group and no provision for the contingent liabilities in respect of these claims is necessary.

(b) *Guarantee issued*

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

	As at 30 September 2023 HK\$'000 (Unaudited)	As at 31 December 2022 HK\$'000 (Audited)
A surety bond issued in favour of a customer (Note)	–	7,889
	–	7,889

11. CONTINGENT LIABILITIES (Continued)

(b) Guarantee issued (Continued)

Note:

As at 31 December 2022, a surety bond at an amount of approximately HK\$7,889,000 was given by an insurance company in favour of a Group's customer as security for the due performance and observance of the Group's obligations under the subcontracts entered into between the Group and its customer. Subsequently, this surety bond was released upon completion of the subcontract works for the customers on 10 February 2023.

12. CAPITAL COMMITMENT

As at 30 September 2023, the capital commitments of the Group for the acquisition of property, plant and equipment was approximately HK\$2,689,000 (as at 31 December 2022: approximately HK\$2,386,000).

13. APPROVAL OF UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The Unaudited Condensed Consolidated Financial Statements were approved and authorised for issue by the Board on 8 November 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is an established subcontractor engaged in civil engineering works and operating 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 utilities construction services and other projects such as earthworks, bridge works and construction of buildings. 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 report, the Group had submitted certain number of tenders to main contractors, the results of which were still pending.

Up to the date of this report, the Group had secured nine public construction projects and five private sector projects in 2023 with the aggregate secured contract sum and variation orders of approximately HK\$502,412,000 and approximately HK\$26,583,000, respectively (the **"Newly Awarded Contracts"**).

During the Reporting Period, the Group had been engaged in 37 public sector projects (during the nine months ended 30 September 2022: 40) and seven private sector projects (during the nine months ended 30 September 2022: five). 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 30 September 2023 was approximately HK\$1,296,054,000.

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 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, Diamond Hill Cavern Tunnel, Anderson Road 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 report, 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.

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 Water Service Department of the Hong Kong Government has awarded a construction contract for the relocation of Diamond Hill Fresh Water and Salt Water Service Reservoirs to caverns on 28 November 2022. This cavern tunnel is a drill and blast project, and the estimated works completion date is in December 2027.

The Civil Engineering and Development Department of the Hong Kong Government has awarded a construction contract of approximately HK\$3,970 million for the relocation of the Public Works Central Laboratory and the Government Records Service’s Archives Centre and the demolition of the existing Public Works Central Laboratory Building in Kowloon Bay to caverns on 11 July 2023. This cavern tunnel is a drill and blast project, and the estimated works completion is in 2028.

Besides, the Group is actively adopting advanced construction technology (such as automation, and artificial intelligence) to its construction projects, which can improve site safety, enhance environmental performance, uplift build quality, and boost productivity. The Group is one of the few selected subcontractors experienced in tunnel construction in Hong Kong and is well prepared to capitalise on the opportunities from these public infrastructure projects.

FINANCIAL REVIEW

Revenue

The Group's revenue was primarily generated from public sector projects for the provision of (i) tunnel construction services; and (ii) utility construction services and others for the nine months ended 30 September 2023. The following table sets out the breakdown of the Group's revenue by project types for the periods indicated:

	For the nine months ended 30 September			
	2023	2023	2022	2022
	HK\$'000 (Unaudited)	% of total revenue (Unaudited)	HK\$'000 (Unaudited)	% of total revenue (Unaudited)
Public sector projects				
– Tunnel construction services	114,075	37.3	164,771	51.6
– Utility construction services and others	189,339	61.9	149,488	46.9
Sub-total	303,414	99.2	314,259	98.5
Private sector projects	2,493	0.8	4,794	1.5
Total	305,907	100.0	319,053	100.0

The Group's revenue decreased from approximately HK\$319,053,000 for the nine months ended 30 September 2022 to approximately HK\$305,907,000 for the nine months ended 30 September 2023, representing a decrease of approximately HK\$13,146,000 or 4.1%. The decrease was mainly due to the combined effects of (i) an increase in revenue generated from utilities construction services and other projects in the public sector from approximately HK\$149,488,000 for the nine months ended 30 September 2022 to approximately HK\$189,339,000 for the nine months ended 30 September 2023, representing an increase of approximately HK\$39,851,000 or 26.7%; and (ii) a decrease in revenue generated from tunnel construction services in the public sector from approximately HK\$164,771,000 for the nine months ended 30 September 2022 to approximately HK\$114,075,000 for the nine months ended 30 September 2023, representing a decrease of approximately HK\$50,696,000 or 30.8%. Such decrease was mainly attributable to the delay in site handover and the reconciliation process of the variation orders for the construction works during the Reporting Period.

Cost of services

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

The Group's cost of services decreased from approximately HK\$301,332,000 for the nine months ended 30 September 2022 to approximately HK\$280,421,000 for the nine months ended 30 September 2023, representing a decrease of approximately HK\$20,911,000 or 6.9%.

The decrease in cost of services was mainly due to the combined effects of (i) the staff costs decreased from approximately HK\$182,312,000 for the nine months ended 30 September 2022 to approximately HK\$135,604,000 for the nine months ended 30 September 2023, representing a decrease of approximately HK\$46,708,000 or 25.6%; (ii) the subcontracting costs decreased from approximately HK\$29,444,000 for the nine months ended 30 September 2022 to approximately HK\$14,419,000 for the nine months ended 30 September 2023, representing a decrease of approximately HK\$15,025,000 or 51.0%; (iii) the decrease in short-term leases of plant and machinery from approximately HK\$29,974,000 for the nine months ended 30 September 2022 to approximately HK\$19,681,000 for the nine months ended 30 September 2023, representing a decrease of approximately HK\$10,293,000 or 34.3%; and (iv) the increase in construction materials and supplies from approximately HK\$48,416,000 for the nine months ended 30 September 2022 to approximately HK\$97,450,000 for the nine months ended 30 September 2023, representing an increase of approximately HK\$49,034,000 or 101.3%.

The purchase arrangement of construction materials and supplies, short-term leases of plant and machinery and engagement of the subcontractors depend on the terms of the contracts, which may vary on a project-by-project basis. The decrease in staff costs was due to the decrease in number of skilled workers during the Reporting Period.

Gross profit and gross profit margin

The gross profit and gross profit margin of the Group for the nine months ended 30 September 2023 was approximately HK\$25,486,000 and 8.3%, respectively (for the nine months ended 30 September 2022: approximately HK\$17,721,000 and 5.6%, respectively). During the Reporting Period, the increase in gross profit and gross profit margin was mainly attributable to participating in several public tunnel construction projects with higher gross profit margins.

Other income

The Group's other income was approximately HK\$913,000 for the nine months ended 30 September 2023 (for the nine months ended 30 September 2022: approximately HK\$17,177,000). Such decrease was mainly attributable to (i) the government grants of approximately HK\$14,546,000 from the ESS under the Anti-epidemic Fund launched by the Hong Kong Government; and (ii) reimbursement from the main contractors of approximately HK\$1,269,000 received during the nine months ended 30 September 2022.

Administrative expenses

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

The Group's administrative expenses increased from approximately HK\$18,243,000 for the nine months ended 30 September 2022 to approximately HK\$19,808,000 for the nine months ended 30 September 2023, representing an increase of approximately HK\$1,565,000 or 8.6%. The staff costs and benefits for the nine months ended 30 September 2023 was approximately HK\$6,281,000 (for the nine months ended 30 September 2022: approximately HK\$6,099,000), representing an increase of approximately HK\$182,000 or 3.0%. The Directors' remuneration was approximately HK\$2,435,000 (during the nine months ended 30 September 2022: approximately HK\$2,435,000) during the Reporting Period.

Finance costs

The Group's finance costs increased from approximately HK\$838,000 for the nine months ended 30 September 2022 to approximately HK\$2,600,000 for the nine months ended 30 September 2023 due to the increase in interest expenses on the bank borrowings to approximately HK\$2,362,000 during the Reporting Period (during the nine months ended 30 September 2022: approximately HK\$738,000).

Income tax

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

The income tax for the nine months ended 30 September 2023 mainly resulted from the movement of accelerated tax depreciation during the Reporting Period.

Net Profit

The Group's Net Profit for the nine months ended 30 September 2023 was approximately HK\$4,490,000 (for the nine months ended 30 September 2022: approximately HK\$16,257,000). Such decrease in Net Profit was mainly due to the recognition of one-off other income for the government grants from ESS in 2022 as discussed above.

Dividend

The Board does not recommend the payment of any dividend for the nine months ended 30 September 2023 (for the nine months ended 30 September 2022: nil).

Contingent liabilities

Save as disclosed in note 11 to the Unaudited Condensed Consolidated Financial Statements, there were no other contingent liabilities as at 30 September 2023.

Foreign currency exposure

The Group's reporting currency is Hong Kong dollar. During the nine months ended 30 September 2023 and 2022, the Group's transactions were denominated in Hong Kong dollar. The Group had no material exposure to foreign currency risk.

Charge on the Group's assets

As at 30 September 2023, the Group had pledged bank deposits of approximately HK\$3,004,000 (as at 31 December 2022: approximately HK\$2,004,000) to secure the banking facility letters of an export invoice discounting and a revolving loan from a licensed bank in Hong Kong. Also, the Group did not have cash collateral as at 30 September 2023 (as at 31 December 2022: approximately HK\$3,450,000) to an insurance company in Hong Kong for the provision of any surety bond (as at 31 December 2022: one) for any public construction project (as at 31 December 2022: one). Save for the foregoing, the Group did not have any charges on its assets as at 30 September 2023.

Event after the Reporting Period

There is no significant event subsequent to 30 September 2023 and up to the date of this report which would materially affect the Group's operating and financial performance.

OTHER INFORMATION

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

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

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

As at 30 September 2023, the interests or short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions in which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein or which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

Long Position in Shares

Name of Directors	Notes	Directly beneficially owned	Through spouse	Acting in concert	Total	Percentage of the Company's issued share capital
Mr. Chuang Chun Ngok Boris	(a)	103,000,000	–	187,120,000	290,120,000	59.5%
Mr. Chuang Wei Chu	(b)	103,000,000	49,620,000	137,500,000	290,120,000	59.5%

Notes:

- (a) Mr. Chuang Chun Ngok Boris (i) personally holds 103,000,000 Shares; and (ii) is a party to the Acting in Concert Deed pursuant to which each of Mr. Chuang Wei Chu, Mr. Chuang Chun Ngok Boris, Ms. To Yin Ping and Ms. Chuang Yau Ka has agreed to consolidate their respective interests in the Company and to vote on any resolution to be passed at any Shareholders' meeting of the Company in a unanimous manner. Mr. Chuang Chun Ngok Boris is therefore deemed to be interested in the Shares held by Mr. Chuang Wei Chu, Ms. To Yin Ping and Ms. Chuang Yau Ka respectively under the SFO. Each of Mr. Chuang Chun Ngok Boris, Mr. Chuang Wei Chu, Ms. To Yin Ping and Ms. Chuang Yau Ka is deemed to be interested in all the Shares held by them in aggregate by virtue of the SFO. Mr. Chuang Chun Ngok Boris is the son of Mr. Chuang Wei Chu and Ms. To Yin Ping and the brother of Ms. Chuang Yau Ka.
- (b) Mr. Chuang Wei Chu (i) personally holds 103,000,000 Shares; (ii) is the spouse of Ms. To Yin Ping, who personally holds 49,620,000 Shares and is deemed to be interested in the Shares personally interested by Ms. To Yin Ping; and (iii) is a party to the Acting in Concert Deed pursuant to which each of Mr. Chuang Wei Chu, Mr. Chuang Chun Ngok Boris, Ms. To Yin Ping and Ms. Chuang Yau Ka has agreed to consolidate their respective interests in the Company and to vote on any resolution to be passed at any Shareholders' meeting of the Company in a unanimous manner. Mr. Chuang Wei Chu is therefore deemed to be interested in the Shares held by Mr. Chuang Chun Ngok Boris, Ms. To Yin Ping and Ms. Chuang Yau Ka respectively under the SFO. Each of Mr. Chuang Chun Ngok Boris, Mr. Chuang Wei Chu, Ms. To Yin Ping and Ms. Chuang Yau Ka is deemed to be interested in all the Shares held by them in aggregate by virtue of the SFO. Mr. Chuang Wei Chu is the father of Mr. Chuang Chun Ngok Boris and Ms. Chuang Yau Ka.

As at 30 September 2023, none of the Directors and chief executives of the Company had any interests in the underlying shares in respect of physically settled, cash settled or other equity derivatives of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

Save as disclosed above, as at 30 September 2023, none of the Directors and chief executives of the Company had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions in which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

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

As at 30 September 2023, so far as is known to the Directors, the following persons' interests and short positions of the share capital and underlying shares of the Company, other than a Director or chief executive of the Company, were recorded in the register of interests required to be kept by the Company pursuant to section 336 of the SFO:

Long Position in Shares

Name of Shareholders	Notes	Nature of interest	Total	Percentage of the Company's issued share capital
Ms. To Yin Ping	(a)	Beneficial owner, interest held jointly with another person and interest of spouse	290,120,000	59.5%
Ms. Chuang Yau Ka	(b)	Beneficial owner and interest held jointly with another person	290,120,000	59.5%
Mr. Ng Kwok Lun		Beneficial owner	39,500,000	8.1%

Notes:

- (a) Ms. To Yin Ping (i) personally holds 49,620,000 Shares; (ii) is the spouse of Mr. Chuang Wei Chu and is deemed to be interested in the Shares which are deemed to be interested by Mr. Chuang Wei Chu under the SFO; and (iii) is a party to the Acting in Concert Deed pursuant to which each of Mr. Chuang Chun Ngok Boris, Mr. Chuang Wei Chu, Ms. To Yin Ping and Ms. Chuang Yau Ka has agreed to consolidate their respective interests in the Company and to vote on any resolution to be passed at any Shareholders' meeting in an unanimous manner. Ms. To Yin Ping is therefore deemed to be interested in the Shares held by Mr. Chuang Wei Chu, Mr. Chuang Chun Ngok Boris and Ms. Chuang Yau Ka respectively under the SFO. Each of Mr. Chuang Wei Chu, Mr. Chuang Chun Ngok Boris, Ms. To Yin Ping and Ms. Chuang Yau Ka is deemed to be interested in all the Shares held by them in aggregate by virtue of the SFO. Ms. To Yin Ping is the mother of Mr. Chuang Chun Ngok Boris and Ms. Chuang Yau Ka.
- (b) Ms. Chuang Yau Ka (i) personally holds 34,500,000 Shares; and (ii) is a party to the Acting in Concert Deed pursuant to which each of Mr. Chuang Chun Ngok Boris, Mr. Chuang Wei Chu, Ms. To Yin Ping and Ms. Chuang Yau Ka has agreed to consolidate their respective interests in the Company and to vote on any resolution to be passed at any Shareholders' meeting in an unanimous manner. Ms. Chuang Yau Ka is therefore deemed to be interested in the Shares held by Mr. Chuang Wei Chu, Ms. To Yin Ping and Mr. Chuang Chun Ngok Boris respectively under the SFO. Each of Mr. Chuang Wei Chu, Mr. Chuang Chun Ngok Boris, Ms. To Yin Ping and Ms. Chuang Yau Ka is deemed to be interested in all the Shares held by them in aggregate by virtue of the SFO. Ms. Chuang Yau Ka is the daughter of Mr. Chuang Wei Chu and Ms. To Yin Ping and the sister of Mr. Chuang Chun Ngok Boris.

Save as disclosed above, as at 30 September 2023, the Directors were not aware of any person who had an interest or short positions in any Shares, underlying Shares and debenture of the Company as recorded in the register required to be kept pursuant to section 336 of the SFO.

Corporate Governance

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

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

Code of Conduct for Securities Transactions by Directors

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

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

Audit Committee

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

The Audit Committee currently consists of all three of the independent non-executive Directors, namely Mr. Lau Chun Fai Douglas, Ir Ng Wai Ming Patrick and Mr. Lam Man Bun Alan and the chairman is Mr. Lau Chun Fai Douglas, who holds the appropriate professional qualifications as required under Rules 5.05(2) and 5.28 of the GEM Listing Rules.

The third quarterly report of the Group for the nine months ended 30 September 2023 had been reviewed by the Audit Committee, which was of the opinion that such third quarterly report has been prepared in compliance with the applicable accounting standards and the GEM Listing Rules.

Share Option Scheme

The Company has not granted or issued any option or adopted any share option scheme up to 30 September 2023.

Competing Interests

As far as the Directors are aware of, during the nine months ended 30 September 2023, none of the Directors and their respective associates (as defined in the GEM Listing Rules) or the Controlling Shareholders (as defined in the GEM Listing Rules) have any interests in a business which competed or may compete (directly or indirectly) with the business of the Group.

Disclosures Pursuant to Rule 17.23 of the GEM Listing Rules

In accordance with the disclosure requirements of Rule 17.23 of the GEM Listing Rules, the following disclosures are included in this report, where GMEHK entered into a facility letter with a licensed bank in Hong Kong which is effective and ready to be used on 21 December 2022 (the “**Letter**”), which contains covenants requiring specific performance obligations of the Controlling Shareholders. Pursuant to the Letter, a termination event would arise if the Controlling Shareholders maintain less than 50% of the issued Shares. Besides, Mr. Chuang Chun Ngok Boris shall remain as the chairman of the Company. For more details, please refer to the Company’s announcement dated 21 December 2022.

Interest of the Compliance Adviser

As at the date of this report, except for (i) the participation of Altus Capital Limited (“**Altus**”) as the sponsor in relation to the listing of the Company on GEM; (ii) the compliance adviser agreement entered into between the Company and Altus dated 26 April 2016 and extended on 31 March 2020, 14 August 2020, 24 March 2021, 11 August 2021, 24 March 2022, 16 August 2022, 31 March 2023 and 16 August 2023; and (iii) the financial advisory mandate entered into between the Company and Altus dated 6 March 2017, neither Altus nor any of its directors, employees or associates had any interests in relation to the Group which requires to be notified to the Company pursuant to Rule 6A.32 of GEM Listing Rules.

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

Hong Kong, 8 November 2023

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