# GME Group Holdings Limited
# 駿傑集團控股有限公司

*(incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 8188)**

# INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2018

## 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.**



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

## UNAUDITED CONDENSED CONSOLIDATED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2018

The board of Directors (the "**Board**") of the Company is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the six months ended 30 June 2018 (the "**Reporting Period**"), together with the unaudited comparative figures for the corresponding period in 2017, as follows:

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*For the six months ended 30 June 2018*

| | Notes | Three months ended 30 June | | Six months ended 30 June | |
|---|---|---|---|---|---|
| | | **2018** | 2017 | **2018** | 2017 |
| | | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| | | **(Unaudited)** | (Unaudited) | **(Unaudited)** | (Unaudited) |
| Revenue | *5* | **36,744** | 36,651 | **80,688** | 74,235 |
| Cost of services | | **(31,054)** | (29,209) | **(68,760)** | (62,298) |
| Gross profit | | **5,690** | 7,442 | **11,928** | 11,937 |
| Other income | | **15** | 85 | **31** | 217 |
| Administrative and other expenses | | **(5,294)** | (5,380) | **(11,074)** | (17,576) |
| Finance costs | | **(23)** | (2) | **(42)** | (76) |
| Profit/(loss) before income tax expense | *6* | **388** | 2,145 | **843** | (5,498) |
| Income tax expense | *7* | **(170)** | (543) | **(356)** | (580) |
| Profit/(loss) and total comprehensive income/(expenses) for the period attributable to the owners of the Company | | **218** | 1,602 | **487** | (6,078) |
| **Earnings/(loss) per share** | | | | | |
| – Basic and diluted (HK cents) | *9* | **–*** | 0.3 | **0.1** | (1.3) |

* The amount representing the earnings per share (basic and diluted) for the three months ended 30 June 2018 was less than HK0.1 cents.

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 30 June 2018*

| | Notes | As at 30 June 2018 HK$'000 (Unaudited) | As at 31 December 2017 HK$'000 (Audited) |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | | **8,183** | 9,150 |
| **Current assets** | | | |
| Amounts due from customers for contract work | | **–** | 546 |
| Contract assets | | **546** | – |
| Trade and other receivables | *10* | **66,444** | 68,207 |
| Pledged bank deposits | | **8,065** | 8,000 |
| Current tax recoverable | | **2,574** | 1,951 |
| Cash and cash equivalents | | **15,816** | 26,665 |
| | | **93,445** | 105,369 |
| **Current liabilities** | | | |
| Trade and other payables | *11* | **7,430** | 11,153 |
| Bank borrowing, secured | | **–** | 3,946 |
| Obligations under finance leases | | **272** | 178 |
| | | **7,702** | 15,277 |
| **Net current assets** | | **85,743** | 90,092 |
| **Total assets less current liabilities** | | **93,926** | 99,242 |
| **Non-current liabilities** | | | |
| Obligations under finance leases | | **841** | 524 |
| Deferred tax liabilities | | **802** | 922 |
| | | **1,643** | 1,446 |
| **NET ASSETS** | | **92,283** | 97,796 |
| **EQUITY** | | | |
| **Equity attributable to owners of the Company** | | | |
| Share capital | | **5,000** | 5,000 |
| Reserves | | **87,283** | 92,796 |
| **TOTAL EQUITY** | | **92,283** | 97,796 |

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30 June 2018*

## 1. GENERAL INFORMATION

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

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

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

## 2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2018 (the "**Interim Financial Statements**") have been prepared in accordance with Hong Kong Accounting Standard ("**HKAS**") 34 Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and the applicable disclosures required by the GEM Listing Rules.

The Interim Financial Statements do not include all of the information and disclosures required in the annual consolidated financial statements and hence should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2017 (the "**2017 Consolidated Financial Statements**"), which have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**"), HKASs and Interpretations (hereinafter collectively referred to as the "**HKFRS**") issued by HKICPA and the disclosure requirements of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong).

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

The Interim Financial Statements have been prepared under the historical cost basis.

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

Except as described in the section headed "Change in the accounting policies" below, the accounting policies applied and the method of computation used in the preparation of the Interim Financial Statements are consistent with those adopted in the preparation of the 2017 Consolidated Financial Statements.

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

## 3. CHANGE IN THE ACCOUNTING POLICIES

***HKFRS 9 – Financial Instruments***

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

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

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

***HKFRS 15 – Revenue from Contracts with Customers***

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

The Group elects to use the cumulative effect method for the adoption of HKFRS 15 with cumulative effect of initial application recognised in the opening balance of the retained earnings at 1 January 2018.

Under HKFRS 15, the Group recognises the revenue from contract work when the performance obligation is satisfied over time and measures the progress towards complete satisfaction in accordance with the output method. The measurement of the stage of completion of a contract is established by reference to surveys of work performed.

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

The following table sets out a summary of the opening balance adjustments recognised for each line item in the condensed consolidated statement of financial position, which follows the terminology used under HKFRS 15:

| **Condensed consolidated statement of financial position (extract)** | At 31 December 2017 | Effect on initial application of HKFRS 15 | **At 1 January 2018** |
|---|---|---|---|
| | *HK$'000* | *HK$'000* | ***HK$'000*** |
| **Current assets** | | | |
| Amount due from customers for contract work | 546 | (546) | **–** |
| Contract assets | – | 546 | **546** |

## 4. SEGMENT INFORMATION

***Operating segments***

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

***Geographical information***

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

***Information about major customers***

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

| | **Three months ended 30 June** | | **Six months ended 30 June** | |
|---|---|---|---|---|
| | **2018** | 2017 | **2018** | 2017 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| | **(Unaudited)** | (Unaudited) | **(Unaudited)** | (Unaudited) |
| Customer B | **11,713** | 1,964 | **19,341** | 7,664 |
| Customer C | **8,580** | 8,810 | **17,914** | 27,288 |
| Customer K | **3,000** | 22,475 | **17,435** | 34,281 |
| Customer L | **12,356** | – | **24,520** | – |

## 5. REVENUE

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

The Group recognises the revenue from contract work when the performance obligation is satisfied over time and measures the progress towards complete satisfaction in accordance with the output method. The measurement of the stage of completion of a contract is established by reference to surveys of work performed.

## 6. PROFIT/(LOSS) BEFORE INCOME TAX EXPENSE

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

| | **Three months ended 30 June** | | **Six months ended 30 June** | |
|---|---|---|---|---|
| | **2018** | 2017 | **2018** | 2017 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| | **(Unaudited)** | (Unaudited) | **(Unaudited)** | (Unaudited) |
| Auditor's remuneration | **186** | 150 | **372** | 300 |
| Listing expenses (included in administrative and other expenses) | **–** | – | **–** | 6,338 |
| Loss on disposal of property, plant and equipment | **–** | 75 | **–** | 86 |
| Depreciation of property, plant and equipment | **1,125** | 995 | **2,151** | 1,981 |
| Operating lease rentals in respect of: | | | | |
| – Land and buildings | **588** | 481 | **1,172** | 906 |
| Finance costs: | | | | |
| – Interest on bank borrowing, secured | **9** | – | **19** | – |
| – Interest on bank overdrafts | **–** | – | **–** | 71 |
| – Interest on finance leases | **14** | 3 | **23** | 5 |
| Employee benefit expenses, including Directors' remuneration | **17,735** | 21,255 | **42,332** | 46,794 |

## 7. INCOME TAX EXPENSE

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

| | Three months ended 30 June | | Six months ended 30 June | |
|---|---|---|---|---|
| | **2018** | 2017 | **2018** | 2017 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| | **(Unaudited)** | (Unaudited) | **(Unaudited)** | (Unaudited) |
| Current tax – Hong Kong profits tax | | | | |
| – charge for the Reporting Period | **219** | 543 | **476** | 580 |
| Deferred tax | **(49)** | – | **(120)** | – |
| Income tax expense | **170** | 543 | **356** | 580 |

Hong Kong profits tax is calculated at 16.5% (for the six months ended 30 June 2017: 16.5%) of the estimated assessable profits during the Reporting Period.

## 8. DIVIDEND

The Board does not recommend the payment of any dividend for the six months ended 30 June 2018.

A final dividend of HK0.4 cents per Share and a special dividend of HK0.8 cents per Share for the year ended 31 December 2017 amounting to HK$6,000,000 were approved in the annual general meeting of the Company on 3 May 2018 and paid in cash on 21 May 2018.

## 9. EARNINGS/(LOSS) PER SHARE

The calculation of the basic earnings/(loss) per share attributable to the ordinary equity holders of the Group is based on the following data:

| | **Three months ended 30 June** | | **Six months ended 30 June** | |
|---|---|---|---|---|
| | **2018** | 2017 | **2018** | 2017 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| | **(Unaudited)** | (Unaudited) | **(Unaudited)** | (Unaudited) |
| Earnings/(loss): | | | | |
| Earnings/(loss) for the purpose of basic earnings/(loss) per share | **218** | 1,602 | **487** | (6,078) |
| | **Number of shares** | Number of shares | **Number of shares** | Number of shares |
| | ***'000*** | *'000* | ***'000*** | *'000* |
| Weighted average number of ordinary shares for the purpose of earnings per share *(Note)* | **500,000** | 500,000 | **500,000** | 464,088 |

*Note:*

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

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

## 10. TRADE AND OTHER RECEIVABLES

| | **As at 30 June 2018** *HK$'000* **(Unaudited)** | As at 31 December 2017 *HK$'000* (Audited) |
|---|---|---|
| Trade receivables | **36,321** | 40,312 |
| Retention receivables | **22,756** | 22,593 |
| Prepayments and deposits | **7,367** | 5,302 |
| | **66,444** | 68,207 |

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

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

| | **As at 30 June 2018** *HK$'000* **(Unaudited)** | As at 31 December 2017 *HK$'000* (Audited) |
|---|---|---|
| Less than 1 month | **21,657** | 27,275 |
| 1 to 3 months | **9,306** | 12,674 |
| More than 3 months but less than one year | **5,010** | 15 |
| More than one year | **348** | 348 |
| | **36,321** | 40,312 |

## 11. TRADE AND OTHER PAYABLES

| | As at 30 June 2018 HK$'000 (Unaudited) | As at 31 December 2017 HK$'000 (Audited) |
|---|---|---|
| Trade payables | **2,064** | 2,097 |
| Other payables and accruals | **5,366** | 9,056 |
| | **7,430** | 11,153 |

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

| | As at 30 June 2018 HK$'000 (Unaudited) | As at 31 December 2017 HK$'000 (Audited) |
|---|---|---|
| Current or less than 1 month | **1,085** | 1,286 |
| 1 to 3 months | **402** | 712 |
| More than 3 months but less than one year | **577** | 99 |
| | **2,064** | 2,097 |

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

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

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

The Group provides underground construction services, in particular, tunnel construction services (including excavation, shotcreting, shutter design and fabrication, tunnel lining services, advanced and structural works) and utility construction and others (mainly structural works). The Group also provides programme design, costing and management for underground construction services. As a result, the Group works routinely with its key clients in pre-tenders.

Since 2014, the Group has been focusing on the development of a complete suite of tunnel construction services which has laid a solid foundation for the Group's growth and a strong advantage in securing contracts.

For the six months ended 30 June 2018, the Group had been engaged in 13 public sector projects.

# PRINCIPAL RISKS AND UNCERTAINTIES

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

The Group's business is subject to the budgeting process on public infrastructure and construction projects of the Hong Kong Government. The budgeting process on public infrastructure and construction projects may be lengthened and the expected timetable of projects may be delayed. As a result, the availability of construction projects may decrease owing to the decrease in the available funding of public sector projects in Hong Kong. The Hong Kong Government's policy and public spending patterns on the civil engineering construction industry may also affect the availability of construction projects in Hong Kong.

The Group's historical results may not be indicative of its future performance, which may vary from period to period in response to a variety of factors beyond the Group's control, including general economic conditions, regulations pertaining to the underground construction industry in Hong Kong and the ability to secure new business in the future. Therefore, the profit margin may also vary from project to project due to factors such as the complexity and size of the project.

## OUTLOOK OF TUNNEL CONSTRUCTION INDUSTRY IN HONG KONG

The Group will continue to focus on growing its tunnel construction services business, as the Group expects this to be its major growth driver and long term, sustainable source of revenue.

It is expected that the demand for tunnel construction services in Hong Kong will continue to grow in the foreseeable future. The growth in tunnel construction industry will mainly be supported by several major transport infrastructure projects including Tseung Kwan O-Lam Tin Tunnel and Central Kowloon Route.

In accordance with the Chief Executive's 2017 Policy Address issued by the Hong Kong Government, the Tseung Kwan O-Lam Tin Tunnel is expected to be completed in 2021. In respect of the Central Kowloon Route, the Legislative Council of the Hong Kong Special Administrative Region approved the funding of approximately HK$42.3 billion for the construction on 20 October 2017. As at 30 June 2018, the Highways Department of the Hong Kong Government has awarded three construction contracts of Central Kowloon Route to the contractors with a total value of approximately HK$12 billion, which included the construction work of the proposed tunnels in Kai Tak and Yau Ma Tei. The Central Kowloon Route is expected to come on stream in 2018 and is expected to be completed in 2025.

Apart from transport infrastructure, the Drainage Services Department of the Hong Kong Government has also announced that the tentative date of inviting tender for Sha Tin Cavern Sewage Treatment Works will be in September 2018. This project will involve tunnel constructions using the drill and blast technique.

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

## FINANCIAL REVIEW

### *Revenue*

The Group's revenue increased from approximately HK$74,235,000 for the six months ended 30 June 2017 to approximately HK$80,688,000 for the six months ended 30 June 2018, representing an increase of approximately HK$6,453,000 or 8.7%.

The increase in the revenue was mainly attributable to the combined net effects of (i) a decrease in revenue generated from public sector projects – tunnel construction services from approximately HK$68,464,000 for the six months ended 30 June 2017 to approximately HK$46,183,000 for the six months ended 30 June 2018; and (ii) an increase in revenue generated from public sector projects – utility construction services and others from approximately HK$5,771,000 for the six months ended 30 June 2017 to approximately HK$34,505,000 for the six months ended 30 June 2018.

### *Cost of services*

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

The Group's cost of services increased from approximately HK$62,298,000 for the six months ended 30 June 2017 to approximately HK$68,760,000 for the six months ended 30 June 2018, representing an increase of approximately HK$6,462,000 or 10.4%. Such increase was mainly due to an increase in the construction materials and supplies from approximately HK$8,808,000 for the six months ended 30 June 2017 to approximately HK$17,794,000 for the six months ended 30 June 2018, representing an increase of approximately HK$8,986,000 or 102.0%. During the Reporting Period, the Group participated in more structural works projects, which increased the need to purchase construction materials and supplies from its customers through contra-charge arrangement. In general, the purchase arrangement of construction materials and supplies depends on the terms of the contracts, which may vary on a project-by-project basis. The staff costs were approximately HK$36,929,000 for the six months ended 30 June 2018 (for the six months ended 30 June 2017: approximately HK$42,313,000). Such decrease was in line with the decrease in the number of the workers during the Reporting Period.

### *Gross profit and gross profit margin*

The Group's gross profit decreased to approximately HK$11,928,000 for the six months ended 30 June 2018 (for the six months ended 30 June 2017: approximately HK$11,937,000), representing a decrease of approximately HK$9,000 or 0.1%. The gross profit margin was approximately 14.8% for the six months ended 30 June 2018 (for the six months ended 30 June 2017: approximately 16.1%), which was comparable without significant change.

### *Administrative and other expenses*

The Group's administrative and other expenses mainly comprised (i) staff costs and benefits; (ii) Directors' remuneration; (iii) entertainment expenses; (iv) motor vehicles expenses; (v) rent and rates; (vi) professional fees; and (vii) listing expenses.

The Group's administrative and other expenses decreased from approximately HK$17,576,000 for the six months ended 30 June 2017 to approximately HK$11,074,000 for the six months ended 30 June 2018, representing a decrease of approximately HK$6,502,000 or 37.0%. This decrease was mainly attributable to the listing expenses of approximately HK$6,338,000 and other expenses in relation to the listing and resumption of trading in the Shares of approximately HK$1,603,000 for the six months ended 30 June 2017, which did not recur in the Reporting Period. The staff costs and benefits increased from approximately HK$3,090,000 for the six months ended 30 June 2017 to approximately HK$3,828,000 for the six months ended 30 June 2018, representing an increase of approximately HK$738,000 or 23.9%. The increase in staff costs and benefits was mainly attributable to salary increment and increase in the Group's administrative headcounts in line with its business expansion and revenue growth. The Directors' remuneration increased from approximately HK$1,391,000 for the six months ended 30 June 2017 to approximately HK$1,575,000 for the six months ended 30 June 2018 due to the Directors' fee payable by the Company since the Listing Date.

### *Finance costs*

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

The Group's finance costs decreased from approximately HK$76,000 for the six months ended 30 June 2017 to approximately HK$42,000 for the six months ended 30 June 2018.

***Income tax expense***

The Group generated income only in Hong Kong and was subject only to Hong Kong profits tax. The income tax expense was provided at the rate of 16.5% on the Group's assessable profits for the six months ended 30 June 2018 and 2017. The income tax expense for the six months ended 30 June 2018 was approximately HK$356,000 (for the six months ended 30 June 2017: approximately HK$580,000). Such decrease was due to the decrease in the Group's assessable profits during the Reporting Period.

***Profit/(loss) and total comprehensive income/expenses***

The Group's profit and other comprehensive income ("**Net Profit**") for the six months ended 30 June 2018 was approximately HK$487,000 while the Group's loss and other comprehensive expenses for the six months ended 30 June 2017 was approximately HK$6,078,000. The improvement in profitability was due to the listing expenses of approximately HK$6,338,000 and other expenses in relation to the listing and resumption of trading in the Shares of approximately HK$1,603,000 for the six months ended 30 June 2017, which did not recur in the Reporting Period. If the one-off items mentioned above were excluded, the Group would have recorded a Net Profit of approximately HK$1,863,000 for the six months ended 30 June 2017.

***Dividend***

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

A final dividend of HK0.4 cents per Share and a special dividend of HK0.8 cents per Share for the year ended 31 December 2017 amounting to HK$6,000,000 were approved in the annual general meeting of the Company on 3 May 2018 and paid in cash on 21 May 2018.

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

As at 30 June 2018, the Group's cash and cash equivalents and pledged bank deposits amounted to approximately HK$15,816,000 (as at 31 December 2017: approximately HK$26,665,000) and approximately HK$8,065,000 (as at 31 December 2017: HK$8,000,000), respectively, which were denominated in Hong Kong dollar. The decrease in cash and cash equivalents was mainly due to the net cash used in financing activities during the Reporting Period.

As at 30 June 2018, the Group had the banking facility of the revolving term loan granted by a licensed bank in Hong Kong of HK$10,000,000 at the interest rate of Hong Kong Prime Rate per annum, which was secured by the corporate guarantee provided by the Company and the pledged bank deposits of approximately HK$8,065,000. The Group did not utilise the banking facility of the revolving term loan during the Reporting Period.

The Company and Good Mind Engineering Limited ("**GMEHK**"), an indirect wholly-owned subsidiary of the Company, entered into the factoring agreement with another licensed bank in Hong Kong dated 22 November 2017 pursuant to which the bank agreed to provide certain account receivables factoring services to GMEHK with a credit limit of HK$10,000,000, subject to the terms therein (the "**Factoring Agreement**"). As conditions under the Factoring Agreement, (i) GMEHK entered into a deed of security dated 22 November 2017 in favour of the bank to assign all the account receivables payable to GMEHK by one of its customers under a contract being made between GMEHK and such customer; and (ii) the Company entered into a deed of guarantee on 22 November 2017 in favour of the bank whereby the Company agreed to provide a corporate guarantee of up to HK$10,000,000. As at 30 June 2018, the Group did not utilise this factoring facility. This factoring facility bears an interest rate of 2.5% per annum above Hong Kong Interbank Offered Rate.

As at 30 June 2018, the obligations under finance leases amounted to approximately HK$1,113,000 (as at 31 December 2017: approximately HK$702,000), which represented the finance leases arrangement of the Group's office equipment and motor vehicles.

The Group's gearing ratio, which is calculated by total debts divided by total equity, decreased from approximately 14.0% as at 31 December 2017 to approximately 7.0% as at 30 June 2018 due to a decrease in total debts during the Reporting Period.

***Capital structure***

As at 30 June 2018, the capital structure of the Company comprised issued share capital and reserves.

***Commitments***

As at 30 June 2018, the capital commitment and operating lease commitments of the Group was nil (as at 31 December 2017: nil) and approximately HK$2,070,000 (as at 31 December 2017: approximately HK$1,893,000), respectively.

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

There was no significant investments, material acquisitions or disposal of subsidiaries and associated companies by the Company for the six months ended 30 June 2018.

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

Save as disclosed in the section headed "Future plans and use of proceeds" in the Prospectus, the Group did not have other plans for material investment or capital assets as at 30 June 2018.

### *Contingent liabilities*

As at 30 June 2018, 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. In the opinion of the Directors, 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.

As at 30 June 2018, the Group has given guarantee to an insurance company in respect of surety bonds issued by such insurance company in favour of the Group's customers at an amount of approximately HK$5,647,000 (as at 31 December 2017: approximately HK$2,049,000) in relation to two public construction contracts of the Group in the ordinary course of business. The surety bonds as at 30 June 2018 are expected to be released in accordance with the terms of the respective construction contracts. Save for the guarantee given on the surety bonds, the Group has no other material contingent liabilities.

### *Foreign currency exposure*

The Group's reporting currency is Hong Kong dollar. During the six months ended 30 June 2018 and 2017, 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 June 2018, the Group had pledged bank deposits of approximately HK$8,065,000 (as at 31 December 2017: approximately HK$8,000,000) to secure the revolving term loan bank facility. Also, the Group had provided cash collateral of HK$560,000 to an insurance company in Hong Kong for the provision of the surety bonds for two public construction contracts as at 30 June 2018 (as at 31 December 2017: HK$200,000). For details of the surety bonds, please refer to the paragraph headed "Contingent liabilities" above. Saved as the foregoing, the Group did not have any charges on its assets.

### *Information on employees*

As at 30 June 2018, the Group had 263 employees which comprises management, technical staff, administration, accounting and human resources staff and workers (as at 31 December 2017: 299 employees) 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 and other expenses) and Directors' remuneration amounted to approximately HK$42,332,000 for the six months ended 30 June 2018 (for the six months ended 30 June 2017: approximately HK$46,794,000), which was due to the combined effects of (i) an increase in staff costs and benefits in the administrative and other expenses due to the addition of administrative headcounts and additional Directors' fee payable by the Company since the Listing Date and (ii) a decrease in staff costs in cost of services due to the decrease in number of workers during the Reporting Period. Depending on the nature of works and the need of the projects, the Group will provide training to our employees from time to time. The Group's customers sometimes require the employees to attend their own on-site occupational safety trainings.

### *Event after the Reporting Period*

There is no significant event subsequent to 30 June 2018 and up to the date of this announcement which would materially affect the Group's operating and financial performance.

## OTHER INFORMATION

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

As at 30 June 2018, the interests or short positions of the Directors and chief executives of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("**SFO**")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions in which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein or which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

#### *Long Position in Shares*

| Name of Directors | *Notes* | Directly beneficially owned | Through spouse | Acting in concert | Total | Percentage of Company's issued shares capital |
|---|---|---|---|---|---|---|
| Mr. Chuang Chun Ngok Boris | *(a)* | 103,000,000 | – | 172,000,000 | 275,000,000 | 55.0% |
| Mr. Chuang Wei Chu | *(b)* | 103,000,000 | 34,500,000 | 137,500,000 | 275,000,000 | 55.0% |

*Notes:*

(a) Mr. Chuang Chun Ngok Boris (i) personally holds 103,000,000 Shares; and (ii) is a party to the acting in concert deed dated 21 March 2016 entered into by the controlling shareholders of the Company (the "**Acting in Concert Deed**") pursuant to which each of Mr. Chuang Wei Chu, Mr. Chuang Chun Ngok Boris, Ms. To Yin Ping and Ms. Chuang Yau Ka has agreed to consolidate their respective interests in the Company and to vote on any resolution to be passed at any shareholders' meeting of the Company in a unanimous manner. Mr. Chuang Chun Ngok Boris is therefore deemed to be interested in the Shares held by Mr. Chuang Wei Chu, Ms. To Yin Ping and Ms. Chuang Yau Ka respectively under the SFO. Each of Mr. Chuang Chun Ngok Boris, Mr. Chuang Wei Chu, Ms. To Yin Ping and Ms. Chuang Yau Ka is deemed to be interested in all the Shares held by them in aggregate by virtue of the SFO. Mr. Chuang Chun Ngok Boris is the son of Mr. Chuang Wei Chu and Ms. To Yin Ping and the brother of Ms. Chuang Yau Ka.

(b) Mr. Chuang Wei Chu (i) personally holds 103,000,000 Shares; (ii) is the spouse of Ms. To Yin Ping, who personally holds 34,500,000 Shares and is deemed to be interested in the Shares personally interested by Ms. To Yin Ping; and (iii) is a party to the Acting in Concert Deed pursuant to which each of Mr. Chuang Wei Chu, Mr. Chuang Chun Ngok Boris, Ms. To Yin Ping and Ms. Chuang Yau Ka has agreed to consolidate their respective interests in the Company and to vote on any resolution to be passed at any shareholders' meeting of the Company in a unanimous manner. Mr. Chuang Wei Chu is therefore deemed to be interested in the Shares held by Mr. Chuang Chun Ngok Boris, Ms. To Yin Ping and Ms. Chuang Yau Ka respectively under the SFO. Each of Mr. Chuang Chun Ngok Boris, Mr. Chuang Wei Chu, Ms. To Yin Ping and Ms. Chuang Yau Ka is deemed to be interested in all the Shares held by them in aggregate by virtue of the SFO. Mr. Chuang Wei Chu is the father of Mr. Chuang Chun Ngok Boris and Ms. Chuang Yau Ka.

As at 30 June 2018, none of the Directors and chief executives of the Company has any interests in the underlying shares in respect of physically settled, cash settled or other equity derivatives of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

Saved as disclosed above, as at 30 June 2018, none of the Directors and chief executives of the Company had any interests or short positions in any Shares, underlying Shares and debenture of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions in which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

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

As at 30 June 2018, so far as is known to the Directors, the following persons' interests and short positions of the share capital and underlying Shares of the Company, other than a Director or chief executive of the Company, were recorded in the register of interests required to be kept by the Company pursuant to section 336 of the SFO:

### *Long Position in Shares*

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

*Notes:*

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

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

Save as disclosed above, as at 30 June 2018, the Directors were not aware of any person who had an interest or short positions in any Shares, underlying Shares and debenture of the Company as recorded in the register required to be kept pursuant to section 336 of the SFO.

**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 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 and there was no event of non-compliance during the Reporting Period up to the date of this announcement ("**Relevant Period**").

**Audit Committee**

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

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

The unaudited condensed consolidated interim results of the Group for the six months ended 30 June 2018 had been reviewed by the Audit Committee, which was of the opinion that such interim results have been prepared in compliance with the applicable accounting standards and the GEM Listing Rules.

**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 Relevant Period.

**Share Option Scheme**

The Company has not granted or issued any option or adopted any share option scheme up to 30 June 2018.

**Competing Interests**

As far as the Directors are aware of, during the six months ended 30 June 2018, none of the Directors and their respective associates (as defined in the GEM Listing Rules) or the controlling shareholders of the Company (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.

**Corporate Governance**

During the Relevant Period, the Board has reviewed the Group's corporate governance practices and is satisfied that the Company has complied with the code provisions of the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules.

**Interest of the Compliance Adviser**

As at the date of this announcement, except for (i) the participation of Altus Capital Limited ("**Altus**") as the sponsor in relation to the listing of the Company on GEM; (ii) the compliance adviser agreement entered into between the Company and Altus dated 26 April 2016; and (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 August 2018

*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 Company Announcements" page of the GEM website at www.hkgem.com for at least seven days from the date of its posting and on the Company's website at www.gmehk.com.*