



GME Group Holdings Limited
駿傑集團控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 8188)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2021

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

ANNUAL RESULTS

The board of Directors (the “**Board**”) of the Company hereby announces that the audited consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 December 2021 (the “**Reporting Period**”), together with the comparative audited figures for the year ended 31 December 2020, are as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

	<i>Notes</i>	2021 HK\$'000	2020 HK\$'000
Revenue	5	443,548	134,572
Cost of services		<u>(411,175)</u>	<u>(115,011)</u>
Gross profit		32,373	19,561
Other income	6	4,319	4,728
Administrative expenses		(25,402)	(22,599)
Finance costs		<u>(241)</u>	<u>(295)</u>
Profit before income tax	7	11,049	1,395
Income tax expense	8	<u>(601)</u>	<u>(390)</u>
Profit and total comprehensive income for the year		<u>10,448</u>	<u>1,005</u>
Profit and total comprehensive income attributable to:			
Owners of the Company		10,451	1,008
Non-controlling interests		<u>(3)</u>	<u>(3)</u>
		<u>10,448</u>	<u>1,005</u>
Earnings per share			
– Basic and diluted (<i>HK cents</i>)	10	<u>2.14</u>	<u>0.21</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	<i>Notes</i>	2021 HK\$'000	2020 HK\$'000
Non-current assets			
Property, plant and equipment		17,559	10,799
Deferred tax assets		–	183
		<u>17,559</u>	<u>10,982</u>
Current assets			
Contract assets		42,660	23,729
Trade and other receivables	11	82,300	32,037
Amount due from a minority shareholder of a subsidiary		400	400
Cash and cash equivalents		5,430	6,937
		<u>130,790</u>	<u>63,103</u>
Current liabilities			
Trade and other payables	12	63,820	15,432
Bank borrowings		17,000	3,000
Lease liabilities		2,598	1,296
		<u>83,418</u>	<u>19,728</u>
Net current assets		<u>47,372</u>	<u>43,375</u>
Total assets less current liabilities		<u>64,931</u>	<u>54,357</u>
Non-current liabilities			
Lease liabilities		719	1,011
Deferred tax liabilities		418	–
		<u>1,137</u>	<u>1,011</u>
NET ASSETS		<u>63,794</u>	<u>53,346</u>
EQUITY			
Equity attributable to owners of the Company			
Share capital	13	4,878	4,878
Reserves		58,526	48,075
		<u>63,404</u>	<u>52,953</u>
Non-controlling interests		390	393
TOTAL EQUITY		<u>63,794</u>	<u>53,346</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

1. GENERAL

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

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

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

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

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

(a) Adoption of new/revised HKFRSs – effective 1 January 2021

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

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021 (early adopted)

The amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 has no material impact on the Group's results and financial position for the current or prior period. The Group has not early applied any new or amended HKFRSs that is not yet effective for the current accounting period except for the amendment to HKFRS 16, Covid-19-Related Rent Concessions beyond 30 June 2021. Impact on the applications of these amended HKFRSs are summarised below.

Amendment to HKFRS 16, Covid-19-Related Rent Concessions beyond 30 June 2021

Amendment to HKFRS 16 issued in April 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic by 12 months.

Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted.

The Group has early adopted the amendment on 1 January 2021 and applied the practical expedient during the year ended 31 December 2021 to all rent concessions granted by the lessors that affected only payments originally due on or before 30 June 2022 as a direct consequence of the Covid-19 pandemic. The amendment did not have a significant impact on the financial position and performance of the Group.

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

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

HKFRS 17	Insurance Contracts and the related amendments ³
Amendments to HKFRS 3	Reference to the Conceptual Framework ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKFRS 1	Classification of Liabilities as Current or Non-current and the related amendments to Hong Kong Interpretation 5 (2020) ³
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting policies ²
Amendments to HKAS 8	Definition of Accounting Estimates ²
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a single transaction ²
Amendments to HKAS 16	Property, plant and equipment – Proceeds before Intended Use ¹
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract ¹
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020 ¹

¹ Effective for annual periods beginning on or after 1 January 2022

² Effective for annual periods beginning on or after 1 January 2023.

³ Effective for annual periods beginning on or after a date to be determined.

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

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

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

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

Except for the above, the directors expect that the adoption of the new/revised HKFRSs above will have no material impact on the consolidated financial statements in the year of initial application.

3. BASIS OF PREPARATION

(a) Statement of compliance

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

(b) Basis of measurement

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

(c) Functional and presentation currency

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

4. SEGMENT INFORMATION

(a) Operating segments

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

(b) Geographical information

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

(c) **Information about major customers**

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

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Customer S	124,257	28,118
Customer L	122,692	16,223
Customer B	122,644	23,863
Customer T	N/A	17,394
Customer V	–	18,436

N/A: The relevant revenue for the year ended 31 December 2021, did not exceed 10% of the Group's revenue.

5. REVENUE

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

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Public tunnel projects	229,986	57,375
Public utilities construction services and other projects (<i>Note</i>)	210,657	73,989
Private projects	2,905	3,208
	443,548	134,572

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

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

	2021	2020
	HK\$'000	HK\$'000
Trade receivables (<i>Note 11</i>)	74,423	24,854
Contract assets	42,660	23,729

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

As at 31 December 2021, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts is approximately HK\$298,048,000 (2020: HK\$406,439,000). This amount represents revenue expected to be recognised in the future from partially-completed long-term construction contracts. The Group will recognise the expected revenue in future when or as the work is completed, which is expected to occur in the next 1 to 2 years (2020: 1 to 2 years).

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

6. OTHER INCOME

	2021	2020
	HK\$'000	HK\$'000
Reimbursement from a main contractor	674	250
Gain on disposal of property, plant and equipment	86	55
Government grants (<i>Note</i>)	2,541	4,056
Sundry income	1,018	367
	4,319	4,728

Note:

During the year ended 31 December 2021, the government grants of approximately HK\$2,541,000 (2020: HK\$3,986,000) were received by the Good Mind Engineering Limited ("GMEHK"), an indirect wholly-owned subsidiary of the Group. The government grants were including the amount of HK\$2,314,000 (2020: HK\$2,696,000) from Employment Support Scheme ("ESS") under the Anti-epidemic Fund launched by the Government of the Hong Kong Special Administrative Region supporting the payable of GMEHK's employee; and amount of HK\$227,000 (2020: HK\$1,290,000) from Employment Support Scheme for the Construction Sector (Casual Employees) ("ESSC") launched by the Construction Industry Council supporting the payroll of GMEHK's employees.

Under both ESS and ESSC schemes, GMEHK committed to utilise these grants on payroll expenses, and not reduce employee headcount below prescribed levels for a specified period of time. GMEHK does not have other unfulfilled obligations relating to these programs.

7. PROFIT BEFORE INCOME TAX

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

	2021	2020
	HK\$'000	HK\$'000
Included in cost of services:		
– Subcontracting costs	53,507	13,764
– Construction materials and supplies	131,502	34,962
Auditor's remuneration	600	660
Gain on disposal of property, plant and equipment	(86)	(55)
Impairment loss on trade receivables	208	266
Impairment loss on other receivables	350	–
Impairment loss on contract assets	348	14
Depreciation charges		
– Owned property, plant and equipment	5,581	3,961
– Right-of-use-assets included within		
– Leased properties	1,576	1,578
– Office equipment	15	15
– Plant and machinery	627	524
– Motor vehicles	124	320
Consultancy fees	2,778	3,288
Lease payment not included in the measurement of lease liabilities		
– Leased properties (included in cost of services and administrative expenses)	432	804
– Short term leases of plant and machinery (included in cost of services)	24,802	5,937
Employee benefit expenses	200,728	63,021

8. INCOME TAX EXPENSE

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

	2021	2020
	HK\$'000	HK\$'000
Current tax – Hong Kong profits tax		
– charge for the year	–	–
Deferred tax	<u>601</u>	<u>390</u>
Income tax expense	<u><u>601</u></u>	<u><u>390</u></u>

Hong Kong profits tax is calculated at 16.5% (2020: 16.5%) of the estimated assessable profits for the year ended 31 December 2021. According to the Inland Revenue (Amendment) Bill 2017 (the “**Bill**”) which was substantively enacted after passing its Third Reading in the Legislative Council on 28 March 2018, the two-tiered profits tax regime (the “**Regime**”) is first effective for the year of assessment 2018/19. Profits tax rate for the first HK\$2 million of assessable profits of corporations is lowered to 8.25% with the excess assessable profits continue to be taxed at 16.5%. No nominated entity of the Group is entitled to the Regime as no such entity generated assessable profit for the years ended 31 December 2021 and 2020.

9. DIVIDEND

The Directors do not recommend the payment of any dividend in respect of the years ended 31 December 2020 and 2021.

10. EARNINGS PER SHARE

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Profit for the year attributable to owners of the Company	<u>10,451</u>	<u>1,008</u>
	Number of shares '000	Number of shares '000
Weighted average number of ordinary shares during the year used in the basic earnings per share calculation	<u>487,808</u>	<u>487,808</u>

Note:

The diluted earnings per share was same as basic earnings per share as there was no potential share outstanding for each of the years ended 31 December 2021 and 2020.

11. TRADE AND OTHER RECEIVABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade receivables (<i>Note</i>)	75,207	25,430
Less: Impairment loss	<u>(784)</u>	<u>(576)</u>
	<u>74,423</u>	<u>24,854</u>
Prepayments, deposits and other receivables	8,227	7,183
Less: Impairment loss	<u>(350)</u>	<u>–</u>
	<u>7,877</u>	<u>7,183</u>
	<u>82,300</u>	<u>32,037</u>

Note:

Trade receivables were mainly derived from the provision of underground construction services and are non-interest bearing. The Group does not hold any collateral or other credit enhancements over these balances. The credit period granted by the Group to its customers is generally 21 to 60 days for the years ended 31 December 2021 and 2020.

The following is an analysis of trade receivables by age (net of impairment loss), presented based on the invoice dates:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Less than 1 month	48,989	15,254
1 to 3 months	25,434	9,584
More than 3 months but less than one year	<u>–</u>	<u>16</u>
	<u>74,423</u>	<u>24,854</u>

12. TRADE AND OTHER PAYABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade payables (<i>Note</i>)	17,961	4,614
Other payables and accruals	45,859	10,818
	<u>63,820</u>	<u>15,432</u>

Note:

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Less than 1 month	5,573	2,346
1 to 3 months	10,447	1,663
More than 3 months but less than one year	1,823	502
More than one year	118	103
	<u>17,961</u>	<u>4,614</u>

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

13. SHARE CAPITAL

	Number of shares	Amount <i>HK'000</i>
Authorised:		
Ordinary shares of HK\$0.01 each		
As at 31 December 2020, 1 January 2021 and 31 December 2021	<u>2,000,000,000</u>	<u>20,000</u>
Issued and fully paid:		
Ordinary shares of HK\$0.01 each		
As at 31 December 2020, 1 January 2021 and 31 December 2021	<u>487,808,000</u>	<u>4,878</u>

14. CAPITAL COMMITMENT

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Commitment for the acquisition of:		
Property, plant and equipment	410	–

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

On 28 January 2022, the Group made a drawdown of \$9 million from the banking facility to the maximum limit of \$12 million on a banking facility obtained on 10 December 2021, and the Group settled all principal and interest on the bank borrowing on 11 March 2022.

The Group obtained another borrowing to the extent of \$8 million from the same bank on 15 March 2022. This bank borrowing will expire on 8 April 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is an established subcontractor engaged in civil engineering works and operating solely in Hong Kong. The Group is principally engaged in the provision of underground construction services and mainly serves main contractors in public sector infrastructure projects. Public sector projects refer to the projects in which the main contractors are employed by the 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 have covered all other types of engagements.

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

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

During the year ended 31 December 2021, the Group had secured 14 public construction projects and two private sector projects with aggregate secured contract sums and confirmed variation orders (“**Newly Awarded Contracts**”) of approximately HK\$243,897,000 and approximately HK\$5,724,000, respectively.

During the year ended 31 December 2021, the Group had been engaged in 35 public sector projects (2020: 32) and three private sector projects (2020: seven). 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 2021 to be recognised as revenue after the Reporting Period was approximately HK\$298,048,000.

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

PRINCIPAL RISKS AND UNCERTAINTIES

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

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

The Group's historical results may not be indicative of its future performance, which may vary from period to period in response to a variety of factors beyond the Group's control, including general economic conditions, regulations pertaining to the underground construction industry in Hong Kong and the ability to secure new business in the future. Besides, adverse weather conditions, natural disasters, potential wars, terrorist attacks, riots, epidemics, pandemics (such as coronavirus disease "COVID-19") and other disasters which are beyond the Group's control.

The Group's financial performance has been affected due to the fifth wave of COVID-19 in Hong Kong in December 2021. The certification process of the Group's construction progress for the fourth quarter in 2021 took longer time to confirm with the main contractors. Subsequent to the Reporting Period, some of the Group's construction workers were infected with COVID-19, which reduced the available manpower for the Group's construction services. Besides, one of the Group's construction sites experienced construction suspension in late February 2022 for 7 days to undergo disinfection on sites and COVID-19 testings for construction workers. Also, some final accounts and variation orders are still reconciled with the main contractors. Therefore, the above situation reduced the number of workdays and hindered the Group's operations. Despite of these short-term impact, it is anticipated that the risks, effect and uncertainties related to COVID-19 was not material to the Group's operations up to the date of this announcement.

OUTLOOK OF TUNNEL AND CONSTRUCTION INDUSTRY IN HONG KONG

It is expected that there will be continuous demand for tunnel construction services in Hong Kong given that the construction works at Central Kowloon Route, Tseung Kwan O-Lam Tin Tunnel and the Three-runway System of 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 Tseung Kwan O-Lam Tin Tunnel, Central Kowloon Route, Sha Tin Cavern Tunnel, Cha Kwo Ling Tunnel and the Three-runway System of the Hong Kong International Airport.

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

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

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

The Group observes that these public infrastructure projects are coming on full stream in 2022. The Group is one of the selected few subcontractors experienced in tunnel construction in Hong Kong and is well prepared to capitalise on the opportunities from these public infrastructure projects.

FINANCIAL REVIEW

Revenue

The Group's revenue was primarily generated from public sector projects for the provision of (i) tunnel construction services; and (ii) utility construction services and others for the year ended 31 December 2021. The following table sets out the breakdown of the Group's revenue by project types for the periods indicated:

	For the year ended 31 December			
	2021	2021	2020	2020
	<i>HK\$'000</i>	% of total revenue	<i>HK\$'000</i>	% of total revenue
Public sector projects				
– Tunnel construction services	229,986	51.9	57,375	42.6
– Utility construction services and others	210,657	47.4	73,989	55.0
Sub-total	440,643	99.3	131,364	97.6
Private sector projects	2,905	0.7	3,208	2.4
Total	443,548	100.0	134,572	100.0

The Group's revenue increased from approximately HK\$134,572,000 for the year ended 31 December 2020 to approximately HK\$443,548,000 for the year ended 31 December 2021, representing an increase of approximately HK\$308,976,000 or 229.6%. The significant increase in revenue was due to: (i) an increase in revenue generated from tunnel construction projects in the public sector from approximately HK\$57,375,000 for the year ended 31 December 2020 to approximately HK\$229,986,000 for the year ended 31 December 2021, representing an increase of approximately HK\$172,611,000 or 300.8%; and (ii) an increase in revenue generated from utility construction services and others in the public sector from approximately HK\$73,989,000 for the year ended 31 December 2020 to approximately HK\$210,657,000 for the year ended 31 December 2021, representing an increase of approximately HK\$136,668,000 or 184.7%. Such significant increase in revenue was mainly attributable to the gearing up of construction works at Tseung Kwan O-Lam Tin Tunnel during the Reporting Period.

Cost of services

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

The Group's cost of services increased from approximately HK\$115,011,000 for the year ended 31 December 2020 to approximately HK\$411,175,000 for the year ended 31 December 2021, representing an increase of approximately HK\$296,164,000 or 257.5%. Such increase was mainly due to: (i) an increase in the staff costs from approximately HK\$53,135,000 for the year ended 31 December 2020 to approximately HK\$189,766,000 for the year ended 31 December 2021, representing an increase of approximately HK\$136,631,000 or 257.1%; (ii) an increase in the construction materials and supplies from approximately HK\$34,962,000 for the year ended 31 December 2020 to approximately HK\$131,502,000 for the year ended 31 December 2021, representing an increase of approximately HK\$96,540,000 or 276.1%; and (iii) an increase in the subcontracting costs from approximately HK\$13,764,000 for the year ended 31 December 2020 to approximately HK\$53,507,000 for the year ended 31 December 2021, representing an increase of approximately HK\$39,743,000 or 288.7%.

The purchase arrangement of construction materials and supplies and engagement of the subcontractors depend on the terms of the contracts, which may vary on a project-by-project basis. The increase in staff costs, construction materials and supplies and subcontracting costs were due to the increase in volume of works during the Reporting Period.

Gross profit and gross profit margin

The gross profit and gross profit margin of the Group for the year ended 31 December 2021 was approximately HK\$32,373,000 and 7.3%, respectively (2020: approximately HK\$19,561,000 and 14.5%, respectively). During the Reporting Period, the Group engaged more structural works that relied heavily on construction materials and incurred more subcontracting costs, which had a negative impact on the gross profit margin. In addition, the variation orders and final accounts of some construction projects were not yet finalised between the Group and the main contractor due to the surging fifth wave of COVID-19 in Hong Kong, which resulted in the decrease of the gross profit margin of the Group during the Reporting Period.

Other income

The Group's other income was approximately HK\$4,319,000 for the year ended 31 December 2021 (2020: approximately HK\$4,728,000), which was mainly attributable to the government grants of approximately HK\$2,541,000 (2020: approximately HK\$4,056,000).

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

Administrative expenses

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

The Group's administrative expenses increased from approximately HK\$22,599,000 for the year ended 31 December 2020 to approximately HK\$25,402,000 for the year ended 31 December 2021, representing an increase of approximately HK\$2,803,000 or 12.4%. The staff costs and benefits for the year ended 31 December 2021 was approximately HK\$7,548,000 (2020: approximately HK\$6,472,000), representing an increase of approximately HK\$1,076,000 or 16.6%. The Directors' remuneration was approximately HK\$3,414,000 (2020: approximately HK\$3,414,000) during the Reporting Period.

Finance costs

The Group's finance costs decreased from approximately HK\$295,000 for the year ended 31 December 2020 to approximately HK\$241,000 for the year ended 31 December 2021 due to the decrease in interest expenses on the bank borrowing during the Reporting Period.

Income tax

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

The income tax for the year ended 31 December 2021 mainly resulted from the accelerated tax depreciation during the Reporting Period.

Profit and total comprehensive income for the year attributable to the owner of the Company (the “Net Profit”)

The Group’s Net Profit for the year ended 31 December 2021 was approximately HK\$10,451,000 (2020: approximately HK\$1,008,000). Such increase in the Net Profit was mainly due to the increase in revenue and gross profit during the Reporting Period as discussed above.

Dividends

The Board does not recommend the payment of any dividend for the year ended 31 December 2021 (2020: nil).

Liquidity, financial resources and funding

As at 31 December 2021, the Group’s cash and cash equivalents amounted to approximately HK\$5,430,000 (2020: approximately HK\$6,937,000), which were denominated in Hong Kong dollar. Such decrease was mainly due to the cash outflow used in purchases of property, plant and equipment during the Reporting Period.

On 23 August 2021, GMEHK received a banking facility letter of a revolving loan granted by a licensed bank in Hong Kong of HK\$18,000,000 at an interest rate of 1% per annum below the Hong Kong Prime Rate under the SME Financing Guarantee Scheme, which is secured by personal guarantees executed by Mr. Chuang Chun Ngok Boris, Mr. Chuang Wei Chu, Ms. To Yin Ping and Ms. Chuang Yau Ka. Also, on 10 December 2021, GMEHK received another banking facility letter of export invoice discounting with another licensed bank in Hong Kong of HK\$12,000,000 at an interest rate of 3.5% per annum over the higher of HIBOR and the bank’s cost of fund, which is secured by a corporate guarantee by the Company.

As at 31 December 2021, the lease liabilities represented the leases arrangement of the Group's office equipment, leased buildings, a machinery, and motor vehicles amounted to approximately HK\$3,317,000 (2020: approximately HK\$2,307,000). During the Reporting Period, the Group renewed its office premise and obtained the use-of-right of leased properties under the lease arrangements of approximately HK\$2,991,000 and HK\$629,000, respectively. The lease payments and interest expenses on leases liabilities of approximately HK\$2,661,000 (2020: approximately HK\$2,714,000) and HK\$171,000 (2020: approximately HK\$164,000), respectively.

The Group's gearing ratio, which is calculated by total debts divided by total equity, was approximately 104.4% as at 31 December 2021 (2020: approximately 30.2%).

Capital structure

As at 31 December 2020 and 2021, the capital structure of the Company comprised issued share capital and reserves.

Commitments

Save as disclosed in note 14 to the Consolidated Financial Statements, there were capital commitments of approximately HK\$410,000 for the acquisition of property, plant and equipment as at 31 December 2021.

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

There was no significant investments, material acquisitions or disposal of subsidiaries and associated companies by the Company for the year ended 31 December 2021.

Future plans for material investments and capital assets

The Group did not have other plans for material investment or capital assets as at 31 December 2021.

Contingent liabilities

As at 31 December 2021, there were a number of labour claims lodged against the Group arising from the ordinary course of its civil engineering construction business. No specific claim amount has been specified in the applications of these claims.

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

As at 31 December 2021, the Group provided guarantee to an insurance company in respect of surety bonds issued by such insurance company in favour of the Group's customers at an amount of approximately HK\$9,169,000 (2020: approximately HK\$9,169,000) in relation to two public construction contracts of the Group (2020: two) in the ordinary course of business. It is anticipated that this amount is the maximum exposure to the Group when the Group fails to provide satisfactory performance to its customers to whom the surety bond has been given. It is not probable that this insurance company would claim the Group for losses in respect of the guarantee contracts as it is unlikely that the Group would be unable to fulfil the performance requirements of the relevant contract. The surety bonds as at 31 December 2021 are expected to be released in accordance with the terms of the respective construction contracts. Save for the guarantee given on the surety bonds, the Group has no other material contingent liabilities.

Foreign currency exposure

The Group's reporting currency is Hong Kong dollar. During the years ended 31 December 2020 and 2021, the Group's transactions were mainly denominated in Hong Kong dollar.

Charges on the Group's assets

The Group had placed cash collateral of approximately HK\$3,900,000 (2020: approximately HK\$3,900,000) to an insurance company in Hong Kong for the provision of the surety bonds for two of the public construction projects (2020: two). For details of the surety bonds, please refer to the paragraph headed "Contingent liabilities" above. Saved for the foregoing, the Group did not have any charges on its assets.

Information on employees

As at 31 December 2021, the Group had 913 employees (2020: 290), which comprises 6 management (2020: 6), 20 technical staff (2020: 10), 14 administration, accounting and human resources staff (2020: 12) and 873 construction workers (2020: 262) in Hong Kong.

Employee remuneration package is based on previous working experience and actual performance of each individual employee. Apart from the basic salary, discretionary bonus and allowance will be granted to employees based on their individual performance subject to the executive Directors' approval. The total staff costs (included in cost of services and administrative expenses) and Directors' remuneration amounted to approximately HK\$200,728,000 for the year ended 31 December 2021 (2020: approximately HK\$63,021,000). Such increase was mainly resulted from the increase in staff costs in the cost of services which was in line with the increase in revenue and the increase of the average headcount of workers and their total number of workdays during the Reporting Period.

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

Events after the Reporting Period and effect of COVID-19

On 28 January 2022, the Group made a drawdown of \$9 million from the banking facility to the maximum limit of \$12 million on a banking facility obtained on 10 December 2021, and the Group settled all principal and interest on the bank borrowing on 11 March 2022.

The Group obtained another borrowing to the extent of \$8 million from the same bank on 15 March 2022. This bank borrowing will expire on 8 April 2022.

Save as disclosed in note 15 to the Consolidated Financial Statements, no other event has occurred after 31 December 2021 and up to the date of this announcement which would have material effect on the Group.

OTHER INFORMATION

Corporate governance practices

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

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

During the year ended 31 December 2021, the Directors considered that the Company has complied with the CG Code.

Code of conduct for securities transactions by directors

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

Pursuant to Rule 5.56(a) of the GEM Listing Rules, the Directors must not deal in any securities of the Company on any day on which its financial results are published and during the period of 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and during the period of 30 days immediately preceding the publication date of the quarterly results or, if shorter, the period from the end of the relevant quarterly period up to the publication date of the results (the “**Black-out Period**”). This Required Standard of Dealings will be regarded as equally applicable to any dealings by the Director’s spouse or by or on behalf of any minor child (natural or adopted) and any other dealings in which for the purposes of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (“**SFO**”) he is or is to be treated as interested under Rule 5.59 of the GEM Listing Rules.

On 6 March 2021, the Board appointed SHINEWING Risk Services Limited as an independent internal control consultant to review and strengthen the internal controls in relation to the Required Standard of Dealings from 10 November 2020 to 31 January 2021. The independent internal control consultant reported the review results to the audit committee of the Board (the “**Audit Committee**”) on 23 March 2021. Based on the review results, the Company has implemented a specific procedure to strengthen such internal control. The company secretary of the Company shall obtain the acknowledgement of receipt of the memorandum for the Black-out Period and the inside information manual for the Required Standard of Dealings from the Directors, senior management of the Company and relevant parties (including family members) before the commencement of each Black-out Period.

The Company had made specific enquiry with the Directors and all Directors confirmed that they had fully complied with the Required Standard of Dealings set out in the Code of Conduct during the year ended 31 December 2021.

Annual general meeting and closure of the register of members

The annual general meeting of the Company will be held on Wednesday, 29 June 2022 (“**AGM**”). The register of members of the Company will be closed from Thursday, 23 June 2022 to Wednesday, 29 June 2022 (the “**closure period**”), both days inclusive, for the purposes of determining the entitlements of the Shareholders to attend and vote at the forthcoming AGM. During this closure period, no transfer of the Shares will be registered. In order to qualify for attending and voting at the AGM, all transfers, accompanied by the relevant Share certificates must be lodged with the Company’s Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong, for registration no later than 4:30 p.m. on Wednesday, 22 June 2022.

Interest of the compliance adviser

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

Audit Committee

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

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

Scope of work of BDO Limited

The figures in respect of the Group’s consolidated statement of the financial position, consolidated statement of comprehensive income, and the related notes thereto for the year ended 31 December 2021 as set out in the preliminary announcement have been agreed by the Group’s auditor, BDO Limited, to the amounts set out in the Group’s audited consolidated financial statements for the year ended 31 December 2021. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by BDO Limited on the preliminary announcement.

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

Pursuant to the requirements of the GEM Listing Rules, the 2021 annual report of the Company will set out all information required by the GEM Listing Rules and will be published on the GEM website at www.hkgem.com and the Company's website at www.gmehk.com on or before 31 March 2022.

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

Hong Kong, 23 March 2022

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

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