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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)

SUPPLEMENTAL ANNOUNCEMENT

**DISCLOSEABLE TRANSACTION
IN RELATION TO THE ACQUISITION OF THE TOTAL NUMBER
OF ISSUED SHARES IN THE TARGET COMPANY**

Reference is made to the announcement of the Company dated 4 November 2024 in respect of the Acquisition (the “**Announcement**”). Unless otherwise defined, the terms used in this supplemental announcement shall have the same meaning as those defined in the Announcement.

The Company would like to provide further information to the Shareholders and potential investors of the Company in respect of the Acquisition.

BASIS OF THE DETERMINATION OF THE CONSIDERATION

In addition to the factors set out under the paragraph headed “Consideration” of the Announcement, in determining the Consideration, the parties have also taken into account, among other things, the following:

- (a) the valuation on the Target Company conducted by a professional independent valuer under the market approach (the “**Valuation**”), whereby the valuer has assessed the market value of 100% equity interest in the Target Company as at 31 October 2024 is valued at HK\$17,100,000;
- (b) as at 31 October 2024, the unaudited net asset value of the Target Company is HK\$455,300 given the Acquisition on a “cash-free, debt-free” basis; and
- (c) the benefits that would accrue to the Company as set out in the paragraph headed “Reasons and benefits of the Acquisition” in this Announcement.

Details of the Valuation

The Valuation has been prepared in accordance with the International Valuation Standards effective from 31 January 2022 published by the International Valuation Standards Council, where applicable. The Target Company has been valued on market value basis as at 31 October 2024. Market value is defined as the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.

Key assumptions used in the Valuation

The Valuation is based on the assumptions that:

- (a) the amount due from a director to the Target Company will be waived upon the completion of the Acquisition;
- (b) there will be no material change in the existing political, taxation, legal, technological, fiscal or economic conditions, which might adversely affect the business of the Target Company;
- (c) the conditions in which the Target Company is operated, and which are material to revenue and costs of the businesses of the Target Company will have no material change;
- (d) the information has been prepared on a reasonable basis after due and careful consideration by the Company;
- (e) competent management, key personnel and technical staff will be maintained to support the ongoing operation and development of the Target Company;
- (f) all licenses and permits that is essential for the operation of the Target Company can be obtained and are renewable upon expiry; and
- (g) there are no hidden or unexpected conditions associated with the businesses valued that might adversely affect the reported value.

Input parameters and calculation process of the Valuation

Market approach values assets based on comparison with recent market transactions of selling similar assets. Market Approach values a business entity by comparison of the prices at which other similar business nature companies or interests changed hands in arm's length transactions. The underlying theory of this approach is that one would not pay more than one would have to pay for an equally desirable alternative. As advised by the Company, the Target Company is expected to sustain its business operations at similar level in the foreseeable future. Therefore, in conducting the Valuation, the valuer has considered that market approach is the most optimal approach for valuing the Target Company.

The guideline public company method is applied in that a valuation multiple is computed for various benefit streams for each guideline public company. The appropriate valuation multiple is determined and adjusted for the unique aspects of the Target Company being valued. This valuation multiple is then applied to the Target Company to arrive at an estimate of value for the appropriate ownership interest. Since the purpose of the Valuation is to determine the equity interest, the valuation multiples are based on equity value. A valuation multiple represents a ratio that uses a comparable company's market value as at the date of the Valuation as the numerator and the comparable company's operating results (or financial position) as the denominator.

The price to earnings ratio (P/E ratio) is considered appropriate for the Valuation since it reflects the significant business and profitability of the Target Company. As a result, P/E ratio is considered to be appropriate in the Valuation.

The valuer in conducting the Valuation has identified listed companies which engaged in the construction and engineering of roads and drainage which is similar to the principal business of the Target Company. As a result, listed companies with similar business exposure in relation to the principal activity of the Target Company are identified. The valuer considers this selection basis is reasonable and the sample list is fair and representative. As a result, the comparable companies are selected with reference to the criteria as follows:

- (a) the comparable companies principally engage in the construction and engineering of road and drainage in Hong Kong with percentage of revenue derived from such business of approximately 70% or above;
- (b) the comparable companies or their subsidiaries are in the list of Group B (*Note 1*) Public Works Contractors approved for carrying out public works in the category of Roads and Drainage under Hong Kong Development Bureau (the "**List**");
- (c) the comparable companies are listed on the Stock Exchange;
- (d) the comparable companies have more than 3 years of operating histories; and
- (e) the financial information of the comparable companies is available to the public.

The valuer then identified exhaustively eight guideline public companies set out as follows to be comparable to the Target Company with the aforesaid criteria, and obtained an average of the price to net profits ratio for the guideline public companies as 6.31.

	Company name	Stock code	Principal business	Percentage of revenue derived from construction and engineering business	P/E ratio
1.	SFK Construction Holdings Limited	1447	The company engages in the construction and maintenance business primarily in Hong Kong. It holds Roads and Drainage Works (Group B and C) (<i>Note 1</i>) license.	93.66%	8.69
2.	Landrich Holding Limited	2132	The company provides construction engineering works in Hong Kong, including construction of trunk roads, carriageways, bridges, tunnels, and modification of existing roads that include landscaping works, laying of pipes, and manhole construction. It holds Roads and Drainage Works (Group B and CP) (<i>Note 1</i>) license.	100.00%	9.24
3.	New Concepts Holdings Limited	2221	The company engages in the construction and environmental protection business in Hong Kong and Mainland China. Its foundation works include construction of bored piles, SHP, site formation, ELS, pile cap works, mini-piling and shear pile works, interlock pipe pile, excavation, lateral supports, and GIFW works. It holds Roads and Drainage Works (Group B) (<i>Note 1</i>) license.	81.38%	57.78 (<i>Note 2</i>)

	Company name	Stock code	Principal business	Percentage of revenue derived from construction and engineering business	P/E ratio
4.	Build King Holdings Limited	240	The company engages in the building construction and civil engineering works in Hong Kong and Mainland China. It constructs institutions/schools, and residential and commercial buildings, as well as undertakes fitting out, improvement, and alteration works for buildings. It holds Roads and Drainage Works (Group B and C) (<i>Note 1</i>) license.	100.00%	2.21
5.	Yau Lee Holdings Limited	406	The company engages in the construction business in Hong Kong and internationally. It operates through Construction; Electrical and Mechanical Installation; Building Materials Supply; Property Investment and Development; and Hotel Operations segments. The company is involved in contracting of building construction, plumbing, renovation, maintenance, and fitting-out projects; electrical and mechanical installation; provision of electrical, mechanical, ventilation and air conditioning, fire, and environmental engineering services; and supplying of construction and building materials. It holds Roads and Drainage Works (Group B) (<i>Note 1</i>) license.	75.33%	5.08

	Company name	Stock code	Principal business	Percentage of revenue derived from construction and engineering business	P/E ratio
6.	Asia Allied Infrastructure Holdings Limited	711	The company engages in civil engineering, electrical and mechanical engineering, and foundation and building construction work businesses in Hong Kong, the United Arab Emirates, and internationally. It holds Roads and Drainage Works (Group BP and C) (Note 1) license. (Note 5)	89.84%	6.49
7.	Tsun Yip Holdings Limited	8356	The company primarily engages in the provision of civil engineering services. The company operates through Provision of Civil Engineering Services and Media and Advertising Business segments. The Civil Engineering Services segment provides waterworks engineering, road works and drainage services, and site formation works for the public sector in Hong Kong. It holds Roads and Drainage Works (Group BP and CP) (Note 1) license. (Note 5)	100.00%	N/A (Note 3)

			Percentage of revenue derived from construction and engineering business	P/E ratio
	Stock code	Principal business		
Company name				
8. Chizun Investment International Limited	9639	The company provides civil and electrical cable engineering, and solar photovoltaic (PV) system contracting services in Hong Kong. It engages in the road and drainage works, such as construction and modification of roads, carriageways, and pavements; construction of covered walkways; renovation of subways and footbridges; provision of facilities at footbridges, elevated walkways, and subways; construction of drainage systems, manholes, and cable trenches; and installation of water mains and sewerage pipes, as well as site formation works. It holds Roads and Drainage Works (Group BP) (Note 1) license. (Note 4 and 5)	69.46%	6.18

Notes:

- 1: *According to the contractor management handbook issued by the Development Bureau of Hong Kong, contractors within each category of the List are divided into Group A, B and C according to the value of contracts for which they are normally eligible to tender. A contractor's status in a particular group will be either probationary or confirmed. Probationary contractors are limited in the number and/or value of contracts for which they are eligible to tender and to be awarded. As such, Group BP contractors, being contractors under probationary status in Group B, are also selected for deriving the average P/E ratio.*
- 2: *Given that New Concepts Holdings Limited (2221.HK) has an extreme P/E ratio, it is excluded as an outlier when deriving the average P/E ratio for applying to the Target Company.*
- 3: *Given that Tsun Yip Holdings Limited (8356.HK) had net losses, its P/E ratio is not available for deriving the average P/E ratio for applying to the Target Company.*
- 4: *As the percentage revenue derived from construction and engineering business is close to 70%, it is considered to be principally engaged in construction and engineering business.*
- 5: *Given that these companies are principally engaged in the construction and engineering of road and drainage in Hong Kong which are similar to the principal business of the Target Company and they are eligible to tender or for award of Group B contracts under the same category (as disclosed in the note 1 above), they are also identified and selected for deriving the average P/E ratio.*

The operating net profits of the Target Company for the year ended 31 December 2023 is arrived by adjusting the non-operating income and net interest income based on the net profits of the Target Company for the year ended 31 December 2023 in the amount of HK\$6,270,966.

In the Valuation, discount for lack of marketability is referenced to the research of “Stout Restricted Stock Study Companion Guide 2023 Edition”. As such, a discount for lack of marketability of 20.5% is adopted.

As advised by management of the Company, the amount due from a director to the Target Company will be waived upon the completion of the Acquisition. Hence, an adjustment of the amount due from director to the Target Company is also applied in the process of arriving the valuation result.

As such, the valuation of 100% equity interest of the Target Company is HK\$31,478,202 after applying a price to net profits ratio of 6.31 to the operating net profits of the Target Company for the year ended 31 December 2023 of HK\$6,270,966 with a 20.5% discount for lack of marketability. The adjustment of amount due from director to the Target Company of HK\$14,331,926 is applied to arrive at a valuation of approximately HK\$17,100,000.

Conclusion of the Valuation

It is concluded from the Valuation that as at 31 October 2024, the valuation of 100% equity interest in the Target Company is HK\$17,100,000.

REASONS AND BENEFITS OF THE ACQUISITION

In addition to the reasons and benefits set out under the paragraph headed “Reasons and benefits of the Acquisition” of the Announcement, the Company also considered that given the Acquisition on a “cash-free, debt-free” basis, whereby the Company intended to acquire the License held by the Target Company only, the Directors are of the view that the License has high profitability potential and valuable in the industry that it operates. As such, the Target Company has disposed of all its other assets and liabilities immediately prior to Completion, save for the assets and liabilities necessary for the Project. For the assets necessary for the Project and which has remained with the Target Company for such purpose, the Purchaser has undertaken in the Sale and Purchase Agreement to procure the Target Company to transfer such fixed assets, being an aggregate of six motor vehicles, to the Vendor at an aggregate consideration of HK\$1.00 within one month upon the end date of the Project.

The Target Company has been in the industry for a substantial period and have established a reputation within the industry and is well-acquainted with other industry players, customers (which include government departments) and suppliers. The Target Company is also well-positioned within the industry to benefit from the License, as by being licensed in Group B under the “Roads and Drainage” category as a main contractor, it could significantly improve the Company’s profile. Changes in the tendering system for public works was implemented by the Hong Kong Government earlier this year, which has prompted large Group C main contractors, being the major customers of the Group, to form joint venture with smaller-scaled Group B main contractors. This way, the large Group C main contractors’ tenders could be viewed more favourably in the tendering processes and be granted with additional points in determining the winners of the tenders. The Group has in the past received numerous requests from its major customers, being the large Group C main contractors, to procure a Group B license in order to form joint ventures and bid for future public works projects together. Therefore, the Company considers that the acquisition of the License can significantly expand the Group’s business, develop additional source of revenue, deepen the relationship with its existing customers and improve profitability for the Group overall.

Save as disclosed above, the contents of the Announcement remain unchanged and shall continue to be valid for all purposes. This announcement is supplemental to and should be read in conjunction with the Announcement.

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

Hong Kong, 25 November 2024

As at the date of this announcement, the executive Directors are Mr. Chuang Chun Ngok Boris and Mr. Chuang Wei Chu, the non-executive Director is Ms. Chuang Yau Ka, 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, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with 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.

This announcement will remain on the “Latest Listed Company Information” page of the Stock Exchange website at www.hkexnews.hk for at least seven days from the date of its posting and on the Company’s website at www.gmehk.com.