WAI HUNG GROUP HOLDINGS LIMITED
偉鴻集團控股有限公司

(incorporated in the Cayman Islands with limited liability)

Stock code: 3321

Annual Report 2018

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors
Mr. Li Kam Hung *(Chairman & Chief Executive Officer)*
Mr. Yu Ming Ho

Non-executive Director
Mr. Li Chun Ho

Independent Non-executive Directors
Ms. Rita Botelho dos Santos
Mr. Wu Chou Kit
Mr. Lam Chi Wing

AUDIT COMMITTEE

Ms. Rita Botelho Dos Santos *(Chairman)*
Mr. Wu Chou Kit
Mr. Lam Chi Wing

REMUNERATION COMMITTEE

Mr. Lam Chi Wing *(Chairman)*
Mr. Yu Ming Ho
Mr. Wu Chou Kit

NOMINATION COMMITTEE

Mr. Li Kam Hung *(Chairman)*
Mr. Wu Chou Kit
Mr. Lam Chi Wing

AUTHORISED REPRESENTATIVES

Mr. Li Kam Hung
Mr. Yau Yan Yuen

COMPANY SECRETARY

Mr. Yau Yan Yuen *(CPA)*

AUDITOR

Deloitte Touche Tohmatsu

COMPLIANCE ADVISER

Red Sun Capital Limited

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN MACAU

Alameda Dr. Carlos d'Assumpcao
No. 258 Praca Kin Heng Long
16 Andar G-H, Macau

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 13, 24th Floor
Honour Industrial Centre
6 Sun Yip Street
Chai Wan, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 22 Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANK

Luso International Banking Ltd.

LEGAL ADVISER

As to Hong Kong Laws
Chungs Lawyers

STOCK CODE

3321
(listed on the Main Board of The Stock Exchange of Hong Kong Limited)

WEBSITE

whh.com.hk

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board of directors (the "**Board**") of Wai Hung Group Holdings Limited (the "**Company**"), I am pleased to present the annual report of the Company and its subsidiaries (together, the "**Group**") in respect of the year ended 31 December 2018.

Our Group have established business relationship with major licensed casino gaming operators in Macau. Majority of our customers are group companies of the six licensed casino gaming operators in Macau, and the shares of their respective holding companies are listed on the Stock Exchange. We believe that our experienced management team with profound industry knowledge, our ability to maintaining long-term business relationships with our major customers and a stable pool of suppliers and subcontractors have contributed to our success.

The strategies we aim to pursue to further strengthen our market position in the fitting-out industry in Macau include: (i) strengthening our financial position to undertake more sizeable fitting-out projects; (ii) diversifying our customer base; and (iii) strengthening our manpower.

Our revenue increased by approximately MOP137.7 million or 72.8% from approximately MOP189.1 million for the year ended 31 December 2017 to approximately MOP326.8 million for year ended 31 December 2018. Such increase was mainly attributable to the increase in the revenue derived from our casino fitting-out projects due to the commencement of a casino fitting-out contract with one of our customer's new integrated resort in March 2018, with an original contract sum of approximately MOP160.4 million.

Despite the slowdown in the gaming industry, the overall economy of Macau has displayed a steady to good growth trend. The opening of the Hong Kong-Zhuhai-Macau Bridge is expected to play a critical link to the implementation of the strategy of the Greater Bay Area of Guangdong, Hong Kong, and Macau. It will facilitate Hong Kong and Macau to integrate into the overall development of the country, deepen the cooperation between the Mainland, Hong Kong and Macau, and further promote the tourism industry by upgrading regional transport development. The Macau government released the Tourism Industry Development Master Plan Consultation Paper in 2016 to position Macau as the World Centre of Tourism and Leisure, diversifying the overall development of the tourism industry and promoting new development of cultural tourism. The 13th Five Year Plan of the PRC government has further reassured this positioning. These policies diversify the tourism products by upgrading the accommodation options, cultural facilities, retail shops, and various events, supported by the promotional campaigns in attracting visitors from new target segments and regions, as well as the enhancement in transportation networks. Fitting-out works would be required in the construction and renovation of social amenities, transportation facilities, tourism spots, entertainment facilities and building derived from new tourism model. The increasing number of construction projects is forecasted to give a rise to the needs for fitting-out works in Macau. Therefore, the diversified economic development of new kinetic energy will promote and facilitate the fitting-out and construction industries in Macau.

Once again, I would like to take this opportunity to express my express my respect and appreciation to my fellow board members, management team, staff members, business partners and, most importantly, our shareholders and customers for their support.

Yours truly,

Li Kam Hung
Chairman, Chief Executive Officer and Executive Director

Hong Kong, 25 April 2019

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The shares of the Company (the "**Shares**") were successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 23 April 2019 (the "**Listing Date**"). The estimated net proceeds from the share offer (the "**Share Offer**") amounted to approximately HK$138.1 million (after deducting underwriting fees and commissions and all related expenses).

The Group is a contractor providing fitting-out services and repair and maintenance services in Macau. The Group's fitting-out services primarily cover refitting works for existing buildings and extend to casinos, retail areas, hotels, restaurants, commercial properties and residential properties. We primarily focus on providing fitting-out services for the commercial segment, in particular facilities located within integrated resorts in Macau. According to the report prepared by Frost & Sullivan, in terms of revenue, the Group was the third largest commercial fitting-out contractor and the fifth largest fitting-out contractor in Macau in 2017, with a market share of approximately 4.3% and 2.4%, respectively.

The Group undertook projects as both main contractor and subcontractor. The majority of its revenue was derived from projects in which we were engaged as main contractor by major licensed casino gaming operators in Macau. To a lesser extent, the Group were also engaged as subcontractor by other fitting-out contractors in Macau.

The Group have established business relationship with major licensed casino gaming operators in Macau. Majority of the customers are group companies of the six licensed casino gaming operators in Macau, and the shares of their respective holding companies are listed on the Stock Exchange. The Group believes that its experienced management team with profound industry knowledge, its ability to maintaining long-term business relationships with its major customers and a stable pool of suppliers and subcontractors have contributed to its success.

For the years ended 31 December 2017 and 2018, total revenue amounted to approximately MOP189.1 million and MOP326.8 million, of which revenue generated from providing fitting-out services constituted approximately 99.5% and 99.8% of total revenue, respectively.

For the year ended 31 December 2018, the Group's revenue of approximately MOP326.8 million (2017: approximately MOP189.1 million). For the year ended 31 December 2018, the recorded profit for the year of approximately MOP31.9 million (2017: approximately MOP25.2 million). Excluding the one-off listing expenses recognised, for the year ended 31 December 2018, the Group recorded profit for the year of approximately MOP44.1 million (2017: approximately MOP25.2 million). During the year ended 31 December 2018, the Group completed 36 fitting-out projects and was awarded 51 fitting-out projects.

Revenue

Revenue increased by approximately MOP137.7 million or 72.8% from approximately MOP189.1 million for the year ended 31 December 2017 to approximately MOP326.8 million for the year ended 31 December 2018. Such increase was mainly attributable to the increase in the revenue derived from its casino fitting-out projects due to the commencement of a casino fitting-out contract with one customer's New Integrated Resort in March 2018, with an original contract sum of approximately MOP160.4 million.

Direct costs

The total amount of subcontracting fees, materials costs and direct labour costs increased by approximately MOP114.7 million or 80.0% from approximately MOP143.4 million for the year ended 31 December 2017 to approximately MOP258.1 million for the year ended 31 December 2018, which generally reflected the increase in costs associated with the increase in revenue.

Gross profit

The gross profit increased from approximately MOP45.2 million for the year ended 31 December 2017 to approximately MOP67.9 million for the year ended 31 December 2018, representing an increase of approximately MOP22.7 million. The Group recorded gross profit margin of approximately 23.9% and 20.8% for the year ended 31 December 2017 and the year ended 31 December 2018, respectively. The period-to-period decrease in gross profit margin was mainly attributable to the comparatively lower gross profit margin of sizeable contracts undertaken by the Group during the year ended 31 December 2018 compared to the year ended 31 December 2017, in particular, the casino fitting-out contract with one customer with an original contract sum of approximately MOP160.4 million.

Other income and losses

The other income was MOP37,000 for the year ended 31 December 2017, of which MOP10,000 was derived from a fitting-out project in Hong Kong whereby we acted as a contractor supervising such project.

As for the year ended 31 December 2018, the other income has increased to approximately MOP694,000 mainly as a result of approximately MOP126,000 of bank interest income and approximately MOP523,000 of reversal of impairment loss allowance of trade receivables.

The other losses remained largely insignificant at approximately MOP23,000 and MOP79,000 for the year ended 31 December 2017 and 2018, respectively.

Administrative expenses

Administrative expenses amounted to approximately MOP15.3 million and MOP16.7 million for the year ended 31 December 2017 and 2018, respectively, which accounted for approximately 8.1% and 5.1% of the total revenue during the respective periods. The largest item under administrative expenses was employee benefit expenses (excluding share based payment), being staff costs in nature, which amounted to approximately MOP5.3 million and MOP9.5 million for the year ended 31 December 2017 and 2018, respectively, which accounted for approximately 34.8% and 56.9% of the total administrative expenses during the respective periods.

The remaining balance of administrative expenses mainly consisted of rental expenses, marketing expenses, share based payment, office expenses, depreciation and general expenses.

Finance costs

For the year ended 31 December 2017 and 2018, finance costs amounted to approximately MOP142,000 and MOP416,000, respectively.

For year ended 31 December 2017 and 2018, the Group recorded income tax expenses of approximately MOP4.6 million and MOP7.3 million, representing an effective tax rate of approximately 15.4% and 18.7%, respectively.

Income tax increased by approximately MOP2.7 million from approximately MOP4.6 million for the year ended 31 December 2017 to approximately MOP7.3 million for the year ended 31 December 2018. Such increase was mainly attributable to the increase in the profit before taxation from approximately MOP29.7 million for the year ended 31 December 2017 to approximately MOP39.2 million for year ended 31 December 2018.

Profit for the year

For the year ended 31 December 2018, the profit for the year (inclusive of listing expenses) amounted to approximately MOP31.9 million, representing an increase of approximately MOP6.7 million from approximately MOP25.2 million for the year ended 31 December 2017. However, if the profit for the year for the year ended 31 December 2018 were to exclude the effects of the listing expenses of approximately MOP12.3 million, the adjusted profit for the year ended 31 December 2018 would be approximately MOP44.1 million, compared to approximately MOP25.2 million for the year ended 31 December 2017, representing an increase of approximately MOP18.9 million or 75.0%.

MANAGEMENT DISCUSSION AND ANALYSIS

CORPORATE FINANCE AND RISK MANAGEMENT

Liquidity, Financial and Capital Resources

Cash Position

As at 31 December 2018, the Group had an aggregate of pledged bank deposits and bank and cash equivalents of approximately MOP13.6 million (2017: approximately MOP17.2 million), representing a decrease of approximately 20.9% as compared to that as at 31 December 2017. As at 31 December 2018, pledged bank deposits of approximately MOP2.3 million (2017: MOP2.3 million) are pledged to secure banking facilities (including bank loans and overdraft).

Borrowings and Charges on the Group's Assets

As at 31 December 2018, the Group had bank borrowings of approximately MOP2.6 million (2017: approximately MOP5.1 million). The bank borrowings will be repayable within one year and approximately MOP2.6 million (2017: approximately MOP5.1 million) will be repayable after one year.

As at 31 December 2018, bank borrowings and other bank facilities including performance guarantee by the Group were secured by: (i) the pledged bank deposits of HK$2.3 million (approximately equivalent to MOP2.3 million) and HK$2.3 million (approximately equivalent to MOP2.3 million) as at 31 December 2017 and 2018, respectively; and (ii) unlimited personal guarantee by Mr. Li Kam Hung and Mr. Yu Ming Ho.

As represented by the directors of the Company, the personal guarantee by Mr. Li and Mr. Yu have been be released upon the Listing.

Gearing Ratio

As at 31 December 2018, the gearing ratio (calculated by dividing total debts which include payables incurred not in the ordinary course of business excluding amounts are due to related parties with total equity as at the end of the respective year) was approximately 4.6% (2017: approximately 6.9%).

The decrease was primarily attributable to the total equity of the Group decreased from approximately MOP74.5 million as at 31 December 2017 to approximately MOP56.6 million as at 31 December 2018, while bank borrowings of the Group were at approximately MOP5.1 million and MOP2.6 million as at 31 December 2017 and 31 December 2018, respectively.

Treasury policies

The Group has adopted a prudent treasury management policy to (i) manage the Group's funds ensuring that there is no material shortfall in cash which may cause interruption to the Group's obligations arising from daily business needs; (ii) maintain sufficient level of funds to settle the Group's commitment as and when they fall due; (iii) maintain adequate liquidity to cover the Group's operation cash flow, project expenditures and administrative expenses; and (iv) maintain the relevant financing costs at a reasonable level.

Currency Risk

The group entities collect most of the revenue and incur most of the expenditures in their respective functional currencies. The Group is exposed to currency risk primarily through sales proceeds received from customers that are denominated in a currency other than the group entities' functional currency. The currencies giving rise to this risk are primarily HK$.

The Group currently does not have a foreign currency hedging policy. However, the management of the Group monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Capital structure

The Shares were listed on the Main Board of the Stock Exchange on 23 April, 2019. There has been no change in the capital structure of the Company since that date. The capital of the Company comprises ordinary shares and other reserves.

Capital commitments

As at 31 December 2018, the Group had no capital commitments (2017: Nil).

Contingent Liabilities

As at 31 December 2018, the Group had no significant contingent liabilities or outstanding litigation.

Material Acquisitions and Disposals

During the year ended 31 December 2018, save for the Reorganisation as discussed in the section headed "History, Reorganisation and Corporate Structure" in the prospectus issued by the Company on 23 April 2019 (the "**Prospectus**"), the Group did not have any material acquisition and disposals of subsidiaries and affiliated companies.

Significant investments held

As at 31 December 2018, the Group had no significant investments.

Future Plans for Material Investments

The Group did not have other plans for material investments and capital assets as at 31 December 2018.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2018, the Group had 80 employees (2017: 57). Total staff costs (including Directors emoluments) were approximately MOP31.72 million for the year ended 31 December 2018, as compared with approximately MOP25.33 million for the year ended 31 December 2017. The decrease is mainly attributable to the decrease in average number of working days for day-work workers.

The remuneration packages the Group offer to employees include salary and discretionary bonuses. In general, the Group determine employees' salaries based on each employee's qualifications, position and seniority. The Group has designed an annual review system to assess the performance of its employees, which forms the basis of determining salary raises, bonuses and promotions. The Group also operates the Share Option Scheme, pursuant to which options to subscribe for Shares may be granted to the Directors and employees of the Group. The Group will also various training to its employees and sponsor its employees to attend various training courses, such as those on occupational health and safety in relation to its work. Such training courses include its internal training as well as courses by external parties.

SHARE OPTION SCHEME

The principal terms of the Share Option Scheme were summarised in the paragraph headed Share Option Scheme in the Report of the Directors. The purpose of the Share Option Scheme is to provide the Company a flexible means of giving incentive to, rewarding, remunerating, compensating and providing benefits to eligible purposes as the Board approves from time to time. Since the adoption of the Share Option Scheme and up to the date of this annual report, no option was granted, exercised, cancelled or lapsed under the Share Option Scheme.

USE OF PROCEEDS FROM SHARE OFFER

The Shares of the Company were listed on the Main Board of the Stock Exchange on 23 April 2019 with net proceeds received by the Company from the Share Offer in the estimated amount of approximately HK$138.1 million after deducting underwriting commissions and all related expenses. The net proceeds received from the Share Offer are intended to be used in the manner consistent with that mentioned in the section headed “Future Plans and Use of Proceeds” of the Prospectus.

As at the date of this annual report, the net proceeds received from the Share Offer had not yet been utilized and all of the net proceeds were deposited in the bank accounts of the Group with licensed banks in Hong Kong and Macau.

EVENTS AFTER THE REPORTING DATE

The Shares of the Company were listed on the Main Board of the Stock Exchange on 23 April 2019. The Prospectus dated 29 March 2019 was published on the Company’s website (www.whh.com.hk) and on the HKEx news website of Stock Exchange (www.hkexnews.hk).

DIVIDEND

On 19 December 2018, the Company declared dividends of MOP60,000 per each ordinary share to its shareholders with an aggregate amount as MOP60,000,000 (2017: Nil). Amount of MOP53,658,000 out of the dividends attributable to Copious Astute Limited of MOP54,000,000 are settled through the current account with Mr. Li Kam Hung and the remaining balance of MOP342,000 dividend payable to Copious Astute Limited and MOP6,000,000 dividend payable to Fresh Phoenix Limited were settled prior to Listing.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company is committed to maintain high standards of corporate governance to protect the interests of its Shareholders and to enhance corporate value and accountability. The Company has adopted the code provisions and, where applicable, the recommended best practices set out in the Corporate Governance Code (the "**CG Code**") set out in Appendix 14 to the Rules Governing the Listing of securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"). As the Shares of the Company were only listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") since 23 April 2019 (the "**Listing Date**"), the CG Code was not applicable to the Company during the year ended 31 December 2018 (the "**Reporting Period**). Throughout the period since Listing Date and up to the date of this annual report, save as disclosed in "Chairman and Chief Executive Officer" below, the Company has complied with the relevant provisions of the CG Code.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions. Having made specific enquiries with all the Directors, each of the Directors has confirmed that he/she has complied with the Model Code since the Listing Date up to the date of this annual report.

BOARD OF DIRECTORS

Composition

The Directors who hold office during the Reporting Period and as at the date of this annual report are as follows:–

Executive Directors

Mr. Li Kam Hung *(Chairman and Chief Executive Officer) (appointed on 9 April 2018)*
Mr. Yu Ming Ho *(appointed on 9 April 2018)*

Non-executive Director

Mr. Li Chun Ho *(appointed on 15 June 2018)*

Independent Non-executive Directors

Ms. Rita Botelho dos Santos *(appointed on 15 March 2019)*
Mr. Lam Chi Wing *(appointed on 15 March 2019)*
Mr. Wu Chou Kit *(appointed on 15 March 2019)*

The biographical details of the Directors are set out in the section headed "Biographical Details of Directors and Senior Management" of this annual report. Save as disclosed therein, there is no relationship (whether financial, business, family or other material or relevant relationships) amongst members of the Board, senior management or substantial shareholder or controlling shareholder of the Company.

The composition of the Board is well balanced with each Director having extensive corporate and strategic planning experience, sound industry knowledge and/or professional expertise. All independent non-executive Directors have offered sufficient time and efforts to serve the business affairs of the Company. They also possess appropriate academic and professional qualifications and related management experience and have contributed to the Board with their professional opinion. The Board believes that the ratio among executive Directors, non-executive Director and independent non-executive Directors is reasonable and appropriate. The Board also believes that the participation of independent non-executive Directors shall offer their independent judgment on issues relating to strategy, performance, conflict of interest and management process such that the interests of all Shareholders and the Group are considered and safeguarded.

Role and Function

The Board is fully responsible for the formulation of business policies and strategies in relation to the business operation of the Group and to ensure the availability of resources as well as the effectiveness of its system of internal control.

Implementation and execution of the policies and strategies formulated by the Board and the daily operations are delegated from the Board to the management of the Company. In addition, an audit committee (the "**Audit Committee**"), a remuneration committee (the "**Remuneration Committee**") and a nomination committee (the "**Nomination Committee**") were set up to assist the Board in fulfilling certain responsibilities. Further details of these committees are set out in the section headed "Board Committees" of this annual report.

Chairman and Chief Executive Officer

The Company complies with the CG Code set out in Appendix 14 to the Listing Rules with the exception for Code Provision A.2.1, which requires the roles of chairman and chief executive be different individuals. Pursuant to code provision A.2.1 of the Corporate Governance Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. However, the Company does not have a separate chairman and chief executive officer and Mr. Li Kam Hung currently performs these two roles. The Board believes that vesting the roles of both chairman and chief executive officer in the same person has the benefit of ensuring the consistent leadership within the Group and enables more effective and efficient overall strategic planning of the Group. Besides, with three independent non-executive Directors out of a total of six Directors in the Board, there will be sufficient independent voice within the Board to protect the interests of the Company and the Shareholders as a whole. Therefore, the Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable the Company to make and implement decisions promptly and effectively. The Board will continue to review and consider splitting the roles of chairman of the Board and chief executive officer of the Company at a time when it is appropriate and suitable by taking into account the circumstances of the Group as a whole.

Independence of Independent Non-Executive Directors

Pursuant to the requirement of Rule 3.10 of the Listing Rules, the Company has appointed three independent non-executive Directors, one of whom has appropriate professional qualification in accounting and financial management expertise. All independent non-executive Directors have confirmed their independence, as set out in Rule 3.13 of the Listing Rules, to the Company and the Board considers that all independent non-executive Directors have satisfied their independence of the Group.

Directors' and Officers' Liabilities Insurance

The Company has arranged appropriate insurance cover for Directors' and officers' liabilities in respect of legal actions against Directors, officers and senior management of the Company arising out of corporate activities.

Board Meeting

The Board meets regularly to discuss the overall strategy as well as the operation and financial performance of the Group, in addition to the meetings for reviewing and approving the Group's annual and interim results. The Directors had participated in the Board meetings as indicated below. For those Directors who could not attend these meetings in person, they participated through electronic media.

The company secretary of the Company (the "**Company Secretary**") assists the Chairman to prepare the agenda of the meetings and each Director may request to include any relevant matters on the agenda. Generally, at least 14 days' notice is given for the regular meetings by the Company. All substantive agenda items have comprehensive briefing papers, which are, in general, circulated three days before convening each Board meeting.

All Directors are able to seek advice and services from the Company Secretary on the Board procedures and all applicable laws, rules and regulations, and corporate governance matters. Draft minutes of Board meetings and meetings of the Board committees are circulated to all Directors for comment and approval as soon as practicable after the meetings. Minutes of Board meetings and meetings of Board committee are kept by the Company Secretary and all Board members are given a copy of the minutes for their record. Should a matter being considered involve a potential conflict of interest of a Director, the Director involved in the transaction would be requested to leave the boardroom and abstain from voting. The matter would be discussed and resolved by other Directors. Policy is in place that Directors, upon reasonable request, may seek independent professional advice on issues related to the Group's business at the Company's expenses. The Company Secretary has complied with Rule 3.29 of the Listing Rules in relation to the professional training requirements.

During the period from the Listing Date to the date of this annual report, the attendance of the individual Directors at the meetings is set out below:

	Number of meetings attended/ eligible to attend from the Listing Date to the date of this annual report			
	Board	Audit Committee	Remuneration Committee	Nomination Committee
Executive Directors				
Mr. Li Kam Hung	1/1	–/–	–/–	1/1
Mr. Yu Ming Ho	1/1	–/–	1/1	–/–
Non-Executive Director				
Mr. Li Chun Ho	1/1	–/–	–/–	–/–
Independent Non-Executive Directors				
Ms. Rita Botelho dos Santos	1/1	1/1	–/–	–/–
Mr. Lam Chi Wing	1/1	1/1	1/1	1/1
Mr. Wu Chou Kit	1/1	1/1	1/1	1/1

The independent non-executive Directors were appointed on 15 March 2019 and are subject to retirement by rotation in accordance with the articles of association of the Company.

DIRECTORS' TERMS OF APPOINTMENT

All Directors are appointed for a term of three years and are subject to the requirement of retirement by rotation and re-election at the annual general meeting at least once every three years in accordance with the articles of association of the Company (the "**Articles of Association**").

DIRECTORS' TRAINING

Code Provision A.6.5 of the CG Code provides that Directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remain informed and relevant.

All Directors are encouraged to participate in continuous professional development activities by ways of attending training and/or reading materials relevant to the Company's business or to the Directors' duties and responsibilities. A summary of professional training received by Directors for the year ended 31 December 2018 according to the records provided by the Directors is as follows:

	Attending seminar(s)/ programme(s)/conference(s) and/or reading materials relevant to the business or directors' duties
Mr. Li Kam Hung	✓
Mr. Yu Ming Ho	✓
Mr. Li Chun Ho	✓
Ms. Rita Botelho dos Santos	✓
Mr. Lam Chi Wing	✓
Mr. Wu Chou Kit	✓

BOARD DIVERSITY POLICY

With the objective of enhancing the Board effectiveness and corporate governance, the Company recognises increasing diversity at Board level as an essential element in maintaining a competitive advantage. Selection of candidates will be based on a range of diversity perspectives, including but not limited to skills, knowledge, gender, age, ethnicity, cultural and educational background, and professional experience. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

BOARD NOMINATION POLICY

The Nomination Committee shall consider a number of factors as a reference in assessing the suitability of a proposed candidate, including skills, knowledge, experience, qualification and professional expertise which are relevant to the operations. The candidate should be considered with due regard to the diversity perspectives set out in the board diversity policy of the Company . The candidate must also satisfy the requirement that he/she has the character, experience and integrity, and is able to demonstrate a standard of competence commensurate with the relevant position as a director of the Company. These factors are for reference only, and not meant to be exhaustive and decisive. The Nomination Committee has the discretion to nominate any person, as it considers appropriate.

BOARD COMMITTEES

The Board has established three committees, namely the Audit Committee, Remuneration Committee and Nomination Committee with specific terms of reference.

Audit Committee

Audit Committee was established with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the CG Code. The primary duties of the Audit Committee are to review and supervise the financial reporting process, internal control system and risk management system of the Group, to oversee the audit process and to perform other duties and responsibilities as assigned by the Board.

Members of the Audit Committee are Ms. Rita Botelho dos Santos, Mr. Lam Chi Wing and Mr. Wu Chou Kit (all are independent non-executive Directors). Ms. Rita Botelho dos Santos currently serves as the chairman of the Audit Committee. Pursuant to the meeting of the Audit Committee, the Audit Committee reviewed, among other things, the audited financial statements for the Reporting Period with recommendations to the Board for approval and discussed with the management and the external auditor the accounting policies and practices which may affect the Group, the report prepared by the external auditor covering major findings in the course of the audit and the accounting and financial reporting matters.

No meeting was held by the Audit Committee during the Reporting Period because the Company was listed on 23 April 2019.

The annual results for the Reporting Period have been reviewed by the Audit Committee before submission to the Board for approval.

Remuneration Committee

The Remuneration Committee was established with written terms of reference in compliance with Rule 3.25 of the Listing Rules and the CG Code. The primary duties of the Remuneration Committee are to establish and review the policy and structure of the remuneration for the Directors and senior management and make recommendations on the remuneration packages of individual Directors and senior management and on other employee benefit arrangements.

The Remuneration Committee consists of two independent non-executive Directors, namely Mr. Lam Chi Wing and Mr. Wu Chou Kit, and one executive Director, namely Mr. Yu Ming Ho. Mr. Lam Chi Wing currently serves as the chairman of the Remuneration Committee.

No meeting was held by the Remuneration Committee during the Reporting Period because the Company was listed on 23 April 2019. The remuneration for the Directors and senior management comprises basic salary, retirement benefits and discretionary bonus. Details of the amount of emoluments of Directors paid for the Reporting Period are set out in note 6 to the financial statements.

The remuneration of members of the senior management (excluding Directors) by band for the Reporting Period is set out below:

Remuneration bands (MOP)	Number of person(s)
0 to 1,000,000	1
Over 1,000,000	1

Nomination Committee

The Nomination Committee was established with written terms of reference in compliance with the CG Code. The primary duties of the Nomination Committee are to make recommendations to the Board on appointments of the Directors, to assess the independence of the independent non-executive Directors, to take up references and to consider related matters.

The Nomination Committee consists of one executive Director, namely Mr. Li Kam Hung, and two independent non-executive Directors, namely Mr. Wu Chou Kit and Mr. Lam Chi Wing, and. Mr. Li Kam Hung currently serves as the chairman of the Nomination Committee.

The Nomination Committee carries out the process of selecting and recommending candidates for directorships by making reference to the balance of expertise, skills, experience, professional knowledge, personal integrity and time commitments of such individuals, the requirements of the business of the Group and other relevant statutory requirements and regulations. An external recruitment agency may be engaged to carry out the recruitment and selection process when necessary. Further, pursuant to the terms of reference of the Nomination Committee, the Nomination Committee, when reviewing the composition of the Board, will have regard to the diversity of the Board, which includes gender, age, cultural and educational background, length of service, skills, knowledge and professional experience of the Board. The Company recognises and embraces the benefits of diversity of Board members.

No meeting was held by the Nomination Committee during the Reporting Period because the Company was listed on 23 April 2019.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the corporate governance duties set out in code provision D.3.1 of the CG Code, namely: (i) to develop and review the Company's policies and practices on corporate governance; (ii) to review and monitor the training and continuous professional development of Directors and senior management; (iii) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements; (iv) to develop, review and monitor the code of conduct and compliance manual (including in relation to securities trading) applicable to employees and Directors; and (v) to review the Company's compliance with the CG Code and disclosure in the corporate governance report in the Company's annual report.

The Board held one meeting during the Reporting Period, at which the Board reviewed the Company's policies and practices on corporate governance and legal and regulatory compliance, training and continuous professional development participations of the Directors, as well as the Company's compliance with the CG Code.

The Board acknowledges its responsibility in maintaining a sound and effective internal control and risk management systems for the Group to safeguard Shareholders' investments and assets of the Company at all times.

RISK MANAGEMENT AND INTERNAL CONTROL

The Group did not establish an internal audit function during the Reporting Period. Given the Group's simple operating structure, the Board is directly responsible for the establishment, maintenance and review of the Group's system of internal controls and risk management throughout the Reporting Period and their effectiveness. The Audit Committee and the Board, have considered the internal control review report prepared by an independent consultancy company and communications with the Company's external auditor in respect of any material control deficiencies identified during the course of the financial statement audit to form the basis to review the adequacy and effectiveness of the Group's risk management and internal control systems. The Audit Committee and the Board will continue to review the need for an internal audit function on an annual basis.

The Board considered the risk management and internal control systems of the Group to be adequate and effective for the Reporting Period. The Board also conducted a review of the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting function, and their training programs and budget which are considered to be adequate for the Reporting Period.

The Board wishes to emphasise that risk management and internal control systems are designed to manage rather than eliminate risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

PROCEDURES AND INTERNAL CONTROLS FOR THE HANDLING AND DISSEMINATION OF INSIDE INFORMATION

The Group strictly follows the requirements of the Securities and Futures Ordinance of Hong Kong (the "**SFO**") and the Listing Rules and ensures that inside information is disclosed to the public as soon as reasonably practicable unless the information falls within any of the safe harbours of the SFO. Before inside information is fully disclose to the public, such information is kept strictly confidential. In addition, the Group adopted the policy of disclosing relevant information only to appropriate staff within the Group.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for the preparation of the consolidated financial statements of the Company for the Reporting Period and ensure that they are prepared in accordance with the statutory requirements and applicable accounting standards. The Directors also ensure the timely publication of the consolidated financial statements.

The statement of the external auditor of the Company with regard to their reporting responsibilities on the Company's consolidated financial statements, is set out in the Independent Auditor's Report on pages 31 to 34 of this annual report.

The Directors confirm that, to the best of their knowledge, having made all reasonable enquiries, they are not aware of any material uncertainties relating to events or conditions which may cause the Company not to continue as a going concern. Therefore, the Directors continue to adopt the going concern approach in preparing the consolidated financial statements.

AUDITOR'S REMUNERATION

For the Reporting Period, services provided to the Company by its external auditor, Deloitte Touche Tohmatsu, and the respective fees paid were:

	2018 MOP'000
Audit services	2,549
Non-audit services	539
	3,088

SHAREHOLDERS' RIGHTS

The general meetings of the Company provide an opportunity for communication between the Shareholders and the Board. Subject to provisions of the applicable laws in the Cayman Islands and Listing Rules, the Articles require that an annual general meeting (the "**AGM**") of the Company to be held each year and at the venue as determined by the Board. Each general meeting, other than an AGM, shall be called an extraordinary general meeting.

Pursuant to article 58 of the Articles of Association, any one or more Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up share capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by depositing a written requisition to the Board or the Company Secretary, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionists themselves may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Shareholders may at any time put forward their enquiries (including the procedures for putting forward proposals at general meetings of the Company) to the Board in writing through the Company Secretary whose contact details are as follows:

Wai Hung Group Holdings Limited
Unit 13, 24th Floor
Honour Industrial Centre
4 Sun Yip Street, Chai Wan
Hong Kong

Tel No.: (852) 2560 5654
Fax No.: (852) 2568 8492

PROCEDURES FOR PUTTING FORWARD PROPOSALS AT GENERAL MEETINGS BY SHAREHOLDERS

Pursuant to article 85 of the Articles of Association, no person other than a Director retiring at the meeting shall, unless recommended by the Directors for election, be eligible for election as a Director at any general meeting unless a notice signed by a shareholder (other than the person to be proposed) duly qualified to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also a notice signed by the person to be proposed of his willingness to be elected shall have been lodged at the head office or at the Registration Office provided that the minimum length of the period, during which such notice(s) are given, shall be at least seven (7) days and that (if the notices are submitted after the dispatch of the notice of the general meeting appointed for such election) the period for lodgment of such notice(s) shall commence on the day after the dispatch of the notice of the general meeting appointed for such election and end no later than seven (7) days prior to the date of such general meeting.

INVESTOR RELATIONS AND COMMUNICATION WITH SHAREHOLDERS

The Board established a Shareholders' communication policy to ensure that Shareholders and potential investors are provided with ready, equal and timely access to information of the Company.

The Company has maintained a corporate website at www.whh.com.hk through which the Company's updated financial information, business development, announcements, circulars, notices of meetings, press releases and contact details can be accessed by the Shareholders and investors.

The AGM also provides an important opportunity for constructive communication between the Board and Shareholders. The Chairman, members of the Board and external auditor attended the AGM on 21 June 2019 to answer questions raised by the Shareholders.

CONSTITUTIONAL DOCUMENTS

The Company adopted an amended and restated memorandum of association on 18 March 2019 and amended and restated articles of association with effect on the Listing Date.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

BOARD OF DIRECTORS

Executive Directors

Mr. Li Kam Hung (李錦鴻先生), aged 64, founded the Group in August 1996. He was appointed as our Director on 9 April 2018, and was re-designated as our executive Director, chairman of the Board and chief executive officer on 15 June 2018. He also serves as a director of various subsidiary of the Company. Mr. Li is responsible for the overall strategic planning, project management and business direction of the Group. Mr. Li Kam Hung is the father of Mr. Li Chun Ho (a non-executive Director).

Mr. Li has over 40 years of experience in the fitting-out industry. After finishing his secondary education, Mr. Li entered the fitting-out industry as an apprentice at construction sites in the early 1970s and was promoted as a project manager since the 1980s. He later founded Wai Hung Hong Engineering Company Limited in August 1996 running a fitting-out business of his own and expanded the business to Macau by incorporating Wai Hung Hong Engineering (Macau) Co., Ltd in May 2005.

Mr. Li was a director of the following companies which were incorporated in Hong Kong prior to their respective dissolution:

Name of the relevant company	Nature of principal business prior to the cessation of business	Date of dissolution	Means of dissolution
Asia Smarter Investment Limited （豪亞投資有限公司）	Engineering	26 March 2004	Deregistration
Canford Engineering Limited （建輝工程有限公司）	Engineering	23 June 2000	Deregistration
Gold Power Steel Engineering Limited （金力鋼鐵工程有限公司）	Engineering	27 December 2002	Deregistration
Hung Jak Engineering Company Limited （鴻澤工程有限公司）	Engineering	13 November 2009	Deregistration
Hoi Chung Engineering Limited （海忠工程有限公司）	Engineering	25 October 2002	Striking Off

Each of the above companies was solvent prior to its dissolution, and had no outstanding claims, disputes or liabilities on or before its dissolution.

Mr. Yu Ming Ho (余銘濠先生), aged 41, was appointed as our Director on 9 April 2018, and was re-designated as an executive Director on 15 June 2018. Mr. Yu is responsible for the overall management, administrative matters and daily operations of the Group. He also serves as a director of various subsidiary of the Company.

Mr. Yu obtained a Higher Diploma in Building Technology and Management at the Hong Kong Polytechnic University in 1999 and a degree of Bachelor of Science in Building Engineering and Management at the Hong Kong Polytechnic University in 2005.

Mr. Yu joined our Group in September 2000 as a quantity surveyor and was promoted as a commercial director in July 2012. Mr. Yu has accumulated extensive experience and handled a number of fitting-out projects conducted by the Group since then.

Non-Executive Director

Mr. Li Chun Ho (李俊豪先生), aged 28, joined the Group as a non-executive Director on 15 June 2018. He is responsible for providing management and marketing advice to the Group.

Mr. Li Chun Ho obtained a Bachelor of Commerce degree at the University of Melbourne in 2011. He served as an assistant relationship manager at the Standard Chartered Bank (Hong Kong) Limited from October 2012 to September 2013, and an associate consultant in the banking team at Randstad (Hong Kong) Limited from March 2015 to March 2016. Since April 2016, he has served as a business consultant at Wang Pou Trading (Macau) Limited, a company which is principally engaged in the trading of construction materials in Macau. Mr. Li Chun Ho is the son of Mr. Li Kam Hung (the chairman of the Board, an executive Director and the chief executive officer of the Company).

Independent Non-Executive Directors

Ms. Rita Botelho dos Santos (姍桃絲女士), aged 58, joined the Group and was appointed as an independent non-executive Director on 15 March 2019. Ms. Santos is primarily responsible for overseeing the Group with an independent perspective and judgment.

Ms. Santos obtained a Master of Business Administration degree at the University of East Asia, Macau in 1991. She has been a registered auditor in Macau since 1991.

Ms. Santos had served as a civil servant of the government of Macau and had extensive experience in accounting and participation of politics and public affairs. She had served as an account auditor at the Secretariat for Economy and Finance of Macau*(澳門經濟財政司), an accounting and financial technical assistant at the corporate tax department of the Financial Services Bureau of Macau*(澳門財政局) and the chief director of the economic and financial division of the Municipal Council of Municipality of das Ilhas of Macau*(澳門海島市政廳). She also acted as the chief officer of the executive and financial division of the Provisional Municipal Council of Macau*(澳門臨時市政廳) between July 2000 and December 2001, a member of the administration committee of the Civic and Municipal Affairs Bureau of Macau*(澳門民政總署) between January 2002 and December 2003, the coordinator of the support office of the Permanent Secretariat of the Forum for Economic and Trade Co-operation between China and Portuguese-speaking Countries (Macao)(中國與葡語國家經貿合作論壇常設秘書處輔助辦公室)between March 2004 and March 2015. In November 2015, Ms. Santos was awarded the Medal for Community Service(勞績獎章) from the government of Macau.

Ms. Santos served as the president of the supervisory board of the Macau Civil Servant's Association(澳門公職人員協會) when it was founded in 1987 and the president of the sixth council of the aforesaid association. She has been the president of the member assembly of the aforesaid association since April 2000.

Ms. Santos was an election member to the representatives of Macau at the Tenth, Eleventh and Twelfth National People's Congress(中國第十屆、第十一屆及第十二屆全國人民代表大會代表選舉會議成員).

Mr. Wu Chou Kit (胡祖杰先生), aged 50, joined the Group and was appointed as an independent non-executive Director on 15 March 2019. Mr. Wu is primarily responsible for overseeing the Group with an independent perspective and judgment.

Mr. Wu obtained a Bachelor of Civil Engineering degree at the National Taiwan University in 1993. Subsequently, Mr. Wu obtained a Master of Business Administration degree at the Macau University of Science and Technology in 2005.

Mr. Wu is a registered civil engineer in Macau. He is a member of the Macau Institute of Engineers and has served as the president since 2017. Mr. Wu is also a member of the Royal Institution of Chartered Surveyors.

From June 1996 to May 2013, Mr. Wu worked in the Macao Post and Telecommunications Bureau(澳門郵電局), with his last position being a senior technical consultant. Since June 2013, Mr. Wu has been the managing director of Kit & Partners Consulting Engineering Limited.

Mr. Wu is currently an appointed member by the Chief Executive to the Sixth Legislative Assembly of Macau from 2017 to 2021(澳門第六屆立法會特首委任議員), a committee member of the Town Planning Committee of Macau*(澳門城市規劃委員會), and a committee member of the Environment Consultation Committee of Macau*(澳門環境諮詢委員會委員).

Mr. Wu was a member of the Tenth and the Eleventh Nanning Committee of the Chinese People's Political Consultative Conference*(中國人民政治協商會議第十屆及第十一屆南寧市委員), a member of the Third Jiangmen Committee of the Chinese People's Political Consultative Conference*(中國人民政治協商會議第三屆廣東省江門市委員), a member of the Eighth Shaoguan Committee of the Chinese People's Political Consultative Conference*(中國人民政治協商會議第八屆廣東省韶關市委員).

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Lam Chi Wing (林至潁先生), aged 39, joined the Group and was appointed as an independent non-executive Director on 15 March 2019. Mr. Lam is primarily responsible for overseeing the Group with an independent perspective and judgment.

Mr. Lam obtained a Bachelor of Business Administration degree in Accounting and Finance at the University of Hong Kong in 2003, a Master of Science degree in Knowledge Management at the Hong Kong Polytechnic University in 2006 and a Master of Business Administration degree at the Chinese University of Hong Kong in 2010.

Mr. Lam joined Li & Fung Group in September 2003, where he served as the Group Chief Representative and General Manager, Southern China of Li & Fung Development (China) Limited prior to his departure in July 2015.

Mr. Lam is a member of the Twelfth Guangdong Committee of the Chinese People's Political Consultative Conference*（中國人民政治協商會議第十二屆廣東省委員）and the Eleventh & Twelfth Zhongshan Committee of the Chinese People's Political Consultative Conference*（中國人民政治協商會議第十一屆、十二屆中山市委員）. Mr. Lam served as a part-time member of the Central Policy Unit of the HK Government from 2011 to 2012, and currently serves as an advisory committee of the Sustainable Agricultural Development Fund of the HK Government, and a committee member of the Appeal Panel (Housing) of the HK Government.

Mr. Lam is currently the vice chairman of the Guangdong Society of Commercial Economy（廣東省商業經濟學會）and an Adjunct Professor at the School of Business of the Renmin University of China（中國人民大學商學院）.

Mr. Lam has served as an independent non-executive director as well as a member of the audit committee, remuneration committee and nomination committee of Common Splendor International Health Industry Group Limited, a company whose shares are currently listed on the Main Board of the Stock Exchange (stock code: 0286) since 2016.

Senior Management

Mr. Yau Yan Yuen (邱欣源先生), aged 31, joined the Group as the chief financial officer on 21 February 2018 and was appointed as the company secretary of the Company on 15 June 2018. Mr. Yau is primarily responsible for the overall financial management of the Group. Mr. Yau obtained a degree of Bachelor of Business Administration in Accountancy from the Hong Kong Polytechnic University in October 2011. He has been a certified public accountant of the Hong Kong Institute of Certified Public Accountants since January 2018. Prior to joining our Group, Mr. Yau had worked in audit and assurance of Deloitte Touche Tohmatsu since September 2011, and served as a manager before his departure in February 2018.

Mr. Yau has served as an independent non-executive director of Creative China Holdings Limited, a company whose shares are currently listed on GEM of the Stock Exchange (stock code: 8368) since July 2018.

Mr. Tong Bing Kuen (唐炳權先生), aged 66, joined the Group in January 2013 and was appointed as the senior project director of the Group in March 2018. Mr. Tong is primarily responsible for the overall management of the Group's fitting-out projects in Macau. He also serves as a director of various subsidiaries of the Group. Prior to joining the Group, Mr. Tong served as a director of Lead Rise Engineering Limited（領昇工程有限公司）from 2005 to 2010, and Loyal Harvest Engineering Limited（鴻豐工程有限公司）from 2003 to 2015, mainly responsible for the project management. Mr. Tong obtained a Higher Certificate in Civil Engineering at the Hong Kong Polytechnic (currently known as Hong Kong Polytechnic University) in 1977.

REPORT OF THE DIRECTORS

The Directors are pleased to present to the Shareholders their report together with the audited consolidated financial statements of the Group for the Reporting Period.

PRINCIPAL ACTIVITIES

The principal activity of the Company is an investment holding. Particulars of the Company's principal subsidiaries are set out in note 30 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results for the Reporting Period are set out in the consolidated statement of profit or loss and other comprehensive income on page 35 of this annual report.

DIVIDENDS

On 19 December 2018, the Company declared dividends of MOP60,000 per each ordinary share to its shareholders with an aggregate amount as MOP60,000,000. Amount of MOP53,658,000 out of the dividends attributable to Copious Astute Limited of MOP54,000,000 are settled through the current account with Mr. Li and the remaining balance of MOP342,000 dividend payable to Copious Astute Limited and MOP6,000,000 dividend payable to Fresh Phoenix Limited will be settled prior to Listing.

No dividend has been proposed since the end of the Reporting Period.

Pursuant to the dividend policy, the Board may propose the payment of dividends, if any, on a per share basis, provided that the Group is profitable and without affecting the normal operations and business of the Group, the Board may consider declaring and paying dividends to the Shareholders by taking into account the following factors, among others, (i) the actual and expected financial performance of the Group; (ii) the general business conditions and strategies of the Group; (iii) the expected working capital requirements, capital expenditure requirements and future expansion plans of the Group; (iv) the retained earnings and distributable reserves of the Company and each of the other members of the Group; (v) the level of the Group's debts to equity ratio and return on equity as well as financial covenants to which the Group is subject; and (vi) any other factors that the Board may deem appropriate. Such declaration and payment of dividends by the Company shall remain to be determined at the sole discretion of the Board and subject to the requirements under all applicable laws, rules and regulations as well as the Articles of Association. Any future declarations and payments of dividends may or may not reflect the historical declarations and payments of dividends and will be at the absolute discretion of the Directors. Currently, the Group do not have any predetermined dividend payout ratio.

BUSINESS REVIEW

A fair review of the business of the Group during the year and a discussion on the Group's future business development are set out in the sections headed "Chairman's Statement" and "Management Discussion and Analysis" on pages 3 to 8 of this annual report.

The above discussions form part of this directors' report.

PRINCIPAL RISKS AND UNCERTAINTY

Risk associated with financial instruments of the group

The financial risk management objectives and policies of the Group are set out in note 27 to the consolidated financial statements.

Key sources of estimation uncertainty

Details of the key sources of estimation uncertainty as at 31 December 2018 are set out in note 4 to the consolidated financial statements.

COMPLIANCE WITH LAWS AND REGULATIONS

Strenuous efforts are exerted to ensure compliance with the laws and regulations of the jurisdictions in which the Company operates.

In relation to human resources, the Group provides and maintains statutory benefits for its staff, including but not limited to entitlement to mandatory provident fund, basic medical insurance, work injury insurance, etc. staff is entitled to day-off on public holidays and maternity leave.

At the corporate level, the Group complies with the requirements under the Listing Rules and the Securities and Futures Ordinance, Cap. 571 of the laws of Hong Kong (the "**SFO**") for, among other things, the disclosure of information and corporate governance, and the Group has adopted the Model Code set out in Appendix 10 to the Listing Rules.

CORPORATE REORGANISATION

The Company was incorporated with limited liability in Cayman Islands. The Shares of the Company were listed on the Main Board of the Stock Exchange with effect from 23 April 2019.

In connection with the Listing of the shares of the Company on the Stock Exchange, 125,000,000 new Shares of HK$0.01 each of the Company were issued at a price of HK$1.4 per Share for a total cash consideration, before expenses, of HK$175,000,000 (equivalent to approximately MOP180,250,000). Dealings in the Shares on the Stock Exchange commenced on 23 April 2019 (the "**Listing Date**").

Upon the creation of the Company's share premium account as a result of the share offer, an amount of HK$3,750,000 (equivalent to approximately MOP3,860,000) standing to the credit of the share premium account of the Company has been capitalised on 23 April 2019 by applying such sum towards paying up in full at par a total of 374,999,000 ordinary shares for allotment and issue to the then existing Shareholders. Immediately following the completion of the share offer and the capitalisation issue, the total outstanding Shares of the Company was 500,000,000 Shares including the 125,000,000 Shares issued upon the share offer.

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Group's success also depends on the support from key stakeholders which comprise employees, customers and subcontractors and suppliers.

Employees

Employees are regarded as important and valuable assets of the Group. The Group has maintained good relationship with the employees. The Group provides various training to our employees and sponsor the employees to attend various training courses, such as those on occupational health and safety in relation to our work. Such training courses include our internal training as well as courses by external parties. The remuneration packages the Group offers to employees include salary and discretionary bonuses. In general, the Group determines employees' salaries based on each employee's qualifications, position and seniority. The Group has designed an annual review system to assess the performance of the employees, which forms the basis of determining salary raises, bonuses and promotions.

Customers

The Group's customers included subsidiaries of casino gaming and integrated resort operators in Macau as well as individual customers. The Group is a contractor providing fitting-out services and repair and maintenance services in Macau. Our fitting-out services primarily cover refitting works for existing buildings and extend to casinos, retail areas, hotels, restaurants, commercial properties and residential properties. The Group primarily focuses on providing fitting-out services for the commercial segment, in particular facilities located within integrated resorts in Macau.

Suppliers and Subcontractors

The Group's suppliers include suppliers of materials for our services such as wall coverings, ironmongery, art works, furniture, marble, carpets, chandeliers and sanitary wares. The Group maintains an internal list of approved suppliers and such list is updated from time to time. The Group reviews the existing list of approved suppliers and determine whether any of them should be removed or replaced based on the quality of their products. The Group selects suppliers based on a number of criteria, including without limitation, their track record, prices, product quality and timely delivery. The Group generally determines the amount of materials we need prior to submitting a tender and thereafter source materials from suppliers after a contract is awarded.

The Group strategically subcontracts on-site labour intensive works to our subcontractors, while maintaining overall project management and implementation. The Group's subcontractors include subcontractors of our fitting-out services, such as supply and installation of electrical system, heating, ventilation, air-conditioning, fire service system, glass doors, wall finishes, door leafs, false ceiling, marble, carpets and lighting system. The Group maintains an internal list of approved subcontractors, which is updated on a regular basis. We review the existing list of approved subcontractors and determine whether any of them should be removed or replaced based on their performance.

In addition, during the continuance of the contracts with our subcontractors, the Group will supply them with our internal guidelines on safety and environmental issues and require them to follow. The Group effectively implements the subcontractor assessment process by conducting regular site visit, evaluation on the performance of contract and other measures, to ensure the performance of our subcontractors.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is environmentally responsible in meeting customers' demand and at the same time society's expectation in maintaining a healthy living and working environment. The Group is highly concerned about the impact of our business on the environment. To mitigate such effect, we have formulated an in-house environmental policy that contains environmental protection guidelines on chemical management, sewage management, waste management and noise management for our employees and subcontractors. During the Reporting Period, the Group did not incur any material costs in relation to compliance with applicable environmental laws and regulations.

RESERVES

Details of movements in the reserves of the Group during the Reporting Period are set out in the consolidated statement of changes in equity on page 37.

MATERIAL INVESTMENT AND ACQUISITION

During the Reporting Period, save for the Reorganisation as discussed in the section headed "History, Reorganisation and Corporate Structure" in the prospectus issued by the Company on 29 March 2019 (the "**Prospectus**"), the Group did not have any material acquisitions and disposals of subsidiaries and affiliated companies.

BANK BORROWINGS

Details of the bank borrowings of the Group as at 31 December 2018 are set out in note 20 to the consolidated financial statements.

REPORT OF THE DIRECTORS

PROPERTY AND EQUIPMENT

Movements in property and equipment during the year and details of the Group's property and equipment are set out in note 13 to the consolidated financial statements.

INVESTMENT PROPERTIES

As at 31 December 2018, the Group did not hold any investment property.

SHARE CAPITAL

Details of movements during the year in the share capital of the Company are set out in note 21 to the consolidated financial statements.

EQUITY-LINKED AGREEMENTS

Save as disclosed in this annual report relating to the "Share Option Scheme", no equity-linked agreements were entered into during the Reporting Period or subsisted at the end of the year.

PERMITTED INDEMNITY PROVISION

Pursuant to article 164 of the Articles of Association, subject to relevant laws, every Director shall be entitled to be indemnified and secured harmless out of the assets and profits of the Company against all actions, costs, charges, losses, damages and expenses which he/she may sustain or incur in or about the execution of the duties of his/her office or otherwise in relation thereto.

DIRECTORS

The Directors during the year and up to the date of this annual report were:

Executive Directors
Mr. Li Kam Hung *(Chairman and Chief Executive Officer) (appointed on 9 April 2018)*
Mr. Yu Ming Ho *(appointed on 9 April 2018)*

Non-executive Director
Mr. Li Chun Ho *(appointed on 15 June 2018)*

Independent Non-executive Directors
Ms. Rita Botelho dos Santos *(appointed on 15 March 2019)*
Mr. Lam Chi Wing *(appointed on 15 March 2019)*
Mr. Wu Chou Kit *(appointed on 15 March 2019)*

In accordance with the Company's Articles of Association, one-third of the Directors for the time being shall retire from office by rotation provided that every Director shall be subject to retirement at an AGM at least once every three years and, being eligible, offer themselves for re-election for the forthcoming year. Mr. Li Kam Hung and Mr. Yu Ming Ho will retire at the forthcoming AGM and will offer themselves for re-election. None of the Directors proposed for re-election at the forthcoming AGM has a service contract which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

DIRECTORS' SERVICE CONTRACTS AND LETTERS OF APPOINTMENT

Each of the executive Directors has entered into a service contract with the Company for an initial fixed term of three years commencing from the Listing Date, renewable automatically until terminated by not less than three months' notice in writing served by either party on the other expiring at the end of the initial term or any time thereafter.

The non-executive Director has entered into a letter of appointment with our Company, which takes effect from the date of the letter of appointment, and shall continue for an initial fixed term of three years from the Listing Date, and provided that either party can at any time terminate the appointment by giving to the other party not less than three months' prior notice in writing.

Each of the independent non-executive Directors, has entered into a letter of appointment with our Company, which takes effect from the date of the letter of appointment, and shall continue for an initial fixed term of three years from the Listing Date, and provided that either party can at any time terminate the appointment by giving to the other party not less than three months' prior notice in writing

No Directors being proposed for re-election at the forthcoming AGM has a service contract or a letter of appointment with the Company or its subsidiaries which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at the date of this annual report, the interests and short positions of each Director and CEO in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

The Company

Name of Director	Capacity	Number of Shares held/ interested (1)	Approximate percentage of the total issued Shares
Li Kam Hung ("**Mr. Li**")	Interest in a controlled corporation (2)	337,500,000 Shares (L)	67.5%

Notes:

(1) The letter "L" denotes the Director's long position in the Shares.

(2) The Company was held as to approximately 67.5% by Copious Astute Limited ("**Copious Astute**"). Copious Astute is held as to 100% by Mr. Li.

Associated corporation

Name of Director	Name of associated corporation	Capacity	Number of Shares held/ interested [(1)]	Approximate percentage of the total issued Shares
Mr. Li	Copious Astute	Beneficial owner	1 share (L)	100%

Notes:

(1) The letter "L" denotes the Director's long position in the Shares.

Save as disclosed above, as at the date of this annual report, none of the Directors and CEO had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the year was the Company, its holding company, or its subsidiaries a party to any arrangements to enable the Directors (including their spouse and children under 18 years of age) to acquire benefits by means of the acquisition of Shares in, or debentures of, the Company or any other body corporate.

SHARE OPTION SCHEME

On 18 March 2019, a share option scheme (the "**Share Option Scheme**") was approved and adopted by the Shareholders, under which, options may be granted to any eligible persons (as defined in the Share Option Scheme) to subscribe for Shares subject to the terms and conditions stipulated in the Share Option Scheme. The Company has adopted the Share Option Scheme as an incentive to Directors and eligible employees.

The subscription price for the ordinary shares under the Share Option Scheme shall be determined by the Board and shall be the highest of: (i) the closing price of the Shares as stated in the Stock Exchange's daily quotation sheets on the date of grant of the options under the Share Option Scheme (the "**Option(s)**"), which must be a day on which trading of shares take place on the Stock Exchange ("**Trading Day**"); (ii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotation sheets for the five Trading Days immediately preceding the date of grant the Options; and (iii) the nominal value of a Share.

The total number of ordinary shares which may be issued upon the exercise of all Options to be granted under the Share Option Scheme and any other schemes must not, in aggregate, exceed 10% of the Shares in issue as at the date of listing of the Company provided that the Options lapsed in accordance with the terms of the Share Option Scheme or other relevant schemes will not be counted for the purpose of calculating such limit.

A summary of the share option scheme is set out in the paragraph headed "D. Share Option Scheme" Appendix IV to the Prospectus. No share option has been granted by the Company under the Share Option Scheme since its adoption up to the date of this annual report.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at the date of this annual report, according to the register kept by the Company under Section 336 of the SFO, the corporations or persons (other than a Director or CEO) had interests of 5% or more in the Shares or underlying Shares which fell to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO were as follows:

Name of Shareholder	Capacity	Number of Shares held/ interested (1)	Approximate percentage of the total issued Shares
Copious Astute Limited	Beneficial owner (2)	337,500,000 Shares (L)	67.5%
Ms. Ng Suk Fun	Interest of spouse (3)	337,500,000 Shares (L)	67.5%
Fresh Phoenix Limited	Beneficial owner (4)	40,562,500 Shares (L)	8.1%
Mr. Leong Lap Kun ("**Mr. Leong**")	Interest of controlled corporation (4)(5)	40,760,000 Shares (L)	8.2%

Notes:

(1) The letter "L" denotes the Directors' long position in the Shares.

(2) Our Company is owned as to approximately 67.5% by Copious Astute Limited, which is in turn wholly owned by Mr. Li. Under the SFO, Mr. Li is deemed to be interested in all the Shares which are registered in the name of Copious Astute Limited;

(3) Ms. Ng Suk Fun is the spouse of Mr. Li. Under the SFO, Ms. Ng Suk Fun is deemed to be interested in the same number of Shares in which Mr. Li is interested;

(4) Our Company is owned as to approximately 8.1% by Fresh Phoenix Limited, which is in turn wholly owned by Mr. Leong. Under the SFO, Mr. Leong is deemed to be interested in all the Shares which are registered in the name of Fresh Phoenix Limited.

(5) Our Company is owned as to approximately 0.04% by Shining Holding Limited, which is in turn wholly owned by Mr. Leong. Under the SFO, Mr. Leong is deemed to be interested in all the Shares which are registered in the name of Shining Holding Limited.

Save as disclosed above, as at the date of this annual report, no other person (other than a Director or CEO) had registered an interest or short position in the Shares, underlying Shares and debentures of the Company which fell to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as the related party transactions as disclosed in note 29 to the consolidated financial statements, there were no other transactions, arrangements or contracts that are significant in relation to the business of the Group to which the Company or any of its subsidiary was a party and in which a Director or his/her connected entity had a material interest, whether directly or indirectly, subsisted at any time during the Reporting Period.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the Reporting Period.

RELATED PARTY TRANSACTIONS

The significant related party transactions that did not constitute connected transaction which is required to be disclosed under Chapter 14A of the Listing Rules made during the Reporting Period were disclosed in note 29 to the consolidated financial statements.

COMPETING INTEREST

There were no competing business of which any Directors or their respective close associates had a material interest, whether directly or indirectly, subsisted since the Listing Date and up to the date of this annual report.

DEED OF NON-COMPETITION

Each of Mr. Li Kam Hung and Copious Astute Limited (each a "**Non-Compete Covenantor**") has entered into a deed of non-competition ("**Deed of Non-competition**") dated 18 March 2019 with the Company, to the effect that each of them will not directly or indirectly participate in, or hold any right or interest, or otherwise be involved in any business which may be in competition with the business of the Group from time to time.

The Company has received the annual confirmation of the Non-Compete Covenantors in respect of their compliance with the noncompetition undertakings under the Deed of Non-competition since the Listing Date and up to the date of this annual report. The independent non-executive Directors also reviewed the Non-Compete Covenantors' compliance with the non-competition undertakings.

The independent non-executive Directors confirmed that the Non-Compete Covenantors were not in breach of the noncompetition undertakings since the Listing Date and up to the date of this annual report.

REMUNERATION POLICY

The remuneration policy of the Group is set up by the Remuneration Committee on the basis of market trends and the individuals' merit, qualifications and competence.

The Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics, made recommendations to the Board for all remuneration of the executive Directors and senior management of the Company.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

None of the Company or any of its subsidiaries had purchased, sold or redeemed any of its listed securities during the Reporting Period.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Articles of Association although there is no restriction against such rights under the laws in the Cayman Islands.

CONNECTED TRANSACTION

During the Reporting Period, the Group had not entered into any connected transaction which is required to be disclosed under Chapter 14A of the Listing Rules.

CORPORATE GOVERNANCE REPORT

The corporation governance report of the Group during the Reporting Period is set out in the sections headed "Corporate Governance Report" on pages 9 to 17 of this annual report.

MAJOR CUSTOMERS, SUPPLIERS AND SUBCONTRACTORS

During the Reporting Period, sales to the Group's five largest customers accounted for approximately 98.9% of the Group's sales for the year and sales to the Group's largest customer included therein accounted for approximately 80.8%.

During the Reporting Period, purchase from the Group's five largest suppliers accounted for approximately 39.6% of the Group's total purchases for the year and purchase from the Group's largest supplier included therein accounted for approximately 20.3%.

During the Reporting Period, subcontracting fees paid/payable to the Group's five largest subcontractors accounted for approximately 73.9% of the Group's total subcontracting fees and subcontracting fees paid/payable to the Group's largest subcontractor accounted for approximately 32.2%.

None of the Directors, their close associates or any shareholder (which to the knowledge of the Directors own more than 5% of the Company's share capital) had an interest in the major customers, suppliers or subcontractors noted above.

USE OF PROCEEDS FROM SHARE OFFER

The Shares of the Company were listed on the Main Board of the Stock Exchange on 23 April 2019 with net proceeds received by the Company from the Share Offer in the amount of approximately HK$138.1 million after deducting underwriting commissions and all related expenses. The net proceeds received from the Share Offer are intended to be used in the manner consistent with that mentioned in the section headed "Future Plans and Use of Proceeds" of the Prospectus.

Since the Listing of the Company and up to the date of this annual report, the proceeds from the Listing were not applied for any use. As at the date of this annual report, the Directors do not anticipate any change to the plan of use of proceeds as disclosed in the Prospectus.

IMPORTANT EVENTS AFTER THE BALANCE SHEET DATE

The Shares of the Company were listed on the Main Board of the Stock Exchange on 23 April 2019. The Prospectus dated 29 March 2019 was published on the Company's website (www.whh.com.hk) and on the HKEx news website of Stock Exchange (www.hkexnews.hk).

Save as disclosed in this annual report, there was no important event affecting the Group that had occurred since the end of 31 December 2018.

PUBLIC FLOAT

As at the latest practicable date prior to the issue of this annual report, the Company has maintained the prescribed public float under the Listing Rules, based on the information that is publicly available to the Company and within the knowledge of the Directors.

FINANCIAL SUMMARY

A summary of the consolidated results and the assets and liabilities of the Group for the last four financial years is set out on page 92.

CLOSURE OF REGISTER OF MEMBERS

For the purposes of determining the Shareholders' eligibility to attend and vote at the annual general meeting of the Company to be held on 21 June 2019 (Friday) (the "**AGM**"), the register of members of the Company will be closed from 18 June 2019 (Tuesday) to 21 June 2019 (Friday), both days inclusive. During the closure period, no transfer of Shares will be registered. To be eligible to attend and vote at the AGM, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 17 June 2019 (Monday).

AUDITOR

The accompanying consolidated financial statements have been audited by Deloitte Touche Tohmatsu who shall retire and, being eligible, offer themselves for re-appointment at the forthcoming AGM. Having approved by the Board upon the recommendation of the Audit Committee, a resolution to re-appoint Deloitte Touche Tohmatsu as the independent auditor of the Company and to authorise the Board to fix its remuneration will be proposed at the forthcoming AGM.

On behalf of the Board
Li Kam Hung
Chairman

Hong Kong, 25 April 2019

** For identification purposes only*

Deloitte. 德勤

To the shareholders of Wai Hung Group Holdings Limited
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Wai Hung Group Holdings Limited (the "Company") and its subsidiaries (collectively referred to as "the Group") set out on pages 35 to 91, which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Revenue and costs from fitting-out and repair and maintenance contracts	
We identified the recognition of revenue and costs from fitting-out and repair and maintenance contracts as a key audit matter due to the use of estimates by management in determining the contract revenue and contract costs prepared for each fitting-out and repair and maintenance contract in progress.	Our procedures in relation to recognition of revenue and costs from fitting-out and repair and maintenance contracts included: • Understanding and testing the internal control over the management's process in estimation of the contract revenue, budget cost and determination of completion status of the fitting-out and repair and maintenance contracts;

Key audit matter	How our audit addressed the key audit matter

During the year ended 31 December 2018, the Group generated revenue of MOP326,774,000 from fitting-out and repair and maintenance contracts.
 	
The Group recognised contract revenue and direct costs of fitting-out and repair and maintenance contracts by reference to the stage of completion of the contract activity at the end of the reporting period, as set out in note 4 to the consolidated financial statements. The recognition of revenue, direct costs therefore relies on the management's estimation of the contract's outcome and stage of completion, which involves the exercise of significant management estimation, particularly in estimating the budgeted costs, which are prepared by the management of the Group on the basis of the agreements, quotations or other correspondences from time to time provided by the subcontractors, suppliers or vendors involved and the experience of the management of the Group. In order to keep the budget accurate and up-to-date, the management of the Group conducts periodic reviews of the budgets of contracts by comparing the budgeted amounts to the actual amounts incurred. This includes the assessment of the profitability of on-going fitting-out and repair and maintenance contracts.
	• Agreeing the total contract value to the contracts, on a sample basis;
	
	• Discussing with the management of the Group to evaluate the reasonableness of their estimated total contract costs, taking into account of factors including the complexity and duration of the projects and profit margin of similar completed projects, on a sample basis;
	
	• Evaluating the reasonableness of estimated total contract costs to be incurred by checking against the agreements, quotations or other correspondences from time to time provided by subcontractors, suppliers or vendors involved, on a sample basis;
	
	• Evaluating the reasonableness of costs from fitting-out and repair and maintenance contracts recognised to date by:
	
	    • Checking to the supporting documents including the certificates and invoices issued by the subcontractors/suppliers/vendors and their correspondences issued to evaluate progress of respective projects, on a sample basis;
	
	    • Discussing with the management of the Group to understand the status of respective fitting-out and repair and maintenance contracts, and to evaluate the reasonableness of contract costs recognised based on the size and duration of the projects, on a sample basis; and
	
	• Evaluating the reasonableness of stage of completion of fitting-out and repair and maintenance contracts by comparing the proportion of costs incurred against the value of work certified by external surveyors of main constructors at the end of the reporting period, and investigating any significant differences identified, on a sample basis.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors of the Company determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Chau Chi Ka.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
29 March 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

	Notes	**2018** **MOP'000**	2017 MOP'000
Revenue	5	**326,774**	189,111
Direct costs		**(258,865)**	(143,924)
Gross profit		**67,909**	45,187
Other income	7	**694**	37
Other losses	7	**(79)**	(23)
Administrative expenses		**(16,673)**	(15,330)
Finance costs	8	**(416)**	(142)
Listing expenses		**(12,261)**	–
Profit before taxation	9	**39,174**	29,729
Income tax expense	10	**(7,322)**	(4,572)
Profit for the year		**31,852**	25,157
Other comprehensive expense			
Item that may be subsequently reclassified to profit and loss:			
Exchange differences arising on translation of foreign operation		**(284)**	–
		31,568	25,157
Profit for the year attributable to:			
– Owners of the Company		**31,831**	23,958
– Non-controlling interests		**21**	1,199
		31,852	25,157
Profit and total comprehensive income for the year attributable to:			
– Owners of the company		**31,547**	23,958
– Non-controlling interests		**21**	1,199
		31,568	25,157
Earnings per share			
Basic (MOP'000)	12	**32.8**	26.6

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2018

	Note	2018 MOP'000	2017 MOP'000
Non-current assets			
Property and equipment	13	**2,094**	1,020
Deposits	15	**240**	164
		2,334	1,184
Current assets			
Trade receivables	14	**39,869**	56,787
Other receivables, deposits and prepayments	15	**22,932**	36,571
Contract assets	16	**33,124**	9,102
Amounts due from related parties	19	**23**	18,528
Pledged bank deposits	17	**2,339**	2,319
Bank balances and cash	17	**11,211**	14,913
		109,498	138,220
Current liabilities			
Trade and other payables and accruals	18	**37,298**	40,519
Contract liabilities	16	**993**	7,641
Amounts due to related parties	19	**6,342**	3,720
Tax payable		**8,072**	7,875
Bank borrowings	20	**2,575**	5,137
		55,280	64,892
Net current assets		**54,218**	73,328
Net assets		**56,552**	74,512
Capital and reserves			
Share capital	21	**–**	3,341
Reserves		**56,552**	67,170
Equity attributable to owners of the Company		**56,552**	70,511
Non-controlling interests		**–**	4,001
Total equity		**56,552**	74,512

The consolidated financial statements on pages 35 to 91 were approved and authorised for issue by the Board of Directors on 29 March 2019 and are signed on its behalf by:

LI KAM HUNG
DIRECTOR

YU MING HO
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

	Attributable to owners of the Company									
	Share capital MOP'000	Share premium MOP'000	Legal reserve MOP'000 (Note (i))	Other reserve MOP'000 (Note (ii))	Statutory surplus reserve MOP'000 (Note (iii))	Translation reserve MOP'000	Accumulated profits MOP'000	Total MOP'000	Non-controlling interests MOP'000	Total MOP'000
At 1 January 2017	3,131	–	500	495	–	–	40,546	44,672	–	44,672
Profit and total comprehensive income for the year	–	–	–	–	–	–	23,958	23,958	1,199	25,157
Issue of shares of Yiu Kwong Decoration Engineering (Macau) Company Limited ("YKDE")	210	–	–	–	–	–	–	210	90	300
Recognition of share-based payments of a subsidiary (note 23)	–	–	–	–	–	–	–	–	4,383	4,383
Change in shareholding in a subsidiary without losing control	–	–	–	1,671	–	–	–	1,671	(1,671)	–
At 31 December 2017 (as originally stated)	3,341	–	500	2,166	–	–	64,504	70,511	4,001	74,512
Adjustments (see note 2)	–	–	–	–	–	–	(563)	(563)	–	(563)
At 31 December 2017 (restated)	3,341	–	500	2,166	–	–	63,941	69,948	4,001	73,949
Profit for the year	–	–	–	–	–	–	31,831	31,831	21	31,852
Other comprehensive expense for the year	–	–	–	–	–	(284)	–	(284)	–	(284)
Total profit and other comprehensive (expense) income for the year	–	–	–	–	–	(284)	31,831	31,547	21	31,568
Dividends distribution (note 11)	–	–	–	–	–	–	(60,000)	(60,000)	–	(60,000)
Transfer upon reorganisation (notes 1(v), (vi) and (vii))	(3,341)	80,235	–	(78,219)	–	–	–	(1,325)	–	(1,325)
Issue of shares upon share offer to Fresh Phoenix (as defined in note 1(iv))	–	15,450	–	–	–	–	–	15,450	–	15,450
Change in shareholding in subsidiaries without losing control	–	–	–	932	–	–	–	932	(4,022)	(3,090)
Transfer	–	–	–	–	120	–	(120)	–	–	–
At 31 December 2018	–	95,685	500	(75,121)	120	(284)	35,652	56,552	–	56,552

Notes:

(i) In accordance with the Article 377 of the Commercial Code of Macau Special Administrative Region of the People's Republic of China ("Macau"), the Company registered in Macau is required to transfer part of its profits of each accounting period of not less than 25% to legal reserve, until the amount reaches half of its share capital.

(ii) Other reserve represents (i) the 99% of equity interest of Wai Hung Hong Decoration and Design Company Limited ("WHHDD"), a group company incorporated in Macau, transferred from Mr. Li Kam Hung ("Mr. Li"), the executive director and controlling shareholder of the Company, to Wai Hung Hong Engineering (Macau) Co., Limited ("WHHE (Macau)"), a group company incorporated in Macau and controlled by Mr. Li, at nil consideration prior to 1 January 2015. Since then, WHHDD has been owned as to 99% by WHHE (Macau) and 1% by Mr. Li; (ii) the transfer of 5% equity of WHHE (Macau) by Mr. Li to the then employee of the Group upon the issuance of share-based payments of WHHE (Macau) resulting a surplus of MOP1,671,000 crediting to other reserve. Details refer to note 23; (iii) the acquisition of 5% WHHE (Macau) and 30% of YKDE (as define in note 1(v)) from a non-controlling shareholder of these entities of which details are disclosed in note 30, during the year ended 31 December 2018, resulting a credit of MOP932,000 crediting to other reserve; (iv) the difference between the aggregate amount of consideration payable to Mr. Li upon the reorganisation stated in note 1(v); and (v) the difference between the aggregate amount of share capital of the Company issued and the net asset values of Loyal Auspicious (as defined in note 1(ii)) and Splendor Haze (as defined in note 1(ii)) in connection with the group reorganisation as disclosed in note 1(vii) on 30 May 2018.

(iii) The entities established in the People's Republic of China (the "PRC") are required to appropriate 10% of its net profit, as determined under the China Accounting Standards for Business Enterprises (2006) and other relevant regulations issued by the Ministry of Finance of the PRC, to the statutory surplus reserve until the balance reaches 50% of the registered capital.

Subject to the approval of equity holders of the entities established in the PRC, statutory surplus reserves may be used to net off with accumulated losses, if any, and may be converted into capital, provided that the balance of statutory surplus reserve after such capitalisation is not less than 25% of the registered capital.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	2018 MOP'000	2017 MOP'000
OPERATING ACTIVITIES		
Profit before taxation	39,174	29,729
Adjustments for:		
Depreciation	503	424
Finance costs	416	142
Loss on written-off of property and equipment	–	23
Reversal of impairment loss allowance of trade receivables	(523)	–
Impairment loss allowance of contract assets	79	–
Bank interest income	(126)	(22)
Share-based payments	–	4,383
Operating cash flows before movements in working capital	39,523	34,679
Decrease (increase) in trade receivables	16,878	(20,510)
Decrease (increase) in other receivables, deposits and prepayments	17,969	(17,876)
Decrease in contract assets/liabilities, net	(30,749)	(2,944)
(Decrease) increase in trade and other payables and accruals	(4,896)	14,481
(Decrease) increase in amounts due to a related parties	(1,020)	1,020
Increase in amounts due from a related parties	(23)	–
Cash generated from operations	37,682	8,850
Income tax paid	(7,125)	(759)
NET CASH FROM OPERATING ACTIVITIES	30,557	8,091
INVESTING ACTIVITIES		
Acquisition of a subsidiary	(12)	–
Purchases of property and equipment	(1,577)	(222)
Deposit paid for acquisition of property and equipment	–	(23)
Bank interest received	126	22
Placement of pledged bank deposits	(20)	(2,319)
Advance to related parties	(36,455)	(4,940)
NET CASH USED IN INVESTING ACTIVITIES	(37,938)	(7,482)

	2018	2017
	MOP'000	MOP'000
FINANCING ACTIVITIES		
Acquisition of non-controlling interests of subsidiaries	**(3,090)**	–
Proceed from issue of shares of the Company	**15,450**	–
Payments of deferred issue costs	**(2,719)**	–
Advance from related parties	**16**	2,575
Repayment to related parties	**(2,716)**	(36)
Repayment of bank borrowings	**(12,862)**	(2,575)
New bank borrowings raised	**10,300**	7,712
Interests paid	**(416)**	(142)
NET CASH FROM FINANCING ACTIVITIES	**3,963**	7,534
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(3,418)**	8,143
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**14,913**	6,770
EFFECT OF FOREIGN EXCHANGE RATE CHANGE	**(284)**	–
CASH AND CASH EQUIVALENTS AT END OF THE YEAR represented by bank balances and cash	**11,211**	14,913

1. GENERAL, GROUP REORGANISATION AND BASIS OF PREPARATION AND PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

The Company was incorporated as an exempted company in the Cayman Islands on 9 April 2018. The addresses of the registered office and the principal place of business of the Company are Room 502, 5/F, Honour Industrial Centre, 6 Sun Yip Street, Chai Wan, Hong Kong. The Company's immediate and ultimate holding company is Copious Astute Limited ("Copious Astute"), a limited company incorporated in the British Virgin Islands ("BVI") with limited liability, and wholly-owned by Mr. Li.

The consolidated financial statements are presented in Macau Pataca ("MOP"), which is also the functional currency of the Company and its subsidiaries (collectively referred to as the "Group").

The principal activity of the Company is investment holding. The Group's principal activities are providing fitting-out services and repair and maintenance services in Macau.

Historically, prior and after to the completion of the reorganisation as detailed below, all the companies comprising the Group were controlled by Mr. Li and he exercises his control over the companies now comprising the Group in respect of all the relevant business activities of these companies.

In preparation of the listing of the Company's shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing"), the companies comprising the Group underwent the reorganisation as described below.

(i) Copious Astute was incorporated under the laws of the BVI with limited liability on 21 February 2018. On 29 March 2018, 1 share was allotted and issued to Mr. Li for cash consideration at par.

(ii) Loyal Auspicious Limited ("Loyal Auspicious") was incorporated under the laws of the BVI with limited liability on 28 February 2018. On 29 March 2018, 1 share was allotted and issued to Mr. Li for cash consideration at par.

Splendor Haze Limited ("Splendor Haze") was incorporated under the laws of the BVI with limited liability on 30 January 2018. On 29 March 2018, 1 share was allotted and issued to Mr. Li for cash consideration at par.

(iii) The Company was incorporated as an exempted company in the Cayman Islands on 9 April 2018 with an authorised share capital of Hong Kong Dollar ("HK$") 380,000 divided into 38,000,000 shares of HK$0.01 each. Upon incorporation, (i) one nil-paid share of the Company was allotted and issued to the initial subscriber, an independent third party, and was then transferred to Copious Astute; and (ii) 897 nil-paid shares of the Company were further allotted and issued to Copious Astute.

(iv) On 27 February 2018, Mr. Leong Lap Kun ("Mr. Leong"), an independent third party not relating to the Group, entered into a subscription agreement with WHHE (Macau) and Mr. Li. Pursuant to the agreement, Mr. Leong agreed to subscribe (through Fresh Phoenix Limited ("Fresh Phoenix"), a company incorporated under the laws of BVI with limited liability and wholly-owned by Mr. Leong) for 100 shares of the Company at cash consideration of HK$15,000,000. The subscription was completed and settled on 24 April 2018. Upon completion of the subscription, the Company was owned as to 90% by Copious Astute and 10% by Fresh Phoenix.

1. GENERAL, GROUP REORGANISATION AND BASIS OF PREPARATION AND PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(v) On 26 April 2018, Loyal Auspicious acquired 19,999 shares in Wai Hung Hong Engineering Company Limited ("WHHE (HK)"), a company incorporated in Hong Kong, from Mr. Li and 1 share of WHHE (HK) from Mr. Yu Ming Ho ("Mr. Yu"), the executive director of the Company and director of the group entities before the incorporation of the Company who is held such equity interest in WHHE (HK) on trust in favour of Mr. Li, in consideration of which Loyal Auspicious allotted and issued 2 shares of Loyal Auspicious to Mr. Li.

On 15 May 2018, Loyal Auspicious acquired 1,980,000 shares in Wai Hung Hong Construction Company Limited ("WHHC"), a company incorporated in Hong Kong, from Mr. Li and 20,000 shares in WHHC from Mr. Yu, who is held such equity interest in WHHC on trust for Mr. Li, in consideration of which Loyal Auspicious allotted and issued 2 shares of Loyal Auspicious to Mr. Li.

On 15 May 2018, Loyal Auspicious acquired 19,999 shares in Wai Hung Hong Construction Engineering Limited ("WHHCE"), a company incorporated in Hong Kong, from Mr. Li and 1 share in WHHCE from Mr. Yu, who held such equity interest in WHHCE on trust for Mr. Li, in consideration of which Loyal Auspicious allotted and issued 2 shares of Loyal Auspicious to Mr. Li.

On 18 May 2018, Loyal Auspicious acquired (i) 99% equity interest in New Wai Hung Construction (Macau) Co., Ltd. ("NWHC"), a company incorporated in Macau, from Mr. Li at the cash consideration of MOP495,000; and (ii) 1% equity interest in NWHC from Mr. Yu, who held such equity interest of NWHC for the benefits and under the instruction of Mr. Li, at the cash consideration of MOP5,000.

On 18 May 2018, Loyal Auspicious acquired (i) 99% equity interest in Wai Hung Hong Decoration and Design Company Limited ("WHHDD"), a company incorporated in Macau, from WHHE (Macau) at the cash consideration of MOP495,000; and (ii) 1% equity interest in WHHDD from Mr. Li at the cash consideration of MOP5,000.

On 18 May 2018, Loyal Auspicious acquired entire equity interest in Yiu Kwong Decoration Engineering (Macau) Company Limited ("YKDE"), a company incorporated in Macau, from Mr. Li at the cash consideration of MOP300,000.

On 18 May 2018, Loyal Auspicious acquired (i) 96% equity interests in Keng Chuan Limited ("Keng Chuan"), a company incorporated in Macau, from Mr. Li at the cash consideration of MOP24,000; and (ii) 4% equity interests in Keng Chuan from Mr. Yu, who held such equity interest of Keng Chuan for the benefits and under the instruction of Mr. Li, at the cash consideration of MOP1,000.

Upon the completion of these transactions, WHHE (HK), WHHC, WHHCE, NWHC, WHHDD, YKDE and Keng Chuan became wholly-owned subsidiaries of Loyal Auspicious.

(vi) On 18 May 2018, Splendor Haze acquired 99% equity interests in WHHE (Macau) from Mr. Li for cash consideration of MOP495,000 and 1% equity interests in WHHE (Macau) from Mr. Yu, who is held such equity interest of WHHE (Macau) for the benefits and under the instruction of Mr. Li, for cash consideration of MOP5,000. Upon the completion of this transaction, WHHE (Macau) became a wholly-owned subsidiary of Splendor Haze.

1. GENERAL, GROUP REORGANISATION AND BASIS OF PREPARATION AND PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(vii) On 30 May 2018, the Company acquired the entire issued share capital of Loyal Auspicious from Mr. Li, and in consideration of which the Company issued 1 share of the Company to Copious Astute (as directed by Mr. Li).

On 30 May 2018, the Company acquired the entire issued share capital of Splendor Haze from Mr. Li, and in consideration of which the Company issued 1 share of the Company to Copious Astute (as directed by Mr. Li).

Upon completion of these transaction, Loyal Auspicious and Splendor Haze became wholly-owned subsidiaries of the Company.

Pursuant to the reorganisation detailed above, the Company has become the holding company of the companies now comprising the Group on 30 May 2018. The Group comprising the Company and its subsidiaries resulting from the reorganisation have always been under the control of Mr. Li regardless of the actual date when the Company formally becomes the holding company of the Group, therefore, the Group is regarded as a continuing entity and the consolidated financial statements have been prepared as if the Company had always been the holding company of the Group throughout the years ended 31 December 2018 and 2017.

Consolidated financial statements have been prepared based on Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the principles of merger accounting under Accounting Guideline 5 "Merger Accounting for Common Control Combination" issued by the HKICPA.

The consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years ended 31 December 2018 and 2017 include the results, changes in equity and cash flows of the companies comprising the Group as if the current group structure had been in existence throughout the years ended 31 December 2018 and 2017, or since their respective date of incorporation, where there is a shorter period. The consolidated statement of financial position of the Group as at 31 December 2017 have been prepared to present the assets and liabilities of the companies now comprising the Group, as if the current group structure has been in existence as at those dates taking into account the respective dates of incorporation, where applicable.

2. ADOPTION OF NEW AND AMENDMENTS TO HKFRSs

The Group has adopted and consistently applied HKFRSs issued by the HKICPA that are effective for the accounting period beginning on 1 January 2018 for both current and prior years, except that the Group adopted HKFRS 9 "Financial Instruments" from 1 January 2018. The accounting policies for financial instruments under HKFRS 9 are set out in note 3 below.

HKFRS 9 "Financial Instruments" and the related amendments

In the year ended 31 December 2018, the Group has applied HKFRS 9 and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("ECL") for financial assets and contract assets; and 3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening accumulated profits and other components of equity, without restating comparative information.

2. ADOPTION OF NEW AND AMENDMENTS TO HKFRSs (CONTINUED)

HKFRS 9 "Financial Instruments" and the related amendments (continued)

Classification and measurement of financial assets

All financial assets and financial liabilities continue to be measured on the same bases as were previously measured under HKAS 39.

Impairment of financial assets and contract assets

As at 1 January 2018, the management of the Group reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9. The results of the assessment and the impact thereof are detailed below.

Summary of effects arising from initial application of HKFRS 9

The table below illustrates the lifetime ECL of trade receivables under HKFRS 9 and HKAS 39 at the date of initial application, 1 January 2018.

	Trade receivables MOP'000	**Accumulated profits** MOP'000
Closing balance at 31 December 2017 – HKAS 39	56,787	64,504
Effect arising from initial application of HKFRS 9:		
Remeasurement		
– impairment under ECL model	(563)	(563)
Opening balance at 1 January 2018	**56,224**	**63,941**

The Group applies simplified approach to measure ECL which uses a lifetime ECL for all trade receivables and contract assets. To measure the ECL, trade receivables and contract assets have been grouped based on share credit risk characteristics. As at 1 January 2018, the impairment loss allowance on trade receivables of MOP563,000 has been recognised against accumulated profits of MOP563,000.

Loss allowances for other financial assets at amortised cost mainly comprise of other receivables and deposits, amount due from related parties, pledged bank deposits and bank balances and cash, are measured on 12-month ECL basis and there had been no significant increase in credit risk since initial recognition.

For pledged bank deposits and bank balances, the Group only transacts with reputable banks with high credit ratings assigned by international credit-rating agencies and consider the risk of default is regard as low and 12-month ECL is insignificant.

For other receivables and deposits and amounts due from related parties, the management of the Group makes periodic collective as well as individual assessment on the recoverability of other receivables and deposits based on historical settlement records and past experience with available reasonable and supportive forward-looking information. Based on assessment by the management of the Group, considered as considers the ECL for other receivables and deposits and amounts due from related parties is insignificant.

2. ADOPTION OF NEW AND AMENDMENTS TO HKFRSs (CONTINUED)

HKFRS 9 "Financial Instruments" and the related amendments (continued)

Summary of effects arising from initial application of HKFRS 9 (continued)

Impairment loss allowances of trade receivables as at 31 December 2017 reconcile to the opening impairment loss allowances as at 1 January 2018 is as follows:

	MOP'000
At 31 December 2017 – HKAS 39	–
Amounts remeasured through opening accumulated profits	563
At 1 January 2018	**563**

The Group has not early applied the following new and amendments to HKFRSs which are not yet effective:

HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[3]
HK (IFRIC) Interpretations ("HK(IFRIC)-Int") 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKFRS 3	Definition of a Business[4]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to HKAS 1 and HKAS 8	Definitions of Material[5]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle[1]

1 Effective for annual periods beginning on or after 1 January 2019.

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

3 Effective for annual periods beginning on or after 1 January 2021.

4 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

5 Effective for annual periods beginning on or after 1 January 2020.

2. ADOPTION OF NEW AND AMENDMENTS TO HKFRSs (CONTINUED)

HKFRS 16 "Leases"

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 "Leases" and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents operating lease payments as operating cash flows. Upon application of HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing and operating cash flows, respectively by the Group.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 December 2018, the Group has non-cancellable operating lease commitments of MOP4,182,000 and MOP413,000 as disclosed in note 24 and note 29, respectively. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16.

In addition, the Group currently considers refundable rental deposits paid of MOP390,000 as rights and obligations under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost and such adjustments are considered as additional lease payments. Adjustments to refundable rental deposits paid would be included in the carrying amount of right-of-use assets.

The Group elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as lease applying HKAS 17 and HK(IFRIC)-Int 4 "Determining whether an arrangement contains a lease" and not apply this standard to contracts that were not previously identified as containing a lease apply HKAS 17 and HK(IFRIC)-Int 4. Therefore, the Group will not reassess whether the contracts are, or contain a lease which already existed prior to the date of initial application. Furthermore, the Group elected the modified retrospective approach for the application of HKFRS 16 as leasee and will recognise the cumulative effect of initial application to opening accumulated profits without restating comparative information.

Furthermore, the application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. The directors of the Company do not anticipate that the application of HKFRS 16 in the future will have a material impact in the Group's future financial position and performance.

Except as disclosed above, the directors of the Company anticipate that the application of other new and revised HKFRSs and interpretations will have no material impact on the Group's consolidated financial statements in the future.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements have include the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing these asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transaction that are within the scope of HKFRS 2 “Share-based Payment”, leasing transactions that are within the scope of HKAS 17 “Leases”, and measurements that have some similarities to fair value but are not fair value, such as value in use in HKAS 36 “Impairment of Assets”.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies adopted are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of consolidation (continued)

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intra-group assets, liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries.

Merger accounting for business combination involving businesses under common control

The consolidated financial statements incorporate the financial statements items of the combining businesses in which the common control combination occurs as if they had been combined from the date when the combining businesses first came under control of the controlling entity.

The net assets of the combining businesses are combined using the existing book values from the controlling party's prospective. No amount is recognised in respect of goodwill or bargain purchase gain at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated statement of profit or loss and other comprehensive income includes the results of each of the combining businesses from the earliest date presented or since the date when the combining businesses first came under the common control, where is a shorter period, regardless of the date of the common control combination.

Revenue recognition

Revenue is recognised to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. Specifically, the Group uses a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (continued)

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to customers.

Control of the asset may be transferred over time or at a point in time. Control of the asset is transferred over time if:

- the customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs; or
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the asset.

Revenue is measured based on the consideration specified in a contract with customer and excluded amounts collected on behalf of third parties. The Group recognises revenue when it transfers control of service to a customer.

The Group recognises revenue from two major sources namely: 1) provision of fitting-out services; and 2) repair and maintenance services.

Provision of fitting-out services and repair and maintenance services

Recognition

The Group provides fitting-out services and repair and maintenance services under contracts with customers. Such contracts are entered into before the fitting-out services and repair and maintenance services begin. Under the terms of the contracts, the Group's performance creates and enhances an asset that the customers controls which referred as the designated areas where the fitting-out services and repair and maintenance services performed. Revenue from provision of fitting-out and repair and maintenance services is therefore recognised over time, using the input method. Revenue is recognised for these services based on the stage of completion of the contract. The directors of the Company have assessed that the stage of completion determined as the proportion of the costs incurred for the works (i.e. subcontracting costs materials costs and direct staff costs incurred) performed to date relative to the estimated total costs to complete the satisfaction of these services and the margin of each project, to the extent that the amount can be measured reliably and its recovery is considered probable.

Contract assets/liabilities

The Group has rights to considerations from customers for the provision of fitting-out services and repair and maintenance services. Contract assets arise when the Group has right to consideration for completion of fitting-out services and repair and maintenance services and not billed under the relevant contracts, and their right is conditioned on factors other than passage of time. Any amount previously recognised as a contract asset is reclassified to trade receivables when such right become unconditional other than the passage of time. Remaining rights and performance obligations in a particular contract is accounted for and presented on a net basis, as either a contract asset or a contract liability. If the progress payment exceeds the revenue recognised to date under the input method, then the Group recognises a contract liability for the difference.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (continued)

Provision of fitting-out services and repair and maintenance services (continued)

Existence of significant financing component

In determining the transaction price, the Group adjusts the promised amount of consideration for the effects of the time value of money if the timing of payments agreed (either explicitly or implicitly) provides the customer or the Group with a significant benefit of financing the transfer of goods or services to customer. In those circumstances, the contract contains a significant financing component. A significant financing component may exist regardless of whether the promise of financing is explicitly stated in the contract or implied by the payment terms agreed to by the parties of the contract.

Notwithstanding the above, a contract does not have a significant financing component in circumstances where payment in advance or in arrear are in accordance with the typical payment terms of the relevant industry, which has a primary purpose other than financing.

Property and equipment

Property and equipment are stated at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property and equipment over their estimated useful lives, using the straight-line method. The estimated useful lives and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Impairment loss on assets other than financial assets

At the end of each reporting period, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment loss on assets other than financial assets (continued)

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Financial instruments (before application of HKFRS 9 on 1 January 2018)

Financial assets and financial liabilities are recognised on the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

The Group's financial assets are classified as loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined as the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis, except for short-term receivables where the recognition of interest would be immaterial.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade receivables, other receivables and deposits, amounts due from related parties, pledge bank deposits and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment (see accounting policy on impairment of loans and receivables below).

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (before application of HKFRS 9 on 1 January 2018) (continued)

Financial assets (continued)

Impairment of loans and receivables

Loans and receivables are assessed for indicators of impairment at the end of each reporting period. Loans and receivables are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the loans and receivables, the estimated future cash flows of the loans and receivables have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

Objective evidence of impairment for trade receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments, observable changes in national or local economic conditions that correlate with default on receivables.

The amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the group entities are recognised at the proceeds received, net of direct issue costs.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (before application of HKFRS 9 on 1 January 2018) (continued)

Financial liabilities and equity instruments (continued)

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Financial liabilities at amortised cost

The Group's financial liabilities including trade and other payables and accruals, amounts due to related parties and bank borrowings are subsequently measured at amortised cost, using the effective interest method.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the considerations received and receivable is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liabilities derecognised and the considerations paid and payable is recognised in profit or loss.

Financial instruments (after application of HKFRS 9 on 1 January 2018)

Financial assets and financial liabilities are recognised on the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (after application of HKFRS 9 on 1 January 2018) (continued)

Financial assets

Trade receivables arising from contracts with customers are initially measured in accordance with HKFRS 15.

All financial assets are recognised and derecognised on a trade date basis where the purchase or sale of a financial asset is under a contract whose terms require delivery of financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs.

All recognised financial assets are required to be subsequently measured at amortised cost or fair value on the basis of the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold the financial assets in order to collect contractual cash flows; and

- the contractual terms of the financial asset give rise on a specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Amortised cost and effective interest rate

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance.

The effective interest method is a method of calculating the amortised cost of debt instrument and of allocating interest income over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (after application of HKFRS 9 on 1 January 2018) (continued)

Financial assets (continued)

Impairment of financial assets

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including trade receivables, contract assets, other receivables and deposits, amounts due from related parties, pledged bank deposits and bank balances and cash). The amount of ECL is updated at the end of each reporting period to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognise lifetime ECL for trade receivables and contract assets and measures the lifetime ECL on a collective basis for portfolio that share similar economic risk characteristics. The ECL on those financial assets and contract assets are estimated using a provision matrix i.e. analysis of trade-related receivables and contract assets by ageing analysis and apply a probability-weighted estimate of the credit loss within the relevant time band. The probability-weighted estimate of the credit loss is determined based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as forecast direction of conditions at the end of each reporting period, including time value of money where appropriate.

For all other financial instruments, the Group measures the loss allowance equal to 12-month ECL, unless when there has a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. In particular, the following information is taken into account when assessing whether the credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; and
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (after application of HKFRS 9 on 1 January 2018) (continued)

Financial assets (continued)

Significant increase in credit risk (continued)

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if (i) it has a low risk of default; (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term; and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of "investment grade" as per globally understood definitions.

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

- when there is a breach of financial covenants by the counterparty; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

The Group considers that default has occurred when the instrument is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

A financial asset is "credit-impaired" when one or more events that have a detrimental impact on the estimated future cash flows of the financial assets have been occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- Significant financial difficulty of the issuer of the borrower; or
- A breach of contract, such as a default or past due event; or
- The lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or
- It is becoming probably that the borrower will enter bankruptcy or other financial reorganisation.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (after application of HKFRS 9 on 1 January 2018) (continued)

Financial assets (continued)

Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice when appropriate. Any recoveries made are recognised in profit or loss.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the end of each reporting period.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount with the exception of trade receivables and contract assets where the correspondence adjustment is recognised through a loss allowance account.

Where lifetime ECL is measured on a collective basis to cater for cases where evidence of significant increases in credit risk at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments;
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (after application of HKFRS 9 on 1 January 2018) (continued)

Financial liabilities and equity

Debt and equity instruments that are issued are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Financial liabilities at amortised cost

The Group's financial liabilities including trade and other payables and accruals, amounts due to related parties and bank borrowings are subsequently measured at amortised cost, using the effective interest method.

The effective interest method is a method of calculating the amortised cost of financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the amortised cost of a financial liability.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Equity-settled share-based payment transactions

Share award granted to employee

The fair value of services received is determined by reference to the fair value of the equity instrument at the grant date. The fair value of services received is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (other reserve).

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Retirement benefits costs

Payments to the Mandatory Provident Fund Scheme ("MPF Scheme") in Hong Kong and the Social Security Fund Contribution in Macau are recognised as an expense when employees have rendered service entitling them to the contributions.

Employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries and annual leave) after deducting any amount already paid.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

Taxation

Taxation represents the sum of the income tax expense currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "profit before taxation" as reported in the consolidated statement of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profits. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxation (continued)

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each reporting period.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of each reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, on the retranslation of monetary items are recognised in profit or loss in the period in which they arise.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group’s accounting policies, which are described in note 3, the management of the Group is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

The following is the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of each reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets within the next twelve months.

Fitting-out and repair and maintenance contracts

The Group reviews and revises the estimated total costs to complete the satisfaction of these services and the margin of each project as the contract progresses. Budgeted costs and margin are prepared by the management of the Group on the basis of agreements, quotations or other correspondences from time to time provided by the subcontractors, suppliers or vendors involved and the experience of the management of the Group. In order to keep the budget accurate and up-to-date, the management of the Group conducts periodic reviews of the budgets of contracts by comparing the budgeted amounts to the actual amounts incurred. Such significant estimate may have impact on the profit recognised in each period.

Recognised amounts of revenue from fitting-out and repair and maintenance contracts and related receivables reflect the management's best estimate of each contract's outcome and stage of completion, which are determined on the basis of a number of estimates. This includes the assessment of the profitability of on-going fitting-out and repair and maintenance contracts. For more complex contracts in particular, costs to complete and contract profitability are subject to significant estimation uncertainty, the actual outcomes in terms of total cost may be higher or lower than estimated at the end of each reporting period, which would affect the revenue and profit recognised in future years and adjustment to the amounts recorded to date.

5. REVENUE AND SEGMENT INFORMATION

Revenue represents the fair value of amounts received and receivable from the provision of fitting-out and repair and maintenance service by the Group to external customers. The Group's revenue is mainly derived from provision of fitting-out services and repair and maintenance services in Macau.

Revenue

Timing of revenue recognition and category of revenue

	2018 **MOP'000**	2017 MOP'000
Recognised over time and short-term contracts:		
– provision of fitting-out services	**326,272**	188,118
Recognised over time and long-term contracts:		
– provision of repair and maintenance services	**502**	993
	326,774	189,111

The customers of the Group are mainly hotel and casino operators in Macau. All of the Group's provision of fitting-out services and repair and maintenance services are made directly with the customers. Contracts with the Group's customers are mainly fixed-price contracts.

5. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Revenue (continued)

Transaction price allocated to the remaining performance obligations

The following table shows the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied (or partially unsatisfied) as at the end of each reporting period.

	2018	2017
	MOP'000	MOP'000
Provision of fitting-out services	**162,755**	33,695

Based on the information available to the Group at the end of each reporting period, the directors of the Company expect the transaction price allocated to the above unsatisfied (or partially unsatisfied) contracts in respect of provision of fitting-out and repair and maintenance services as of 31 December 2018 will be recognised as revenue during the year ending 31 December 2019 (2017: was recognised as revenue during the year ended 31 December 2018).

Segment information

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (the "CODM"), being the executive directors of the Company, in order for the CODM to allocate resources and to assess performance. No operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group.

Specifically, the Group's reportable and operating segments under HKFRS 8 "Operating Segments" are as follows:

(a) fitting-out services; and

(b) repair and maintenance services.

The CODM makes decisions according to the operating results of each segment. No analysis of segment asset and segment liability is presented as the CODM does not regularly review such information for the purposes of resources allocation and performance assessment. Therefore, only segment revenue and segment results are presented.

5. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Segment information (continued)

Segment revenue and results

Year ended 31 December 2018

	Fitting-out services MOP'000	Repair and maintenance services MOP'000	Total MOP'000
Segment revenue	**326,272**	**502**	**326,774**
Segment results	**67,802**	**107**	**67,909**
Other income			**694**
Other losses			**(79)**
Administrative expenses			**(16,673)**
Finance costs			**(416)**
Listing expenses			**(12,261)**
Profit before taxation			**39,174**

Year ended 31 December 2017

	Fitting-out services MOP'000	Repair and maintenance services MOP'000	Total MOP'000
Segment revenue	188,118	993	189,111
Segment results	44,988	199	45,187
Other income			37
Other losses			(23)
Administrative expenses			(15,330)
Finance costs			(142)
Profit before taxation			29,729

The accounting policies of the operating and reportable segments are the same as the Group's accounting policies described in note 3. Segment results mainly represented profit earned by each segment, excluding other income, other losses, administrative expenses, finance costs, listing expenses and income tax expense.

5. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Segment information (continued)

Geographical information

No geographical segment information is presented as the Group's revenue are all derived from Macau based on the location of the projects.

The Group's non-current assets (other than financial assets) by geographical location of the assets are detailed below:

	2018 MOP'000	2017 MOP'000
Macau	1,189	852
Hong Kong	1,145	332
	2,334	1,184

Information about major customers

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

	2018 MOP'000	2017 MOP'000
Customer A:		
Revenue from fitting-out services	263,917	155,431

6. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

(a) Directors' and chief executive's emoluments

Mr. Li and Mr. Yu were appointed as executive directors of the Company on 5 May 2018. Mr. Li Chun Ho, the son of Mr. Li, was appointed as a non-executive director of the Company on 15 June 2018. The emoluments paid or payable to the directors and chief executive of the Company (including the emoluments for services as directors of the group entities prior to becoming the directors of the Company) by entities comprising the Group during the year as follows:

	Mr. Li MOP'000 (Note)	Mr. Yu MOP'000	Mr. Li Chun Ho MOP'000	Total MOP'000
Year ended 31 December 2018				
Fees	–	–	–	–
Other emoluments				
Salaries and other benefits	464	1,568	–	2,032
Retirement benefits schemes contributions	19	19	–	38
Total emoluments	483	1,587	–	2,070

	Mr. Li MOP'000 (Note)	Mr. Yu MOP'000	Total MOP'000
Year ended 31 December 2017			
Fees	–	–	–
Other emoluments			
Salaries and other benefits	402	1,406	1,808
Retirement benefits schemes contributions	19	19	38
Total emoluments	421	1,425	1,846

Note: Mr. Li acts as chief executive of the Group.

The directors' emoluments are for their services in connection to the management of the affairs of the Group.

During both years, no remuneration was paid by the Group to the directors of the Company as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors of the Company has waived any remuneration during both years.

6. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (CONTINUED)

(b) Employees' emoluments

Of the five individuals with the highest emoluments in the Group, one (2017: one) was the director of the Company for the year ended 31 December 2018. Their emoluments are included in note 6(a) above. The emoluments of the remaining four (2017: four) non-director individuals for the year ended 31 December 2018 are as follows:

	2018 **MOP'000**	2017 MOP'000
Salaries and other benefits	**4,526**	5,066
Share-based payments	**–**	4,383
Retirement benefits schemes contributions	**52**	51
	4,578	9,500

	2018 **Number of employee**	2017 Number of employee
Nil to HK$1,000,000	**1**	2
HK$1,000,001 to HK$1,500,000	**3**	1
HK$5,500,001 to HK$6,000,000	**–**	1
	4	4

During both years, no emoluments were paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

7. OTHER INCOME/OTHER LOSSES

	2018 MOP'000	2017 MOP'000
Other income		
Bank interest income	126	22
Reversal of impairment loss allowance of trade receivables	523	–
Others	45	15
	694	37
Other losses		
Loss on written-off of property and equipment	–	23
Impairment loss allowance of contract assets	79	–
	79	23

8. FINANCE COSTS

	2018 MOP'000	2017 MOP'000
Interests on bank borrowings	416	142

9. PROFIT BEFORE TAXATION

	2018 MOP'000	2017 MOP'000
Profit before taxation has been arrived at after charging:		
Auditor's remuneration	76	38
Depreciation on property and equipment	503	424
Staff costs (including directors' emoluments):		
Salaries and other benefits	30,970	20,509
Share-based payments to an employee	–	4,383
Retirement benefits schemes contributions	748	439
	31,718	25,331
Less: staff costs included in direct costs	(22,225)	(15,607)
	9,493	9,724
Minimum lease payments under operating leases in respect of land and building (included in administrative expenses)	2,207	1,601

10. INCOME TAX EXPENSE

	2018 MOP'000	2017 MOP'000
Current Tax:		
Macau Complementary Income	7,116	4,572
PRC Enterprise Income Tax	206	–
	7,322	4,572

Macau Complementary Tax is calculated at 12% of the estimated assessable profits exceeding MOP600,000 for both years.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC group entity is 25% for both years.

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for both years. No provision of Hong Kong Profits Tax was made as the subsidiaries in Hong Kong incurred tax losses during both years.

Under the PRC law, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to retained earnings of the PRC subsidiaries amounting to approximately MOP1,198,000 (2017: nil) as at 31 December 2018, as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

10. INCOME TAX EXPENSE (CONTINUED)

The income tax expense can be reconciled to the profit before taxation as follows:

	2018 **MOP'000**	2017 MOP'000
Profit before taxation	**39,174**	29,729
Tax at the Macau Complementary Income Tax rate of 12%	**4,701**	3,567
Tax effect of expense not deductible for tax purpose	**2,770**	1,224
Tax effect of tax exemption under Macau Complementary Income Tax	**(255)**	(217)
Effect of different tax rates of subsidiaries operating in other jurisdiction	**106**	–
Others	**–**	(2)
Income tax expense	**7,322**	4,572

11. DIVIDENDS

On 19 December 2018, the Company declared dividends of MOP60,000 per each ordinary share to its shareholders with an aggregate amount as MOP60,000,000. Amount of MOP53,658,000 out of the dividends attributable to Copious Astute of MOP54,000,000 are settled through the current account with Mr. Li and the remaining balance of MOP342,000 dividend payable to Copious Astute and MOP6,000,000 dividend payable to Fresh Phoenix will be settled prior to Listing.

No dividend has been proposed since the end of the reporting period.

12. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the following data:

	2018 **MOP'000**	2017 MOP'000
Earnings:		
Earnings for the purpose of calculating basic earnings per share (profit for the year attributable to owners of the Company)	**31,831**	23,958
Number of shares (note):		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**969**	900

Note: The number of ordinary shares for the purpose of calculating basis earnings per share has been determined on the assumption that the reorganisation as set out in note 1 has been effective on 1 January 2017.

No diluted earnings per share for both years was presented as there were no potential ordinary shares in issue during both years.

13. PROPERTY AND EQUIPMENT

	Leasehold improvements MOP'000	Furniture and fixtures MOP'000	Office equipment MOP'000	Motor vehicles MOP'000	Total MOP'000
COST					
At 1 January 2017	778	304	1,144	1,026	3,252
Additions	524	74	231	–	829
Written-off	(466)	(41)	(84)	–	(591)
At 31 December 2017	836	337	1,291	1,026	3,490
Additions	181	378	721	297	1,577
At 31 December 2018	1,017	715	2,012	1,323	5,067
DEPRECIATION					
At 1 January 2017	433	204	1,005	972	2,614
Provided for the year	184	62	124	54	424
Eliminated upon written-off	(466)	(28)	(74)	–	(568)
At 31 December 2017	151	238	1,055	1,026	2,470
Provided for the year	191	81	213	18	503
At 31 December 2018	342	319	1,268	1,044	2,973
CARRYING AMOUNTS					
At 31 December 2018	675	396	744	279	2,094
At 31 December 2017	685	99	236	–	1,020

The above items of property and equipment are depreciated on a straight-line basis at the following rates per annum:

Leasehold improvements	over the lease terms
Furniture and fixtures	20%
Office equipment	20%
Motor vehicles	10-15%

14. TRADE RECEIVABLES

The Group grants credit terms of 30 days to its customers from the date of invoices on progress payments of contract works. An ageing analysis of the trade receivables presented based on the invoice date which is approximately one month after the related revenue being recognised, at the end of each reporting period is as follows:

	2018 **MOP'000**	2017 MOP'000
0-30 days	**14,013**	42,230
31-60 days	**14,094**	14,557
61-90 days	**10,979**	–
91-365 days	**823**	–
	39,909	56,787
Less: Impairment loss allowance	**(40)**	–
	39,869	56,787

As at 1 January 2017, trade receivables from contract with customers amounted to MOP36,277,000.

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. Credit limits attributable to customers are reviewed regularly. Approximately 35.1% (2017: 74.4%) of trade receivables as at 31 December 2018, that are neither past due nor impaired have good credit quality. These customers have no default of payment in the past.

The Group has a policy for allowance of bad and doubtful debts which is based on the evaluation of collectability and ageing analysis of accounts and on management's judgement including the creditworthiness and the past collection history of each customer.

Included in the Group's trade receivables are debtors with aggregate carrying amount of MOP25,896,000 (2017: MOP14,557,000) which are past due at 31 December 2018, for which the Group has not provided for impairment loss as there has not been a significant change in credit quality of the trade receivable and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

Ageing analysis of trade receivables net of impairment loss allowance which are past due but not impaired, presented based on the number of days overdue of the credit terms to the respective invoices.

	2018 **MOP'000**	2017 MOP'000
1-30 days	**14,094**	14,557
31-60 days	**10,979**	–
61-120 days	**823**	–
	25,896	14,557

14. TRADE RECEIVABLES (CONTINUED)

Before the application of HKFRS 9 on 1 January 2018, in determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivables from the date credit was initially granted up to the end of each reporting period. The trade receivables past due but not provided for impairment as at the end of each reporting period were either subsequently settled or no historical default of payments was noted by the respective customers and the management of the Group believes that no impairment required.

Upon the application of HKFRS 9 on 1 January 2018, the Group applies simplified approach to provide for ECL prescribed by HKFRS 9. To measure the ECL of trade receivables, trade receivables have been grouped based on shared credit risk characteristics.

Impairment assessment on trade receivables subject to ECL model

As part of the Group's credit risk management, the Group applies internal credit rating for its customers. The debtors are grouped under a provision matrix into three internal credit rating buckets (namely: low risk, medium risk and high risk) by reference to past default experience and current past due exposure of the debtor, and an analysis of the debtor's current financial position. The following table provides information about the exposure to credit risk and ECL for trade receivables which are assessed collectively based on provision matrix as at 31 December 2018.

Internal credit rating	Average loss rate	Gross carrying amount	Impairment loss allowance
	MOP'000	MOP'000	MOP'000
Low risk	0.10%	39,909	40
		39,909	40

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and study of other corporates' default and recovery data from international credit-rating agencies including Moody's and Standard and Poor's, and are adjusted for forward-looking information (for example, the current and forecasted economic growth rates in Macau, which reflect the general economic conditions of the industry in which the debtors operate) that is available without undue cost or effort. Such forward-looking information is used by the management of the Group to assess both the current as well as the forecast direction of conditions at the reporting date. The grouping is regularly reviewed by the management of the Group to ensure relevant information about specific debtors is updated.

Since the application of HKFRS 9 on 1 January 2018, there has been no change in the estimation techniques or significant assumptions made.

During the year ended 31 December 2018, the Group reversed impairment losses allowance of MOP523,000 based on the provision matrix.

14. TRADE RECEIVABLES (CONTINUED)

The movement in the impairment loss allowance of trade receivables during the year ended 31 December 2018 is as follows:

	Not credit-impaired MOP'000
Balance at 1 January 2018 (note)	563
Reversal of impairment losses allowance recognised	(523)
Balance at 31 December 2018	40

Note: The Group has initially applied HKFRS 9 at 1 January 2018 and comparative information is not restated.

15. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2018 MOP'000	2017 MOP'000
Rental deposits	367	236
Deposit paid for acquisition of property and equipment	23	23
Prepayments to subcontractors	18,244	30,579
Receivable for billing in advance (Note)	–	5,415
Other receivables	358	482
Deferred issue costs	3,879	–
Prepaid listing expenses	301	–
Total	23,172	36,735
Presented as non-current assets	240	164
Presented as current assets	22,932	36,571
Total	23,172	36,735

Note: The receivable for billing in advance amounted to MOP6,616,000 as at 1 January 2017. The balances represent the bills issued to customers prior to the works being performed upon customers' consent and not yet settled at the end of each reporting period. The Group grants credit terms of 30 days to its customers from the date of invoices. The balances were settled subsequently during the year ended 31 December 2018.

16. CONTRACT ASSETS AND CONTRACT LIABILITIES

	As at 31 December		As at 1 January
	2018	2017	2017
	MOP'000	MOP'000	MOP'000
Contract assets			
Fitting-out services	**33,193**	9,102	2,698
Repair and maintenance services	**10**	–	–
	33,203	9,102	2,698
Less: Impairment loss allowance	**(79)**	–	–
	33,124	9,102	2,698
Contract liabilities			
Fitting-out services	**(993)**	(7,641)	(3,189)
Repair and maintenance services	**–**	–	(992)
	(993)	(7,641)	(4,181)

For the contract liabilities as at 1 January 2017 and 31 December 2017, the entire balances are recognised as revenue to profit or loss during the years ended 31 December 2017 and 2018, respectively.

The significant increase of contract assets during the year ended 31 December 2018 is the result of the increase in completion of certain significant project sum contracts of work for fitting-out services and repair and maintenance services and the respective retention money withheld by the customers of contract works under the defects liability period.

The Group has rights to considerations from customers for the provision of fitting-out services and repair and maintenance services. Contract assets arise when the Group has right to consideration for completion of fitting-out services and repair and maintenance services and not yet billed under the relevant contracts, and their right is conditioned on factors other than passage of time. Any amount previously recognised as a contract asset is reclassified to trade receivables when such right becomes unconditional other than the passage of time. Remaining rights and performance obligations in a particular contract is accounted for and presented on a net basis, as either a contract asset or a contract liability. If the progress payment exceeds the revenue recognised to date under the input method, then the Group recognises a contract liability for the difference.

Impairment assessment on contract assets subject to ECL model

Upon application of HKFRS 9 on 1 January 2018, the Group applies simplified approach to provide for ECL prescribed by HKFRS 9. To measure the ECL of contract assets, contract assets have been grouped based on shared credit risk characteristics. The ECL of contract assets as at 1 January 2018 (upon the application of HKFRS 9) was insignificant based on the counterparties' past repayment history and subsequent settlement.

As part of the Group's credit risk management, the Group applies internal credit rating for its customers. The debtors are grouped under a provision matrix into three internal credit rating buckets (namely: low risk, medium risk and high risk) based on shared credit risk characteristics by reference to past experience with debtors, and an analysis of the debtors' current financial position. The following table provides information about the exposure to credit risk and ECL for contract assets as at 31 December 2018.

16. CONTRACT ASSETS AND CONTRACT LIABILITIES (CONTINUED)

Impairment assessment on contract assets subject to ECL model (Continued)

Internal credit rating	Average loss rate	Gross carrying amount	Impairment loss allowance
	MOP'000	MOP'000	MOP'000
Low risk	0.10%	31,963	32
Medium risk	2.15%	750	16
High risk	6.28%	490	31
		33,203	79

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and study of other corporates' default and recovery data from international credit-rating agencies including Moody's and Standard and Poor's, and are adjusted for forward-looking information (for example, the current and forecasted economic growth rates in Macau, which reflect the general economic conditions of the industry in which the debtors operate) that is available without undue cost or effort. Such forward-looking information is used by the management of the Group to assess both the current as well as the forecast direction of conditions at the reporting date. The grouping is regularly reviewed by the management of the Group to ensure relevant information about specific debtors is updated.

Since the application of HKFRS 9 on 1 January 2018, there has been no change in the estimation techniques or significant assumptions made.

During the year ended 31 December 2018, the Group provided impairment losses allowance of MOP79,000 based on the provision matrix.

The movement in the impairment loss allowance of contract assets during the year ended 31 December 2018 is as follows:

	Not credit-impaired
	MOP'000
Balance at 1 January 2018	–
Impairment loss allowance recognised	79
Balance at 31 December 2018	79

Included in carrying amounts of contract assets/contract liabilities as stated above comprises retention money of MOP10,596,000 (2017: MOP11,089,000) as at 31 December 2018.

Retention money is unsecured and interest-free and represented the monies withheld by customers of contract works recoverable after the completion of defects liability period of the relevant contracts or in accordance with the terms specified in the relevant contracts, usually being 1 year from the date of completion of respective fitting-out and repair and maintenance services projects. Accordingly, in respect to the incompleted project as at the end of each reporting period, the respective retention money is expected to be recovered beyond twelve months from the end of each reporting period.

16. CONTRACT ASSETS AND CONTRACT LIABILITIES (CONTINUED)

Impairment assessment on contract assets subject to ECL model (Continued)

The retention money is to be settled, based on the completion of defects liability period, at the end of each reporting period as follows:

	2018 MOP'000	2017 MOP'000
On demand or within one year	9,565	868
After one year	1,031	10,221
	10,596	11,089

17. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

Pledged bank deposits as at 31 December 2018 are pledged to secure the bank borrowings of the Group which carry interest at prevailing market rate of 0.01% (2017: 0.01%) per annum.

As at 31 December 2018, bank balances and cash comprise of cash held and short term bank deposits with an original maturity of three months or less which carry interest at prevailing market rate of 0.01% (2017: 0.01%) per annum.

18. TRADE AND OTHER PAYABLES AND ACCRUALS

	2018 MOP'000	2017 MOP'000
Trade payables	8,238	19,667
Retention payables	11,065	6,019
Accruals for subcontracting costs (Note)	11,762	13,434
Accrued listing expenses and issue costs	4,640	–
Accruals and other payables	1,593	1,399
	37,298	40,519

Note: Amounts represented subcontracting costs being incurred which are yet billed by the subcontractors.

The credit period grants to the Group by subcontractors/suppliers normally being 0-30 days. The following is an ageing analysis of trade payables based on the invoice date at the end of each reporting period:

18. TRADE AND OTHER PAYABLES AND ACCRUALS (CONTINUED)

	2018 **MOP'000**	2017 MOP'000
0-30 days	**202**	6,839
31-60 days	**–**	3,174
61-90 days	**–**	1,618
Over days	**8,036**	8,036
	8,238	19,667

Retention payables to subcontractors are interest-free and payable at the end of the defects liability period of individual contracts (i.e. one year after completion of respective prospect). All retention payables are expected to be settled within one year based on the expiry date of the defects liability period.

19. AMOUNTS DUE FROM/TO RELATED PARTIES

Amounts due from related parties

The amounts are non-trade, unsecured, interest-free and repayable on demand.

Details of amounts due from related parties are stated as follows:

	As at 31 December		As at 1 January	**Maximum amount outstanding during the year ended 31 December**	
	2018	2017	2017	**2018**	2017
	MOP'000	MOP'000	MOP'000	**MOP'000**	MOP'000
Mr. Li (Note (i))	**–**	18,528	13,288	**53,658**	18,528
Ms. Ng (Note (ii))	**23**	–	–	**81**	–
	23	18,528	13,288		

Notes:

(i) The balances due from Mr. Li are settled during year ended 31 December 2018 and therefore the balances as at 31 December 2017 are being classified as current asset.

(ii) The balance due from the rental deposit for the Hong Kong office which is wholly owned by Ms. Ng.

19. AMOUNTS DUE FROM/TO RELATED PARTIES (CONTINUED)

Amounts due to related parties

Details of amounts due to related parties are stated as follows:

	2018 MOP'000	2017 MOP'000
Mr. Yu (Note (i))	–	6
Chi Sing Construction Engineering Company Limited ("Chi Sing") (Notes (i) and (iv))	–	119
Ms. Ng Suk Fun ("Ms. Ng") (Notes (i) and (v))	–	2,575
Zhuhai Hengqin Zhongxin Construction Materials Limited ("ZHZC") (Note (ii))	–	1,020
Copious Astute (Note (iii))	342	–
Fresh Phoenix (Note (iii))	6,000	–
	6,342	3,720

Notes:

(i) The amounts are non-trade, unsecured, interest-free and repayable on demand.

(ii) ZHZC is wholly-owned by Mr. Hung (as defined in note 23) since its incorporation. On 29 January 2018, WHHEC (Macau) acquired 100% interests of ZHZC at the cash consideration of Renminbi ("RMB")10,000.

The amount is trade in nature and ZHZC grants 30 days credit period to the Group. The following is an ageing analysis based on the invoice date at the end of each reporting period:

	2018 MOP'000	2017 MOP'000
0-30 days	–	1,020

(iii) The amounts are dividend payable to Copious Astute and Fresh Phoenix by the Company which are unsecured, interest-free and will be settled prior to the Listing.

(iv) Chi Sing is a company incorporated in Hong Kong and wholly-owned by Mr. Li.

(v) Ms. Ng is the spouse of Mr. Li.

20. BANK BORROWINGS

	2018 MOP'000	2017 MOP'000
Secured and guaranteed bank borrowings repayable within one year	2,575	5,137

The bank borrowings are at floating rate which carry interest at MOP prime lending rate plus/minus a spread. The effective interest rate on the Group's bank borrowings was and 6.08% (2017: 5.75%) per annum as at 31 December 2018.

20. BANK BORROWINGS (CONTINUED)

The bank borrowings and other bank facilities including performance guarantee by the Group are secured by:

(i) The pledged bank deposits of HK$2,271,000 (approximately equivalent to MOP2,339,000) (2017: HK$2,251,000 (approximately equivalent to MOP2,319,000)) as at 31 December 2018; and

(ii) Unlimited personal guarantee by Mr. Li and Mr. Yu.

As represented by the directors of the Company, the personal guarantee by Mr. Li and Mr. Yu will be released upon the Listing.

21. SHARE CAPITAL

The share capital as at 1 January 2017 represented the aggregated share capital of WHHE (Macau), WHHDD, NWHC, WHHE (HK), WHHC, WHHCE and Keng Chuan. As at 31 December 2017, the share capital included the share capital of YKDE after its incorporation on 29 March 2017 and the companies mentioned above.

Share capital as at 31 December 2018 represented the share capital of the Company. Details of the Company's shares are disclosed as follows:

	Number of shares	**Amount** MOP	MOP'000
Ordinary shares of HK$0.01 each			
Authorised:			
At 9 April 2018 (date of incorporation) and 31 December 2018	38,000,000	391,400	391
Issued and fully paid:			
At 9 April 2018 (date of incorporation)	898	9.25	–
Issuance of shares to Fresh Phoenix (note 1(iv))	100	1	–
Issuance of shares for acquisition of Splendor Haze (note 1(vii))	1	0.01	–
Issuance of shares for acquisition of Loyal Auspicious (note 1(vii))	1	0.01	–
At 31 December 2018	1,000	10.27	–

The Company was incorporated in the Cayman Islands on 9 April 2018. The initial authorised share capital of the Company was HK$380,000 divided into 38,000,000 ordinary shares with a par value of HK$0.01 each. Upon incorporation, (i) one share was allotted and issued to the initial subscriber, an independent third party and was then transferred to Copious Astute at par; and (ii) 897 nil paid shares were further allotted and issued to Copious Astute on the same date.

21. SHARE CAPITAL (CONTINUED)

On 24 April 2018, the Company allotted and issued 100 shares of the Company to Fresh Phoenix at a cash consideration of HK$15,000,000. The subscription had been properly and legally completed and settled.

On 30 May 2018, the Company acquired the entire issued share capital of Loyal Auspicious from Mr. Li, and in consideration thereto, the Company issued one share of the Company to Copious Astute.

On 30 May 2018, the Company acquired the entire issued share capital of Splendor Haze from Mr. Li, and in consideration thereto, the Company issued and allotted, credited as fully paid, one share of the Company to Copious Astute.

22. ACQUISITION OF A SUBSIDIARY

For the year ended 31 December 2018

On 29 January 2018, Mr. Hung transferred his entire equity interests in ZHZC to WHHE (Macau) at the total consideration of RMB10,000 (equivalent to MOP13,000).

ZHZC is principally engaged in the design for the fitting-out services. The acquisition is completed on 29 January 2018, on that date the control in ZHZC was passed to the Group.

Consideration transferred:	MOP'000
Cash	13

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	MOP'000
Other receivables	527
Bank balances and cash	1
Other payables	(515)
	13

Cash outflow arising on acquisition:

	MOP'000
Bank balances and cash acquired	1
Cash consideration	(13)
	(12)

22. ACQUISITION OF A SUBSIDIARY (CONTINUED)

Acquisition-related costs amounting to RMB5,000 (equivalent to MOP6,000) have been excluded from the consideration transferred and have been recognised as an expense during the year ended 31 December 2018, within the "Administrative expenses" line item in the consolidated statement of profit or loss and other comprehensive income.

There is no revenue and expenses incurred by ZHZC before acquisition by WHHE (Macau) during the year ended 31 December 2018.

No revenue incurred by ZHZC included in the Group's revenue for the year ended 31 December 2018 and loss of MOP1,665,000 attributable to ZHZC included in the Group's result for the year ended 31 December 2018.

23. SHARE-BASED PAYMENT TRANSACTIONS

On 2 March 2017, Mr. Li transferred 5% of registered capital of WHHE (Macau) at cash consideration of MOP25,000 to Mr. Hung Tze Ming ("Mr. Hung"), the employee of the Group, as a token of appreciation of his contribution to the Group.

The shares owned by Mr. Hung shall not be sold without the consent from the shareholders of WHHE (Macau).

Upon the grant, the awards are vested unconditionally and immediately. As the shares of WHHE (Macau) are awarded by Mr. Li at his own costs, the corresponding increase in equity was recorded under "other reserve" as a shareholder's deemed contribution to the Group and the non-controlling interests held by Mr. Hung immediate after the grant of shares awards. During the year ended 31 December 2017, MOP4,383,000 was charged to profit or loss.

The fair value of the share awards of MOP4,383,000 based on valuation performed by Graval Consulting Limited ("Graval Consulting"), an independent valuer not connected with the Group. The address of Graval Consulting is Suite 1702, 17/F, 34-37 Connaught Road Central, Central, Hong Kong. Graval Consulting is a member of the Hong Kong Institute of Surveyors.

The following assumptions were used to calculate the fair values of shares granted:

Market price-earnings ratio (note i)	6.62
Marketability discount (note ii)	35%

Notes:

(i) The market price-earnings ratio is estimated by reference to the historical market capitalisation to the net operating income of the comparable companies.

(ii) The marketability discount is estimated by reference to the marketability studies published by independent researchers.

On 18 January 2018, Mr. Hung entered an agreement with the Group that Mr. Hung transferred 5% equity interest of WHHE (Macau) and 30% equity interest of YKDE to Mr. Li at a cash consideration of HK$3,000,000 (approximately equivalent to MOP3,090,000). Upon the completion of the transaction, Mr. Li owned 100% interests of WHHE (Macau) (taken into consideration of deed of trust by Mr. Li) and YKDE.

24. OPERATING LEASE COMMITMENTS

At the end of each reporting period, the Group has commitments for future minimum lease payments under non-cancellable operating leases with independent third parties, which fall due as follows:

	2018 **MOP'000**	2017 MOP'000
Within one year	**2,316**	1,016
In the second to fifth year inclusive	**1,866**	1,916
	4,182	2,932

The above operating lease payments represent rental payable by the Group for office premises for both years.

Leases and rentals are negotiated and fixed for term of one year to three years.

25. RETIREMENT BENEFITS SCHEMES

Eligible employees of the Group are covered by a government-mandated defined contribution plan pursuant to which a fixed amount of retirement benefit would be determined and paid by the Macau Government. Contributions are generally made by both employees and employers by paying a fixed amount on a monthly basis to the Social Security Fund Contribution managed by the Macau Government. The Group funds the entire contribution and has no further commitments beyond its monthly contributions.

The Group operates the MPF Scheme for all qualifying employee(s) in Hong Kong. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes at the lower of HK$1,500 per month or 5% of the relevant payroll costs to the MPF Scheme.

At the end of each reporting period, there were no forfeited contributions which arose upon employees leaving the schemes prior to their interests in the Group's contributions becoming fully vested and which are available to reduce the contributions payable by the Group in future years.

The contributions to the retirement benefits schemes of the Group during both years are disclosed in notes 6 and 9, respectively.

26. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to owners through the optimisation of the debt and equity balance. The overall strategy remains unchanged from prior year.

The capital structure of the Group consists of debt, which includes amounts due to related parties and bank borrowings as disclosed in respective notes, and equity of the Group, comprising share capital and reserves.

Management of the Group reviews the capital structure regularly taking into account the cost of capital and the risk associated with the capital. The Group will balance its overall capital structure through issuance of new shares and the raise of borrowings or the repayment of the existing borrowings.

27. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2018 MOP'000	2017 MOP'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	–	98,513
Financial assets at amortised costs	54,054	–
Financial liabilities		
Amortised cost	45,499	48,270

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade receivables, other receivables, pledged bank deposits, bank balances and cash, trade and other payables and accruals, amounts due from/to related parties and bank borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Currency risk

The group entities collect most of the revenue and incur most of the expenditures in their respective functional currencies. The Group is exposed to currency risk primarily through sales proceeds received from customers that are denominated in a currency other than the group entities' functional currency. The currencies giving rise to this risk are primarily HK$.

The Group currently does not have a foreign currency hedging policy. However, the management of the Group monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

27. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (Continued)

Currency risk (Continued)

The carrying amounts of the Group's HK$ and RMB denominated monetary assets and monetary liabilities at the end of each reporting period are as follows:

	2018	2017
Monetary assets		
HK$	1,912	3,477
RMB	3,692	–
Monetary liabilities		
HK$	6,007	7,761

Sensitivity analysis

As the exchange rate of HK$/MOP is relatively stable, the Group does not expect any significant foreign currency exposure arising from the fluctuation of the HK$/MOP exchange rates. As a result, the management of the Group considers that the sensitivity of the Group's exposure towards the change in foreign exchange rates between HK$/MOP is minimal.

The following table details the Group's sensitivity analysis to a 5% increase and decrease in functional currency of the relevant group entities (i.e. MOP) against RMB and all other variables were held constant. 5% is the sensitivity rate used and represents the management's assessment of the reasonably possible change in foreign exchange rates. A negative number below indicates a decrease in the post-tax profit for the year where MOP strengthening 5% against the RMB. For a 5% weakening of MOP against the RMB there would be an equal and opposite impact on the result for the year.

	2018	2017
Decrease in post-tax profit for the year		
RMB	(162)	–

Interest rate risk

The Group is also exposed to cash flow interest rate risk in relation to variable-rate pledged bank deposits and bank balances (see note 17) and bank borrowings (see note 20).

The Group currently does not have any interest rate hedging policy. The management of the Group monitors the Group's exposure on ongoing basis and will consider hedging interest rate risk should the need arises.

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of prevailing market interest rates arising from the Group's bank balances and MOP prime lending rate arising from the Group's variable-rate bank borrowings.

27. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (Continued)

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for its variable bank borrowings. The analysis is prepared assuming the variable-rate bank borrowings at the end of each reporting period were outstanding for the whole year and 50 basis points increase or decrease are used. The pledged bank deposits and bank balances are excluded from the sensitivity analysis as the management of the Group considers that the interest rate fluctuation is not significant.

If interest rates have been 50 basis points higher/lower for variable-rate bank borrowings and all other variables were held constant, the Group's profit for the years ended 31 December 2018 would decrease/increase by MOP11,000 (2017: MOP23,000).

Credit risk

The Group's credit risk is primarily attributable to trade receivables, retention money as stated in note 16, receivable for billing in advance, other receivables, amounts due from related parties, pledged bank deposits and bank balances.

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge the obligations by counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position at the end of each reporting period.

The management of the Group adopted a policy on providing credit facilities to new customers. A credit investigation of the customers or the ultimate customers if those contracts allow the Group to obtain payment directly from the ultimate customers under certain circumstance, including assessment of financial information, advice from business partners in relation to potential customers and credit search, would be required to be launched. The level of credit granted must not exceed a predetermined level set by the management. Credit evaluation is performed on a regular basis.

The Group has concentration of credit risks with exposure limited to certain customers. The top three debtors comprised 100% (2017: 93.2%) of the Group's trade receivables and 88.3% (2017: 100%) of retention money as stated in note 16 as at 31 December 2018 and 99.2% of the Group's receivable for billing in advance as at 31 December 2017. The management of the Group closely monitors the subsequent settlement of the debtors. In this regard, the management of the Group considers that the Group's credit risk is significantly reduced.

The credit risk for pledged bank deposits and bank balances is considered not material as such amounts are placed in reputable banks with high credit ratings assigned by international credit-rating agencies. There has been no recent history of default in relation to these banks and thus the risk of default is regarded as low.

In order to minimise the credit risk on trade receivables and contract assets, the management of the Group has delegated a team responsible for monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the management of the Group reviews the recoverable amount of each individual debt at the end of each reporting period to ensure that adequate provisions for impairment losses are made for irrecoverable amounts on trade receivable and contract assets. Under HKAS 39, provisions for impairment losses are made for irrecoverable amounts. Upon the application of HKFRS 9 on 1 January 2018, the Group applies simplified approach on trade receivables and contract assets to provide for ECL prescribed by HKFRS 9. To measure the ECL of trade receivables and contract assets, trade receivables and contract assets have been grouped based on shared credit risk characteristics with details disclosed in notes 14 and 16, respectively. In this regard, the management of the Group considers that the credit risk on trade receivables and contract assets is significantly reduced.

27. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (Continued)

Sensitivity analysis

Also, the Group has significant concentration of credit risk on amounts due from related parties as at 31 December 2018 and 2017. The management of the Group considers the counterparty with good credit worthiness based on their past repayment history and subsequent settlement. In the opinion of the management of the Group, the risk of default by these counterparties is not significant in particular for the amount due from Mr. Li as the amount could be settled by the Company's dividend distribution attributable to him and the Group assessed that the ECL on these balances are insignificant upon the application of HKFRS 9 on 1 January 2018 and thus no impairment loss allowance was recognised.

For other receivables and deposits, the management of the Group makes periodic collective assessment as well as individual assessment on the recoverability of other receivables based on historical settlement records, past experience, and also available reasonable and supportive forward-looking information starting from 1 January 2018. The management of the Group believes that there is no material credit risk inherent in the Group's outstanding balance of other receivables and deposits.

The credit risk on pledged bank deposits and bank and cash balances of the Group is limited because the counterparties are banks with good reputation and no history of default in the past and no loss allowance provision for pledged bank deposits and bank balances was recognised upon application of HKFRS 9. The Group has limited exposure to any single financial institution.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management of the Group to finance the Group's operations and mitigate the effects of unexpected fluctuations in cash flows.

The following table details the Group's and the Company's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of each reporting period.

27. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (Continued)

Liquidity risk

	Weighted average effective interest rate	On demand	1-3 months	Total undiscounted cash flows	Total carrying amount
	%	MOP'000	MOP'000	MOP'000	MOP'000
As at 31 December 2018					
Non-derivative financial liabilities					
Trade and other payables and accruals	**N/A**	**–**	**36,582**	**36,582**	**36,582**
Amounts due to related parties	**N/A**	**6,342**	**–**	**6,342**	**6,342**
Bank borrowings	**6%**	**–**	**2,588**	**2,588**	**2,575**
		6,342	**39,170**	**45,512**	**45,499**
As at 31 December 2017					
Non-derivative financial liabilities					
Trade and other payables and accruals	N/A	–	39,413	39,413	39,413
Amounts due to related parties	N/A	2,700	1,020	3,720	3,720
Bank borrowings	6%	–	5,163	5,163	5,137
		2,700	45,596	48,296	48,270

Fair value

The management of the Group considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate to their fair values.

28. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Accured issue costs MOP'000	**Non-trade amounts due to related parties** MOP'000	**Bank borrowings** MOP'000	**Total** MOP'000
At 1 January 2017	–	161	–	161
Financing cash flows (note (i))	–	2,539	4,995	7,534
Finance costs recognised	–	–	142	142
At 31 December 2017	–	2,700	5,137	7,837
Financing cash flows (note (i))	(2,719)	(2,700)	(2,978)	(8,397)
Dividends declared (note 11)	–	60,000	–	60,000
Settled through current account with Mr. Li (note 32)	–	(53,658)	–	(53,658)
Finance costs recognised	–	–	416	416
Accrual of issue costs	3,879	–	–	3,879
At 31 December 2018	1,160	6,342	2,575	10,077

Note (i): The financing cash flows represented the net amount of new bank borrowings raised and repaid, dividend paid, advance from related parties, payment of finance costs, payment of direct transaction cost attributable to issue of shares and repayments to bank borrowings and related parties.

29. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the consolidated financial statements, the Group had the following transactions with its related parties during both years:

	2018 MOP'000	2017 MOP'000
Rental expense of office to Ms. Ng	321	371
Consultancy fee to ZHZC	–	1,030

Details of the balances with related parties at the end of each reporting periods are disclosed in the consolidated statement of financial position and note 19 to the consolidated financial statements.

ZHZC was acquired by WHHE (Macau) at a consideration on 29 January 2018 details of which is disclosed in note 22 to the consolidated financial statements.

At the end of each reporting period, the Group has commitments for future minimum lease payments under non-cancellable operating leases with Ms. Ng for the office premises for both years and the leases and rentals are negotiated and fixed for terms of two years, which fall due as follows:

	2018 MOP'000	2017 MOP'000
Within one year	272	371
In the second to fifth year inclusive	141	–
	413	371

Compensation of key management personnel

The remuneration of the directors of the Company and other members of key management are disclosed in note 6.

30. PARTICULARS OF SUBSIDIARIES

Particulars of the Company's subsidiaries at the date of this report are as follows:

Name of subsidiary	Place of incorporation/ establishment	Place of operation	Issued and full paid share capital	Attributable equity interest of the Company as at 31 December 2018	2017	Principal activities
Keng Chuan (note b)	Macau	Macau	MOP25,000	100%	100%	Administrative support for the Group
Loyal Auspicious	BVI	Macau/BVI	United States dollars ("USD") 1	100%	N/A	Investment holding
NWHC (note b)	Macau	Macau	MOP500,000	100%	100%	Inactive
Splendor Haze	BVI	Macau/BVI	USD1	100%	N/A	Investment holding
WHHE (Macau) (notes d and g)	Macau	Macau	MOP500,000	100%	95%	Fitting-out and repair and maintenance
WHHDD (note c)	Macau	Macau	MOP500,000	100%	100%	Fitting-out and repair and maintenance
WHHCE (note a)	Hong Kong	Hong Kong	HK$20,000	100%	100%	Inactive
WHHC (note a)	Hong Kong	Hong Kong	HK$2,000,000	100%	100%	Inactive
WHHE (HK) (note a)	Hong Kong	Hong Kong	HK$20,000	100%	100%	Administrative support for the Group
YKDE (note e)	Macau	Macau	MOP300,000	100%	70%	Fitting-out
ZHZC (note f)	The People's Republic of China (the "PRC")	The PRC	RMB3,500,000	100%	N/A	Design support for the fitting-out services

Except for WHHCE, WHHC and WHHE which have a financial year end of 31 March, all other subsidiaries have adopted 31 December as their financial year end date.

Except for Loyal Auspicious and Splendor Haze which are directly wholly-owned by the Company, all other subsidiaries are indirectly held by the Company.

Notes:

(a) Before the reorganisation stated in note 1, 1% equity interest of WHHC, 0.005% equity interest of WHHE and 0.005% equity interest of WHHCE are owned by Mr. Yu who held on trust for Mr. Li and the remaining equity interests of these companies are owned by Mr. Li. Accordingly, these entities are wholly-owned by Mr. Li before the reorganisation stated in note 1.

(b) Before the reorganisation stated in note 1, 1% registered capital of NWHC and 4% registered capital of Keng Chuan are owned by Mr. Yu who held for the benefits and under the instruction of Mr. Li and the remaining registered capital of these companies are owned by Mr. Li. Accordingly, these entities are wholly-owned by Mr. Li before the reorganisation stated in note 1.

(c) Before the reorganisation stated in note 1, 99% registered capital of WHHDD is owned by WHHE (Macau) and 1% registered capital of WHHDD is owned by Mr. Li.

(d) Since 1 January 2015 to 1 March 2017, 1% registered capital of WHHE (Macau) are owned by Mr. Yu who held for the benefits and under the instruction of Mr. Li and the remaining registered capital of WHHE (Macau) are owned by Mr. Li. Accordingly, WHHE (Macau) is wholly-owned by Mr. Li during this period.

As stated in note 22 to the consolidated financial statements, Mr. Li transferred 5% registered capital of WHHE (Macau) to Mr. Hung on 2 March 2017. Thus, the registered capital owned by Mr. Li decreased from 100% to 95% since then.

On 18 January 2018, the Group acquired 5% equity interest of WHHE (Macau) from Mr. Hung. Upon the completion of transaction, WHHE (Macau) is wholly-owned by Mr. Li.

30. PARTICULARS OF SUBSIDIARIES

Notes: (Continued)

(e) 70% equity interests of YKDE owned by Mr. Li and remaining 30% equity interests of YKDE owned by Mr. Hung since incorporation. On 18 January 2018, the Group acquired 30% equity interest of YKDE from Mr. Hung. Upon the completion of transaction, YKDE is wholly-owned by Mr. Li.

(f) ZHZC is owned by Mr. Hung since its incorporation. On 29 January 2018, WHHE (Macau) acquired the entire equity interest of ZHZC at a cash consideration of RMB10,000. Upon the completion of acquisition, ZHZC is the wholly-owned subsidiary of WHHE (Macau).

(g) On 18 January 2018, Mr. Hung entered into an agreement with the Group that Mr. Hung transferred 5% equity interest of WHHE (Macau) and 30% equity interest of YKDE to Mr. Li at a cash consideration of HK$3,000,000. Upon the completion of the transactions, Mr. Li owned 100% interests of WHHE (Macau) (taken into consideration of deed of trust by Mr. Li) and YKDE.

31. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

Statement of financial position of the Companies

	2018 MOP'000
Non-current asset	
Investments in subsidiaries	80,235
Current assets	
Prepayment	4,180
Amounts due from subsidiaries	24,888
Bank balances and cash	97
	29,165
Current liabilities	
Accruals	4,640
Amounts due to related parties	6,342
	10,982
Net current assets	18,183
Net assets	98,418
Capital and reserves	
Share capital	–
Reserves	98,418
Total equity	98,418

31. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (CONTINUED)

Reserve

	Share premium MOP'000	Accumulated profit MOP'000	Total MOP'000
At 9 April 2018 (date of incorporation)	–	–	–
Profit and total comprehensive income for the year	–	62,733	62,733
Transfer upon reorganisation (note 1(vii))	80,235	–	80,235
Dividends paid	–	(60,000)	(60,000)
Issuance of shares to Fresh Phoenix (note 1(iv))	15,450	–	15,450
At 31 December 2018	95,685	2,733	98,418

32. MAJOR NON-CASH TRANSACTIONS

During the year ended 31 December 2018, the aggregate amount of consideration payables of MOP1,325,000 to Mr. Li upon the reorganisation stated in note 1(v) were settled through the current account with Mr. Li.

On 19 December 2018, the Company declared dividends of MOP60,000 per each ordinary share to its shareholders with an aggregate amount as MOP60,000,000. Amount of MOP53,658,000 out of the dividends attributable to Copious Astute of MOP54,000,000 are settled through the current account with Mr. Li and the remaining balance of MOP342,000 dividend payable to Copious Astute and MOP6,000,000 dividend payable to Fresh Phoenix will be settled prior to Listing.

33. SUBSEQUENT EVENTS

Save as disclosed elsewhere in the consolidated financial statements, subsequent events of the Group and detailed as below.

On 18 March 2019, written resolutions of the shareholders of the Company were passed and resolved the following matters:

(i) the authorised share capital of the Company increased to HK$10,000,000 divided into 1,000,000,000 shares of the Company of HK$0.01 each by creation of an additional 962,000,000 shares of the Company;

(ii) conditionally adopted a share option scheme where eligible participants may be granted options entitling them to subscribe for the Company's shares. No share has been granted since the adoption of the scheme. The principal terms of the share option scheme are summarised in the section head "Share Option Scheme" in Appendix IV to the prospectus issued by the Company dated 29 March 2019; and

(iii) conditional upon the share premium account of the Company being credited as a result of the offer of the Company's shares, the directors of the Company were authorised to capitalise the amount of HK$3,749,990 from the amount standing to the credit of the share premium account of the Company and to apply such amount to pay up in full at par 374,999,000 shares of the Company for allotment and issue to the persons whose name appeared on the register of the members of the Company at the close of business on 18 March 2019.

FINANCIAL SUMMARY

The consolidated results of Wai Hung Group Holdings Limited (the "**Company**") and its subsidiaries (collectively the "**Group**") for the Reporting Period and the consolidated assets and liabilities of the Group as at 31 December 2018 are those set out in the audited financial statements.

The summary of the consolidated results of the Group for each of the years ended 31 December 2015, 2016 and 2017 and of the consolidated assets and liabilities of the Group as at 31 December 2015, 2016 and 2017 has been extracted from the prospectus issued on 29 March 2019 in connection with the listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited on 23 April 2019.

No financial statements of the Group for the year ended 31 December 2014 have been published.

The summary below does not form part of the audited financial statements.

	Year ended 31 December			
	2018	2017	2016	2015
	MOP'000	MOP'000	MOP'000	MOP'000
RESULTS				
Revenue	**326,774**	189,111	114,676	113,973
Gross profit	**67,909**	45,187	29,816	28,088
Profit before tax	**39,174**	29,729	20,835	19,324
Income tax expenses	**(7,322)**	(4,572)	(2,844)	(2,294)
Profit for the year	**31,852**	25,157	17,991	17,030

	As at 31 December			
	2018	2017	2016	2015
	MOP'000	MOP'000	MOP'000	MOP'000
ASSETS AND LIABILITIES				
Total assets	**111,832**	139,404	79,114	53,289
Total liabilities	**55,280**	64,892	34,442	26,008