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

Interim Report 2019

CONTENTS

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

MANAGEMENT DISCUSSION AND ANALYSIS

The board (the "**Board**") of directors (the "**Directors**") of Wai Hung Group Holdings Limited (the "**Company**") is pleased to present the unaudited consolidated results of the Company and its subsidiaries (collectively the "**Group**") for the six months ended 30 June 2019 (the "**Reporting Period**"), together with the comparative figures for the corresponding period in 2018 (the "**Previous Period**"). These information should be read in conjunction with the prospectus of the Company dated 29 March 2019 (the "**Prospectus**").

BUSINESS REVIEW AND PROSPECTS

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 net proceeds from the share offer (the "**Share Offer**") amounted to approximately HK$141.2 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.

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

For the six months ended 30 June 2018 and 2019, total revenue amounted to approximately MOP179.0 million and MOP238.5 million, of which revenue generated from providing fitting-out services constituted approximately 100% and 99.8% of total revenue, respectively. The remaining approximately 0.2% of the total revenue for the six months ended 30 June 2019 were derived from the Group's repair and maintenance services.

For the six months ended 30 June 2019, excluding the effect of the one-off listing expenses recognised, the Group recorded profit for the period of approximately MOP25.5 million (30 June 2018: approximately MOP16.7 million). For the six months ended 30 June 2019, the recorded profit for the period (inclusive of listing expenses) of approximately MOP18.2 million (30 June 2018: approximately MOP6.3 million). During the six months ended 30 June 2019, the Group completed 25 fitting-out projects and was awarded 27 fitting-out projects.

Revenue

Revenue increased by approximately MOP59.5 million or 33.2% from approximately MOP179.0 million for the six months ended 30 June 2018 to approximately MOP238.5 million for the six months ended 30 June 2019. Such increase was mainly attributable to the increase in the revenue derived from the fitting-out projects, in particular, due to the commencement of three fitting-out contracts in 2019, with aggregate original contract sum of approximately MOP137.5 million.

Direct costs

The total amount of subcontracting fees, materials costs and direct labour costs increased by approximately MOP44.0 million or 29.1% from approximately MOP151.1 million for the six months ended 30 June 2018 to approximately MOP195.1 million for the six months ended 30 June 2019, which generally reflected the increase in costs associated with the increase in revenue.

Gross profit and gross profit margin

The gross profit increased from approximately MOP28.0 million for the six months ended 30 June 2018 to approximately MOP43.4 million for the six months ended 30 June 2019, representing an increase of approximately MOP15.4 million. The Group recorded gross profit margin of approximately 15.6% and 18.2% for the six months ended 30 June 2018 and the six months ended 30 June 2019, respectively. The period-to-period increase in gross profit margin was mainly attributable to the comparatively higher gross profit margin of sizeable contracts undertaken by the Group during the six months ended 30 June 2019 compared to the six months ended 30 June 2018, in particular, the three fitting-out contracts with aggregate original contract sum of approximately MOP137.5 million.

Other income and losses

The other income has increased from approximately MOP119,000 for the six months ended 30 June 2018 to approximately MOP1.0 million for the six months ended 30 June 2019, such increase was mainly attributable to the sponsorship income for the listing ceremony amounted to approximately MOP363,000.

The other losses remained largely insignificant at approximately MOP407,000 and MOP111,000 for the six months ended 30 June 2018 and 2019, respectively.

Administrative expenses

Administrative expenses amounted to approximately MOP8.1 million and MOP14.3 million for the six months ended 30 June 2018 and 2019, respectively, which accounted for approximately 4.5% and 6.0% of the total revenue during the respective periods. The largest item under administrative expenses was employee benefit expenses, being staff costs in nature, which amounted to approximately MOP4.1 million and MOP6.7 million for the six months ended 30 June 2018 and 2019, respectively, which accounted for approximately 50.6% and 46.9% of the total administrative expenses during the respective periods.

Increase in administrative expenses was also mainly attributable to the increase in marketing expenses by approximately MOP1.2 million from approximately MOP0.7 million for the six months ended 30 June 2018 to approximately MOP1.9 million for the six months ended 30 June 2019. The increase was mainly attributable to the listing events.

The remaining balance of administrative expenses mainly consisted of rental expenses, office expenses, depreciation and general expenses.

Finance costs

For the six months ended 30 June 2018 and 2019, finance costs amounted to approximately MOP172,000 and MOP217,000, respectively. Finance costs increased by approximately MOP45,000, which was primarily due to a increase in our average outstanding bank borrowings during the six months ended 30 June 2019.

Income tax expenses

For six months ended 30 June 2018 and 2019, the Group recorded income tax expenses of approximately MOP2.7 million and MOP4.4 million, representing an effective tax rate of approximately 30.0% and 19.4%, respectively.

Income tax increased by approximately MOP1.7 million from approximately MOP2.7 million for the six months ended 30 June 2018 to approximately MOP4.4 million for the six months ended 30 June 2019. Such increase was mainly attributable to the increase in the profit before taxation from approximately MOP9.0 million for th e six months ended 30 June 2018 to approximately MOP22.6 million for six months ended 30 June 2019.

Profit for the period

For the six months ended 30 June 2019, the profit for the period (exclusive of listing expenses) amounted to approximately MOP25.5 million, representing an increase of approximately MOP8.8 million or 52.7% from approximately MOP16.7 million for the period ended 30 June 2018. If the profit for the period for the six months ended 30 June 2019 were to include the effects of the listing expenses of approximately MOP7.3 million, the profit for the six months ended 30 June 2019 would be approximately MOP18.2 million, compared to approximately MOP6.3 million for the six months ended 30 June 2018, representing an increase of approximately MOP11.9 million, such increase mainly due to combined effect of the aforementioned items.

CORPORATE FINANCE AND RISK MANAGEMENT

Liquidity, Financial and Capital Resources

Cash position

As at 30 June 2019, the Group had an aggregate of pledged bank deposits and bank and cash equivalents of approximately MOP151.0 million (31 December 2018: approximately MOP13.6 million), representing a increase of approximately 1,010.3% as compared to that as at 31 December 2018. As at 30 June 2019, pledged bank deposits of approximately MOP2.4 million (31 December 2018: MOP2.3 million) are pledged to secure banking facilities (including bank loans and overdraft).

Borrowings and charges on the Group's assets

As at 30 June 2019, the Group had bank borrowings of approximately MOP5.1 million (31 December 2018: approximately MOP2.6 million). The bank borrowings will be repayable within one year.

As at 30 June 2019, 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 MOP2.4 million); and (ii) a corporate guarantee by the Company.

Gearing ratio

As at 30 June 2019, 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 3.5% (31 December 2018: approximately 4.6%).

Such decrease was primarily attributable to the total equity of the Group increased from approximately MOP56.6 million as at 31 December 2018 to approximately MOP240.8 million as at 30 June 2019, while total debts of the Group were at approximately MOP2.6 million and MOP8.4 million as at 31 December 2018 and 30 June 2019, 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 30 June 2019, the Group had no capital commitments (31 December 2018: Nil).

Contingent liabilities

As at 30 June 2019, the Group had no significant contingent liabilities or outstanding litigation.

Material acquisitions and disposals of subsidiaries and associated companies

During the six months ended 30 June 2019, the Group did not have any material acquisition and disposals of subsidiaries and affiliated companies.

Significant investments held

Except for investment in subsidiaries, as at 30 June 2019, 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 30 June 2019.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2019, the Group had 92 employees (30 June 2018: 80). Total staff costs (including Directors' emoluments) were approximately MOP18.2 million for the six months ended 30 June 2019, as compared to approximately MOP13.2 million for the six months ended 30 June 2018. Such increase was mainly attributable to the increase 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.

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$141.2 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.

From the Listing Date to 30 June 2019, the net proceeds had been utilized as follows:

	Net proceeds (HK$ million)		
	Available	**Utilised**	**Unutilised**
Upfront costs	82.2	35.9	46.3
Acquiring performance bonds	31.1	–	31.1
Strengthening manpower	13.8	0.4	13.4
General working capital	14.1	14.1	–
Total	141.2	50.4	90.8

As at 30 June 2019, approximately MOP50.4 million of the net proceeds received from the Share Offer had been utilized and the remaining 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

No significant event took place subsequent to 30 June 2019.

DIVIDEND

The Board takes into account the Group's overall results of operation, financial position and capital requirements, among other factors, in considering the declaration of dividends. The Board does not recommend payment of any dividend in respect of the six months ended 30 June 2019.

OTHER INFORMATION

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

As at 30 June 2019, 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 30 June 2019, 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.

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.

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 30 June 2019.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 30 June 2019, 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)	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 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 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.

Save as disclosed above, as at 30 June 2019, 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.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

Since the Listing Date and up to 30 June 2019, none of the Company or any of its subsidiaries had purchased, sold or redeemed any of its listed securities.

CORPORATE GOVERNANCE

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 ("**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**").

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 CG 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. Our 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.

OTHER INFORMATION

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 30 June 2019.

DIVIDEND

The Board takes into account the Group's overall results of operation, financial position and capital requirements, among other factors, in considering the declaration of dividends. The Board does not recommend payment of any dividend in respect of the six months ended 30 June 2019.

AUDIT COMMITTEE

The audit committee of the Company, comprising three independent non-executive Directors, namely Ms. Rita Botelho dos Santos, Mr. Lam Chi Wing and Mr. Wu Chou Kit, has reviewed with the management the unaudited interim results for the six months ended 30 June 2019, accounting principles and practices adopted by the Group and discussed internal controls, risk management and financial reporting matters including a review of the unaudited interim financial information.

On behalf of the Board

Li Kam Hung
Chairman

Hong Kong, 30 August 2019

* *For identification purposes only*

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2019

	Notes	Six months ended 30 June **2019** **MOP'000** ***(Unaudited)***	 2018 MOP'000 *(Unaudited)*
Revenue	3	**238,525**	179,040
Direct costs		**(195,147)**	(151,067)
Gross profit		**43,378**	27,973
Other income		**1,035**	119
Other losses		**(111)**	(407)
Administrative expenses		**(14,255)**	(8,146)
Finance costs		**(217)**	(172)
Listing expenses		**(7,267)**	(10,326)
Profit before taxation	4	**22,563**	9,041
Income tax expense	5	**(4,367)**	(2,712)
Profit for the period		**18,196**	6,329
Other comprehensive income (expense)			
Item that may be subsequently reclassified to profit and loss:			
Exchange differences arising on translation of foreign operation		**51**	(59)
		18,247	6,270
Profit for the period attributable to:			
– Owners of the Company		**18,196**	6,308
– Non-controlling interests		**–**	21
		18,196	6,329
Profit and total comprehensive income for the period attributable to:			
– Owners of the company		**18,247**	6,249
– Non-controlling interests		**–**	21
		18,247	6,270
Earnings per share			
Basic (MOP)	6	**0.1**	6,725

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2019

	Note	**30 June 2019 MOP'000 *(Unaudited)***	31 December 2018 MOP'000 *(Audited)*
Non-current assets			
Property and equipment		**5,116**	2,094
Deposits		**269**	240
		5,385	2,334
Current assets			
Trade receivables	7	**56,091**	39,869
Other receivables, deposits and prepayments	8	**38,971**	22,932
Contract assets		**38,302**	33,124
Amounts due from related parties		**23**	23
Pledged bank deposits	9	**2,351**	2,339
Bank balances and cash	9	**148,640**	11,211
		284,378	109,498
Current liabilities			
Trade and other payables and accruals	10	**26,959**	37,298
Contract liabilities		**1,386**	993
Amounts due to related parties		**–**	6,342
Lease liabilities		**2,446**	–
Tax payable		**12,245**	8,072
Bank borrowings		**5,142**	2,575
		48,178	55,280
Net current assets		**236,200**	54,218
Total assets less current liabilities		**241,585**	56,552
Non-current liabilities			
Lease liabilities		**794**	–
Net assets		**240,791**	56,552
Capital and reserves			
Share capital		**5,150**	–
Reserves		**235,641**	56,552
Total equity		**240,791**	56,552

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019

	Attributable to owners of the Company									
	Share capital MOP'000	**Share premium** MOP'000	**Legal reserve** MOP'000	**Other reserve** MOP'000	**Statutory surplus reserve** MOP'000	**Translation reserve** MOP'000	**Accumulated profits** MOP'000	**Total** MOP'000	**Non-controlling interests** MOP'000	**Total** MOP'000
Changes in equity for the six months ended 30 June 2018										
At 1 January 2018	3,341	–	500	2,166	–	–	63,941	69,948	4,001	73,949
Profit for the period	–	–	–	–	–	–	6,308	6,308	21	6,329
Other comprehensive expense for the period	–	–	–	–	–	(59)	–	(59)	–	(59)
Total profit and other comprehensive (expense) income for the period	–	–	–	–	–	(59)	6,308	6,249	21	6,270
Transfer upon reorganisation	(3,341)	80,235	–	(78,219)	–	–	–	(1,325)	–	(1,325)
Issue of shares upon share offer	–	15,450	–	–	–	–	–	15,450	–	15,450
Change in shareholding in subsidiaries without losing control	–	–	–	932	–	–	–	932	(4,022)	(3,090)
At 30 June 2018 and 1 July 2018	–	95,685	500	(75,121)	–	(59)	70,249	91,254	–	91,254

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019

	Attributable to owners of the Company									
	Share capital MOP'000	**Share premium** MOP'000	**Legal reserve** MOP'000	**Other reserve** MOP'000	**Statutory surplus reserve** MOP'000	**Translation reserve** MOP'000	**Accumulated profits** MOP'000	**Total** MOP'000	**Non-controlling interests** MOP'000	**Total** MOP'000
Changes in equity for the six months ended 31 December 2018										
Profit for the period	–	–	–	–	–	–	25,523	25,523	–	25,523
Other comprehensive expense for the period	–	–	–	–	–	(225)	–	(225)	–	(225)
Total profit and other comprehensive (expense) income for the period	–	–	–	–	–	(225)	25,523	25,298	–	25,298
Dividends distribution	–	–	–	–	–	–	(60,000)	(60,000)	–	(60,000)
Transfer	–	–	–	–	120	–	(120)	–	–	–
At 31 December 2018 and 1 January 2019	–	95,685	500	(75,121)	120	(284)	35,652	56,552	–	56,552
Changes in equity for the six months ended 30 June 2019										
Profit for the period	–	–	–	–	–	–	18,196	18,196	–	18,196
Other comprehensive expense for the period	–	–	–	–	–	51	–	51	–	51
Total profit and other comprehensive income for the period	–	–	–	–	–	51	18,196	18,247	–	18,247
Issuance of shares under the Initial Public Offering ("IPO") net of listing expenses	5,150	160,842	–	–	–	–	–	165,992	–	165,992
At 30 June 2019	5,150	256,527	500	(75,121)	120	(233)	53,848	240,791	–	240,791

CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2019

	Six months ended 30 June	
	2019	2018
	MOP'000	MOP'000
	(Unaudited)	*(Unaudited)*
OPERATING ACTIVITIES		
NET CASH (USED IN) FROM OPERATING ACTIVITIES	**(28,081)**	30,215
INVESTING ACTIVITIES		
Advance to related parties	**–**	(16,660)
Other cash flow used in investing activities	**(91)**	(1,364)
NET CASH USED IN INVESTING ACTIVITIES	**(91)**	(18,024)
FINANCING ACTIVITIES		
Payment of listing expenses	**(10,708)**	(6,553)
Proceeds from issuance of shares	**180,250**	–
Acquisition of non-controlling interests of subsidiaries	**–**	(3,090)
Proceed from issue of shares of the Company	**–**	15,450
Repayment of bank borrowings	**–**	(5,487)
New bank borrowings raised	**2,567**	8,075
Dividends paid	**(6,342)**	–
Other cash flow arising from financing activities	**(217)**	(2,733)
NET CASH FROM FINANCING ACTIVITIES	**165,550**	5,662
NET INCREASE IN CASH AND CASH EQUIVALENTS	**137,378**	17,853
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	**11,211**	14,913
EFFECT OF FOREIGN EXCHANGE RATE CHANGE	**51**	(59)
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD represented by bank balances and cash	**148,640**	32,707

1. BASIS OF PREPARATION

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 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.

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard (HKAS) 34, Interim financial reporting, issued by the Hong Kong Institute of Certified Public Accountants (HKICPA). It was authorised for issue on 30 August 2019.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2018 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2019 annual financial statements. Details of any changes in accounting policies are set out in note 2.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2018 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with HKFRSs.

The financial information relating to the financial year ended 31 December 2018 that is included in the interim financial report as comparative information does not constitute the Company's statutory annual consolidated financial statements for that financial year but is derived from those financial statements.

2 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a new HKFRS, HKFRS 16, Leases, and a number of amendments to HKFRSs that are first effective for the current accounting period of the Group.

Except for HKFRS 16, Leases, none of the developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in this interim financial report. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

HKFRS 16, Leases

HKFRS 16 replaces HKAS 17, *Leases, and the related interpretations*, HK(IFRIC) 4, *Determining whether an arrangement contains a lease*, HK(SIC) 15, *Operating leases – incentives*, and HK(SIC) 27, *Evaluating the substance of transactions involving the legal form of a lease*. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less ("short-term leases") and leases of low value assets. The lessor accounting requirements are brought forward from HKAS 17 substantially unchanged.

The Group has initially applied HKFRS 16 as from 1 January 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019. Comparative information has not been restated and continues to be reported under HKAS 17.

Further details of the nature and effect of the changes to previous accounting policies and the transition options applied are set out below:

2 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

HKFRS 16, Leases (continued)

(a) Changes in the accounting policies

(i) New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. HKFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group applies the new definition of a lease in HKFRS 16 only to contracts that were entered into or changed on or after 1 January 2019. For contracts entered into before 1 January 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases.

Accordingly, contracts that were previously assessed as leases under HKAS 17 continue to be accounted for as leases under HKFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

(ii) Lessee accounting

HKFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by HKAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17, other than those short-term leases and leases of low-value assets. As far as the Group is concerned, these newly capitalised leases are primarily in relation to property, plant and equipment.

2 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

HKFRS 16, Leases (continued)

(a) Changes in the accounting policies (continued)

(ii) Lessee accounting (continued)

When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. For the Group, low-value assets are typically laptops or office furniture. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received.

The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses.

2 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

HKFRS 16, Leases (continued)

(a) Changes in the accounting policies (continued)

(ii) Lessee accounting (continued)

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

(b) Critical accounting judgements and sources of estimation uncertainty in applying the above accounting policies

As explained in the above accounting policies, the lease liability is initially recognised at the present value of the lease payments payable over the lease term. In determining the lease term at the commencement date for leases that include renewal options exercisable by the Group, the Group evaluates the likelihood of exercising the renewal options taking into account all relevant facts and circumstances that create an economic incentive for the Group to exercise the option, including favourable terms, leasehold improvements undertaken and the importance of that underlying asset to the Group's operation. The lease term is reassessed when there is a significant event or significant change in circumstance that is within the Group's control. Any increase or decrease in the lease term would affect the amount of lease liabilities and right-of-use assets recognised in future years.

2 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

HKFRS 16, Leases (continued)

(c) Transitional impact

At the date of transition to HKFRS 16 (i.e. 1 January 2019), the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates at 1 January 2019. The weighted average of the incremental borrowing rates used for determination of the present value of the remaining lease payments was 5.4%.

To ease the transition to HKFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of HKFRS 16:

(i) the Group elected not to apply the requirements of HKFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of HKFRS 16, i.e. where the lease term ends on or before 31 December 2019;

(ii) when measuring the lease liabilities at the date of initial application of HKFRS 16, the Group applied a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment); and

(iii) when measuring the right-of-use assets at the date of initial application of HKFRS 16, the Group relied on the previous assessment for onerous contract provisions as at 31 December 2018 as an alternative to performing an impairment review.

2 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

HKFRS 16, Leases (continued)

(c) Transitional impact (continued)

The following table reconciles the operating lease commitments as at 31 December 2018 to the opening balance for lease liabilities recognised as at 1 January 2019:

	1 January 2019 MOP$'000 *(Unaudited)*
Operating lease commitments at 31 December 2018	4,182
Add: lease payments for the additional periods where the Group considers it reasonably certain that it will exercise the extension options	3,827
	8,009
Less: total future interest expenses	(203)
Total lease liabilities recognised at 1 January 2019	7,806

2 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

HKFRS 16, Leases (continued)

(c) Transitional impact (continued)

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position at 31 December 2018.

So far as the impact of the adoption of HKFRS 16 on leases previously classified as finance leases is concerned, the Group is not required to make any adjustments at the date of initial application of HKFRS 16, other than changing the captions for the balances. Accordingly, instead of “obligations under finance leases”, these amounts are included within “lease liabilities”, and the depreciated carrying amount of the corresponding leased asset is identified as a right-of-use asset. There is no impact on the opening balance of equity.

3. 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

	Six months ended 30 June	
	2019	2018
	MOP'000	MOP'000
	(Unaudited)	*(Unaudited)*
Recognised over time and short-term contracts:		
– provision of fitting-out services	**237,968**	179,040
Recognised over time and long-term contracts:		
– provision of repair and maintenance services	**557**	–
	238,525	179,040

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.

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.

3. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Segment information (continued)

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.

Segment revenue and results

Six months ended 30 June 2019 (Unaudited)

	Fitting-out services MOP'000	Repair and maintenance services MOP'000	Total MOP'000
Segment revenue	237,968	557	238,525
Segment results	43,230	148	43,378
Other income			1,035
Other losses			(111)
Administrative expenses			(14,255)
Finance costs			(217)
Listing expenses			(7,267)
Profit before taxation			22,563

3. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Segment information (continued)

Segment revenue and results (continued)

Six months ended 30 June 2018 (Unaudited)

	Fitting-out services MOP'000	Repair and maintenance services MOP'000	Total MOP'000
Segment revenue	179,040	–	179,040
Segment results	27,973	–	27,973
Other income			119
Other losses			(407)
Administrative expenses			(8,146)
Finance costs			(172)
Listing expenses			(10,326)
Profit before taxation			9,041

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

4. PROFIT BEFORE TAXATION

	Six months ended 30 June	
	2019	2018
	MOP'000	MOP'000
	(Unaudited)	*(Unaudited)*
Profit before taxation has been arrived at after charging:		
Auditor's remuneration	**500**	37
Depreciation on property and equipment	**912**	175
Minimum lease payments under operating leases in respect of land and building (included in administrative expenses)	**–**	994

5. INCOME TAX EXPENSE

	Six months ended 30 June	
	2019	2018
	MOP'000	MOP'000
	(Unaudited)	*(Unaudited)*
Current Tax:		
Macau Complementary Income Tax	**4,316**	2,712
PRC Enterprise Income Tax	**51**	–
	4,367	2,712

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.

6. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2019	2018
	MOP'000	MOP'000
	(Unaudited)	*(Unaudited)*
Earnings:		
Earnings for the purpose of calculating basic earnings per share (profit for the year attributable to owners of the Company)	**18,196**	6,308
Number of shares (note):		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**190,608,354**	938

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 2018.

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

7. TRADE RECEIVABLES

The Group grants credit terms of 30-90 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:

	30 June 2019 MOP'000 *(Unaudited)*	31 December 2018 MOP'000 *(Audited)*
0-30 days	**48,355**	14,013
31-60 days	**2,690**	14,094
61-90 days	**339**	10,979
91-365 days	**4,763**	823
	56,147	39,909
Less: Impairment loss allowance	**(56)**	(40)
	56,091	39,869

8. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	30 June 2019 MOP'000 *(Unaudited)*	31 December 2018 MOP'000 *(Audited)*
Rental deposits	**397**	367
Deposit paid for acquisition of property and equipment	**23**	23
Prepayments to subcontractors	**32,455**	18,244
Other receivables	**6,365**	358
Deferred issue costs	**–**	3,879
Prepaid listing expenses	**–**	301
Total	**39,240**	23,172
Presented as non-current assets	**269**	240
Presented as current assets	**38,971**	22,932
Total	**39,240**	23,172

9. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

Pledged bank deposits as at 30 June 2019 are pledged to secure the bank borrowings of the Group which carry interest at prevailing market rate of 0.01% (31 December 2018: 0.01%) per annum.

As at 30 June 2019, 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% (31 December 2018: 0.01%) per annum.

10. TRADE AND OTHER PAYABLES AND ACCRUALS

	30 June 2019 MOP'000 *(Unaudited)*	31 December 2018 MOP'000 *(Audited)*
Trade payables	**8,135**	8,238
Retention payables	**8,196**	11,065
Accruals for subcontracting costs (Note)	**9,903**	11,762
Accrued listing expenses and issue costs	**–**	4,640
Accruals and other payables	**725**	1,593
	26,959	37,298

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:

	30 June 2019 MOP'000 *(Unaudited)*	31 December 2018 MOP'000 *(Audited)*
0-30 days	**99**	202
Over 90 days	**8,036**	8,036
	8,135	8,238

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.

11. DIVIDENDS

Dividends

The Directors did not recommend the payment of a dividend by the Company for the six months ended, 30 June 2019. No dividend was declared or paid by the Company during the six months ended 30 June 2018 to its equity shareholders.

12. COMPARATIVE FIGURES

The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

13. REVIEW OF INTERIM FINANCIAL REPORT

The unaudited interim financial report for the six months ended 30 June 2019 has been reviewed by the Audit Committee with no disagreement.