Huarchi Global Group Holdings Limited
華記環球集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock code : 2296

Annual Report

2019

Contents

This annual report is prepared in English and Chinese.
In case of inconsistency, please refer to the English version as it shall prevail.

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. LOU Cheok Meng
(Chairman and Managing Director)
Mr. CHANG Wa Ieong
Mr. AO Weng Kong
Mr. LEONG Ka In

Independent Non-executive Directors

Dr. LAM Chi Kit *BBS MH JP*
Dr. SIN Wai Chiu Joseph
Mr. LO Chun Chiu Adrian

AUDIT COMMITTEE

Dr. SIN Wai Chiu Joseph *(Chairman)*
Dr. LAM Chi Kit *BBS MH JP*
Mr. LO Chun Chiu Adrian

REMUNERATION COMMITTEE

Mr. LO Chun Chiu Adrian *(Chairman)*
Mr. LOU Cheok Meng
Dr. LAM Chi Kit *BBS MH JP*

NOMINATION COMMITTEE

Dr. LAM Chi Kit *BBS MH JP* *(Chairman)*
Dr. SIN Wai Chiu Joseph
Mr. LOU Cheok Meng

COMPANY SECRETARY

Mr. WONG Yat Chung, HKICPA

AUTHORISED REPRESENTATIVE

Mr. LOU Cheok Meng
Mr. WONG Yat Chung, HKICPA

COMPLIANCE ADVISOR

Ample Capital Limited

AUDITOR

Wellink CPA Limited, Certified Public Accountants

LEGAL ADVISER

As to Macau laws:
Rato, Ling, Lei & Cortés — Advogados
Av. da Amizade, n. 555
Edif. Macau Landmark
Office Tower, 23. andar
Macau

PRINCIPAL BANKERS

Luso International Banking Ltd.
China Guangfa Bank Macau Branch
Bank of China Limited Macau Branch
Macau Chinese Bank

REGISTERED OFFICE

PO Box 1350
Clifton House
75 Fort Street
Grand Cayman KY1–1108
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

905B, 9/F.
Harbour Crystal Centre
100 Granville Road
Tsim Sha Tsui Kowloon
Hong Kong

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN MACAU

Alameda Dr. Carlos d'Assumpçáo No. 249
Edif. China Civil Plaza 7 Andar E&F
Macau

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Estera Trust (Cayman) Limited
PO Box 1350
Clifton House, 75 Fort Street
Grand Cayman KY1–1108
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 54
Hopewell Centre
183 Queen's Road East
Hong Kong

HONG KONG STOCK EXCHANGE STOCK CODE

2296

WEBSITE

www.huarchi.com

Chairman's Statement

Dear shareholders,

On behalf of the board (the "**Board**") of directors (the "**Directors**") of Huarchi Global Group Holdings Limited (the "**Company**"), I am hereby pleased to present to the shareholders the annual report of the Company and its subsidiaries (collectively known as the "**Group**", "**We**" or "**us**") for the year ended 31 December 2019.

The successful listing of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 21 November 2019 is a mirror of the surefooted accomplishments along the journey of the Company, which, as we are convinced, is bound to reinforce the corporate image of the Group, and produce various opportunities to expand the customer base and boost the financial flexibility of the Company.

The Group mainly provides services of fitting-out, construction, and repair and maintenance in Macau. By virtue of (i) the established business relationship with some of our Group's major customers; (ii) a stable pool of subcontractors; and (iii) our Group's experienced management team who possesses extensive industry knowledge, the Group manages to distinguish itself from its competitors and continue its growth and enhance its profitability. According to an independent market research report commissioned by our Company and prepared by Frost & Sullivan Limited on market landscape and competitive analysis of the Macau fitting-out and construction industries, the Group was the second largest fitting-out contractor in Macau in 2018 in terms of revenue.

The Group's overall turnover for the year ended 31 December 2019 increased by approximately 16.8% to approximately MOP467,407,000 (2018: approximately MOP400,085,000). The profit for the year was approximately MOP51,474,000, representing a year-on-year increase of approximately MOP3,032,000 (2018: approximately MOP48,442,000) or 6.3%. For the year ended 31 December 2019, if the listing expenses of approximately MOP13,206,000 (2018: approximately MOP6,676,000) incurred is excluded, the Group would record a profit of approximately MOP64,680,000 (2018: approximately MOP55,118,000) for the year, representing an increase of approximately 17.3% compared to that of the previous financial year. In financial year 2019, the Group was awarded a number of large projects, which were mainly related to the fitting-out and construction of residential, governmental and school premises, and hospital structures. The total original contract value of such projects was approximately MOP400.0 million in aggregate.

In the past year, although China and the United States had been involved in trade negotiations, and tariff barriers hindered the development of the global economy, the major customers and suppliers of the Group are mainly located in Macau, and the Group's industrial chain is also concentrated in Macau, so the tariff measures for imports and exports did not impose a significant negative impact on the Group in financial year 2019.

Looking ahead, although the outbreak of COVID-19 at the beginning of the extraordinary year 2020 has exerted certain downward pressure on the overall economy in Macau, the Group, in face of such oppressive challenges, will continue to focus its fitting-out projects on the local residential, office and school premises in Macau, with the expectation that the corresponding impact faced by the Group can be mitigated. In the Policy Address of the Government of Macau Special Administrative Region for financial year 2019, with the theme of "Seize opportunities for balanced development" and under the premises of focusing on improving people's livelihoods, the government will expedite the implementation of urban planning measures, such as the construction of new sea reclamation areas, additional medical facilities, and continue to deepen urban construction, including optimising the transportation and multicultural construction in Macau, which are expected to bring demand and momentum to Macau's fitting-out and construction industry in future. Therefore, the Group looks forward to taking advantage of such opportunities to achieve stable development in the year to follow. In the future, the Group will continue to follow the fundamental development strategies of (i) strengthening the Group's financial capabilities to undertake more new and larger scale fitting-out and construction projects; and (ii) further improving our production capacity, capabilities and cost efficiency.

Last but not least, on behalf of the Board, I would like to express my sincerest gratitude to all the shareholders of the Company (the "**Shareholders**"), business partners, management team and staff for their great efforts and support in financial year 2019.

Lou Cheok Meng
Chairman

Macau, 31 March 2020

Management Discussion and Analysis

BUSINESS REVIEW

On 21 November 2019 (the "**Listing Date**"), 500,000,000 ordinary shares (the "**Shares**") of the Company were offered for subscription at HK$0.25 per Share, and the Shares were listed on the Main Board of the Stock Exchange.

The Group mainly provides services of (i) fitting-out works; (ii) construction works; and (iii) repair and maintenance works in Macau, and the projects undertaken by the Group can be divided into (i) public sector projects and (ii) private sector projects by the types of project employers.

Fitting-out works

The Group provides fitting-out works for both new buildings and existing buildings in Macau. A fitting-out project involves shop drawing, procurement of materials, execution of fitting-out works, site supervision, management of subcontractors and overall project management. As at 31 December 2018, the Group had 29 fitting-out projects in progress, and for the year ended 31 December 2019, the Group was awarded 60 new fitting-out projects, of which, 69 fitting-out projects have been practically completed, and 20 fitting-out projects are still in progress.

Construction works

A construction project involves works including foundation works, and buildings services systems installation. The Group is also responsible for structural calculation and shop drawing, procurement of materials, site supervision, management of subcontractors and overall project management. The Group may subcontract site works to other subcontractors, including but not limited to, foundation works and building services systems installation. As at 31 December 2018, the Group had three construction projects in progress, and for the year ended 31 December 2019, the Group was awarded two new construction projects, of which, three construction projects have been practically completed, and two construction projects are still in progress.

Repair and maintenance works

The Group also provides repair and maintenance services for existing properties in Macau on (i) as-needed basis; and (ii) regularly over a fixed period. Repair and maintenance services provided by the Group include repair or replacement of interior decorative parts, as well as other works for building services systems such as installation of CCTV systems and air-conditioning systems. As at 31 December 2018, the Group had two repair and maintenance projects in progress, and for the year ended 31 December 2019, the Group was awarded 14 new repair and maintenance projects, of which, 14 repair and maintenance projects have been practically completed, and two repair and maintenance projects are still in progress.

In summary, the Group had 24 projects still in progress for the year ended 31 December 2019, of which, 15 projects were public sector projects and nine projects were private sector projects in terms of the types of project employers. The Group will continue to strive to balance the development of public sector projects and private sector projects.

FINANCIAL REVIEW

Revenue

The following table sets forth a breakdown of the Group's revenue and the percentage of total revenue by the type of works for the years ended 31 December 2019 and 2018:

	Year ended 31 December			
	2019		2018	
	MOP'000	**Percentage of total revenue**	MOP'000	Percentage of total revenue
Fitting-out works	**455,864**	**97.5%**	392,700	98.2%
Construction works	**11,122**	**2.4%**	5,662	1.4%
Repair and maintenance works	**421**	**0.1%**	1,723	0.4%
Total	**467,407**	**100.0%**	400,085	100.0%

For the year ended 31 December 2019, the revenue of the Group amounted to approximately MOP467,407,000, representing an increase of approximately 16.8% from approximately MOP400,085,000 for the year ended 31 December 2018, of which (i) revenue derived from fitting-out works was approximately MOP455,864,000, representing an increase of approximately 16.1% compared to approximately MOP392,700,000 for the year ended 31 December 2018, which was mainly because 11 large-scale fitting-out projects with original contract value of over MOP10,000,000 commenced in financial year 2019, while only six large-scale fitting-out projects commenced in 2018; (ii) revenue derived from construction works was approximately MOP11,122,000, representing an increase of approximately 96.4% compared to approximately MOP5,662,000 for the year ended 31 December 2018. Such increase was mainly attributed to a construction project in the public sector with a total contract value of approximately MOP9,800,000, which commenced in financial year 2019 and had been nearly completed by the end of 2019; and (iii) revenue derived from repair and maintenance works was approximately MOP421,000, representing a decrease of approximately 75.6% compared to approximately MOP1,723,000 for the year ended 31 December 2018, which was mainly because 14 new repair and maintenance projects were awarded in 2019, representing a decrease as compared to the 38 new repair and maintenance projects awarded in the same period of 2018.

Cost of services

Cost of services includes subcontracting fees, staff costs, material costs and others. The total cost of services increased by approximately 16.5% from approximately MOP320,469,000 for the year ended 31 December 2018 to approximately MOP373,389,000 for the year ended 31 December 2019, which was attributed to the increase in revenue.

Management Discussion and Analysis

Gross profit and gross profit margin

The following table sets forth the Group's gross profit and gross profit margin by the type of works for the year ended 31 December 2019:

	Year ended 31 December			
	2019		2018	
	Gross profit MOP'000	**Gross profit margin %**	Gross profit MOP'000	Gross profit margin %
Fitting-out works	**91,972**	**20.2**	77,588	19.8
Construction works	**1,974**	**17.7**	1,103	19.5
Repair and maintenance works	**72**	**17.1**	925	53.7
Total	**94,018**	**20.1**	79,616	19.9

The Group's gross profit increased by approximately 18.1% from approximately MOP79,616,000 for the year ended 31 December 2018 to approximately MOP94,018,000 for the year ended 31 December 2019, which was mainly attributed to the increase in overall project revenue.

The gross profit margin of fitting-out works maintained at a stable level of approximately 20.0% in financial years 2018 and 2019.

Although the gross profit margin of construction works slightly decreased from approximately 19.5% for the year ended 31 December 2018 to approximately 17.7% for the year ended 31 December 2019, the increase in gross profit in financial year 2019 was basically in line with the increase in revenue.

The gross profit margin of repair and maintenance works decreased from approximately 53.7% for the year ended 31 December 2018 to approximately 17.1% for the year ended 31 December 2019. The decrease was mainly due to the higher costs incurred as a result of the greater complexity of the repair and maintenance projects undertaken for the year ended 31 December 2019.

As a result, the Group's overall gross profit margin increased from approximately 19.9% for the year ended 31 December 2018 to approximately 20.1% for the year ended 31 December 2019.

Other income and other net (losses)/gains

The Group's other income and other net (losses)/gains for the year was approximately MOP1,826,000 (2018: approximately MOP2,981,000), which included (i) insurance compensation of approximately MOP657,000 (2018: approximately MOP2,429,000) for the damages caused by typhoon to the Group's projects, and (ii) interest income of approximately MOP1,225,000 (2018: approximately MOP423,000).

Administrative and other operating expenses

The administrative and other operating expenses of the Group for the year amounted to approximately MOP19,482,000 (2018: approximately MOP17,393,000), representing an increase of approximately MOP2,089,000 or approximately 12.0% compared with the same period of last year. This was mainly due to (i) the increase of approximately MOP1,032,000 in donation and sponsorship expenses; and (ii) the increase of approximately MOP1,238,000 in auditor's remuneration during the year.

Listing expenses

For the years ended 31 December 2019 and 2018, the Group incurred professional service fees of approximately MOP13,206,000 and approximately MOP6,676,000, respectively, for the listing of the Shares of the Company on the Main Board of the Hong Kong Stock Exchange Limited (the "**Listing**").

Finance costs

The finance costs of the Group decreased from approximately MOP2,955,000 for the year ended 31 December 2018 to approximately MOP2,642,000 for the year ended 31 December 2019. Such decrease was mainly due to the repayment of bank borrowings of approximately MOP3,674,000 and approximately MOP7,000,000 in 2018 and 2019, respectively.

Income tax expense

The income tax expense of the Group increased from approximately MOP7,131,000 in financial year 2018 to approximately MOP9,040,000 in financial year 2019, mainly due to (i) the increase in revenue and gross profit, and (ii) the tax effect of listing expenses not deductible for tax purpose.

Profit for the year

The Group's profit for the year attributable to owners of the Company increased by approximately MOP3,032,000 from approximately MOP48,442,000 for the year ended 31 December 2018 to approximately MOP51,474,000 for the year ended 31 December 2019. Such increase was mainly contributed by the increase in revenue and gross profit and offset by the increase in listing expenses during the year ended 31 December 2019.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2019, the Group had cash and cash equivalents of approximately MOP131,511,000 (2018: approximately MOP15,723,000), which represented the bank and cash balances of the Group, representing an increase of approximately MOP115,788,000, mainly related to the net proceeds of approximately HK$91,771,000 (approximately equivalent to MOP94,661,000) from the Listing. As at 31 December 2019, the Group's pledged bank deposits amounted to approximately MOP32,068,000 (2018: approximately MOP34,032,000).

As at 31 December 2019, bank borrowings amounted to approximately MOP35,000,000 (2018: approximately MOP42,000,000), and bank overdrafts amounted to approximately MOP11,213,000 (2018: approximately MOP10,343,000).

The Group's current and quick ratio was 2.6 (2018: 1.6). Current ratio is calculated as current assets divided by current liabilities as at the respective year end. Quick ratio is calculated as current assets excluding inventories divided by current liabilities as at the respective year end. As the Group did not have any inventory on the consolidated statement of financial position, the quick ratio was the same as the current ratio. The increase in the Group's current and quick ratio was mainly due to the increase in current assets as a result of the net proceeds from the Listing.

The Group's gearing ratio was 18.0% (2018: 61.0%), which was calculated as total debt divided by total equity as at the end of financial year 2019. The decrease in the gearing ratio was mainly due to the increase in capital of approximately MOP169,745,000.

The Group constantly implements prudent financial management and has sufficient cash and bank balances in hand. The management believes that the Group's financial resources are sufficient to meet the working capital requirements in future.

DEBTS AND CHARGE ON THE GROUP'S ASSETS

As at 31 December 2019, the outstanding bank borrowings, bank overdrafts and unutilised bank facilities of the Group were approximately MOP35,000,000, MOP11,213,000 and MOP120,099,000, respectively, which have been secured by pledged bank deposits and the Company's corporate guarantee.

TREASURY POLICY

The Group regularly monitors the liquidity requirements to ensure to maintain sufficient cash resources for the working capital needs and capital expenditure needs. The Group generally finances its working capital and capital expenditure through cash flows generated from operating activities and external financing, and maintains a steady financial position.

CAPITAL STRUCTURE

The Shares were listed on the Main Board of the Stock Exchange on the Listing Date and the Company's capital structure has not changed since then. The capital structure of the Company consists of issued share capital, share premium, statutory reserve and retained earnings.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES AND ASSOCIATES OF THE GROUP

For the year ended 31 December 2019, the Group did not hold any significant investments, and made no material acquisitions or disposals of its subsidiaries and associates.

FUTURE PLANS FOR SIGNIFICANT INVESTMENTS

Save as disclosed in the section headed "Future Plans and Use of Proceeds" in the prospectus, as at 31 December 2019, the Group did not have any future plans for significant investments.

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS AND USE OF PROCEEDS

The net proceeds from the share offer were approximately HK$91,771,000 (approximately equivalent to MOP94,661,000) (after deduction of underwriting fees and related listing expenses), of which approximately HK$20,573,000 had been utilised as of 31 December 2019 as follows:

Intended use	**Actual amount of net proceeds**	**Amount utilised as of 31 December 2019**	**Balance as at 31 December 2019**
	HK$'000	HK$'000	HK$'000
To finance our fitting-out and construction projects in Macau	62,693	20,573	42,120
To increase our workforce	15,967	—	15,967
To purchase machinery and equipment	13,111	—	13,111
	91,771	20,573	71,198

As at 31 December 2019, the unutilised net proceeds from the share offer had been deposited in the bank account(s) of the Group.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2019, the Group had 56 (2018: 69) employees, and most of the employees were stationed in Macau.

The Group will enter into separate employment contracts with each of its employees in accordance with the applicable employment laws in Macau. The remuneration package offered to the Group's employees generally included basic salaries, bonuses and other cash allowances or subsidies. The Group determines the salary of its employees mainly based on each employee's qualifications, relevant experience, position and seniority.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As at 31 December 2019, the Group had no capital commitment (2018: nil).

As at 31 December 2019 and 31 December 2018, the Group had no material contingent liabilities.

FOREIGN EXCHANGE EXPOSURE

The Group earns revenue mainly in MOP and incurs costs mainly in MOP and HK$. The Directors believe that the Group's cash flows from operations and liquidity are not exposed to significant foreign exchange risk, and therefore, no hedging policy is currently in place for foreign exchange risk. However, the Group will continue to monitor foreign exchange risk and consider hedging significant foreign exchange risk when necessary.

Environmental, Social and Governance Report

ABOUT THIS REPORT

This report is the first Environmental, Social and Governance Report (the "**Report**") published by the Group to outline our approaches, commitments and strategies in pursuit of sustainable development, as well as create value for our supply chain, our people, our environment and the community.

REPORTING PERIOD AND SCOPE

This Report covers the principal businesses of the Group, relating to business and operation activities of our headquarters located at Macau, covering the reporting period from 1 January 2019 to 31 December 2019 (the "**Reporting Period**").

REPORTING STANDARD AND PRINCIPLES

This Report is prepared pursuant to the Environmental, Social and Governance Reporting Guide ("**ESG Guide**"), Appendix 27 of the Rules Governing the Listing of Securities on the Stock Exchange.

In preparing this report, the Group has applied the principles of materiality, quantitative, balance and consistency.

STAKEHOLDER ENGAGEMENT

The Group defines our stakeholders to be individuals and organisations which could impact or be impacted by our operations. The Group well understands that addressing issues of interest to a variety of stakeholders is intrinsically linked to its abilities to establish an operation management incorporating sustainability, which is in turn vital to ensure the sustainability of its business activities and to achieving long-term growth for its stakeholders encompassing the Group's investors, clients, suppliers, employees and community. The Group incessantly interacts with our stakeholders on an ongoing basis so as to collect their feedback and beware their concerns. Currently, the major communication channel is through the daily interaction with the stakeholders. The Group will explore other potential channels to enhance the communication, in terms of both quality and quantity.

MATERIALITY ASSESSMENT

Materiality assessment is adopted to prioritise the Group's sustainability through understanding expectations of multi-stakeholders and identify any industry specific issues. This Report focuses on sustainability issues material to the Group's business and those issues of prime importance. We identify these issues by

o analysing environmental and social impacts of our business activities

o reviewing and identifying concerns identified by stakeholders

o comprehending global sustainability megatrends

o framing our approach to reporting adherence to the ESG Guide

To conduct the materiality assessment, potentially material issues and industry specific issues have been selected to compile a list. Key stakeholders were identified for engagement subsequently.

Environmental, Social and Governance Report

Following themes have been identified as six key areas within our business that should be reported.

- Health and Safety
- Supply Chain
- Talent Cultivation
- Community Engagement
- Environmental Protection
- Quality and Probity

HEALTH AND SAFETY

Health and safety are material issues of prime importance in the fitting out and construction industry. The Group is committed to operating safe and healthful workplaces, through promoting safety awareness by engaging our employees regularly, formulating safety rules and investing in a safe working environment, with dedication to allocate sufficient amount of resources and efforts to implement safety policies and measures. These policies and measures facilitate effective management for the occupational safety of the projects with subcontractors to ensure safe construction.

During the Reporting Period, the Group has not identified any material non-compliance of applicable laws and regulations in Macau, including but not limited to the applicable provisions laid down by Decree Law no. 44/91/M ("**General Regulation of Working Safety and Hygiene in the Construction Industry**"), Decree Law no. 34/93/M ("**Legal Regime of Noise at Work**") and Decree Law no. 37/89/M ("**General Regulation of Work Safety and Hygiene of Offices, Services and Commercial Establishments**").

The Group's commitment on health and safety would be elaborated in the following aspects.

— Safety Training and Inspection

— Wellbeing in the Workplace

Safety Training and Inspection

In order to promote safety awareness and ensure the Group's employees safely perform their works, safety training is conducted regularly. Safety inspection is conducted every day, with preparing monthly safety report. Safety supervisors conduct safety control measures on sites to ascertain that the workplaces are safe and without risk of injury to the safety and health of our employees, for instance, a safe and suitable scaffold would be provided when the work could not be done safely on or from the ground. Moreover, checks and re-inspections are performed on the temporary power supply system on the construction site by a competent electrician. In accordance with the prescribed regulatory requirement, these checks and re-inspections shall be conducted every 60 days. The Group performs these checks and re-inspections in a more stringent manner, namely, every 30 days.

Employees of the Group working at construction sites are required to attend relevant safety card courses so that the employees could know the substances of the regulations related to construction site safety, basic safety concepts of work, potential hazard of construction works, prevention measures of occupational accidents as well as how to apply personal protective equipment (PPE). Furthermore, representative of the Labour Affairs Bureau has been invited to deliver safety training about occupational health and safety for the construction site.

Wellbeing in the Workplace

Apart from the health and safety concerns over site work, there is a growing emphasis on health and wellbeing in the workplace. Inhalation exposure to indoor air pollutants could elicit a variety of poor health and well-being outcomes. Health effects associated with exposure to indoor air pollutants can be short-term or even long-term symptoms, ranging from headaches, eye irritation or runny nose to asthma attacks. The Group strives to provide a healthy working environment for our employees working at office. Air purifiers are installed in the office.

SUPPLY CHAIN

Suppliers are core determinants in managing fitting-out and construction projects. The Group's suppliers majorly include suppliers for building materials to be consumed in our fitting-out projects and construction projects. Where appropriate, the Group would subcontract particular activities to other subcontractors. These activities consist of demolition works, building services system installation and foundation works.

Further details would be elaborated in the following aspects.

— Suppliers' Selection and Evaluation

— Supply Chain Responsibility Management

Suppliers' Selection and Evaluation

Existing suppliers or contractors are required to undergo Supplier/Contractor Annual Assessment. It consists of few major aspects encompassing timely service delivery, maintenance, quality of products or engineering work, service quality, environmental, health & safety (EHS), and so on.

For a new supplier or contractor, an assessment is required, with aspects including industry reputation, presence of quality, environmental, health and safety management systems, third party certification, analysis and test reports, sample quality review, and so on.

In case of nonconformity, suppliers or contractors have to conduct corrective and preventive measures. If the outcomes still could not satisfy the prescribed requirements, the suppliers or contractors would be disqualified.

Supply Chain Responsibility Management

The Group attaches great significance to supply chain management for the sake of the effective operation of the quality and safety at the sites. Apart from the existing supplier and contractor assessment framework, The Group would further explore the ways to monitor environmental and social risks along the supply chain, with the mounting and ascending concerns from stakeholders.

TALENT CULTIVATION

Talent is vital in dictating the business performance of the Group. The Group works hard to create an engaging and empowering culture that unleashes the potential of our employees. Furthermore, the Group performs fair and open recruitment, maintains a healthy and safe working environment, and strives to build a holistic career development for our employees.

The Group complies the applicable regulations including but not limited to Law no. 4/98/M ("**Framework Law on Employment Policy and Worker's Rights**"), Law No. 7/2008 ("**Labour Relations Law**"), Law no. 21/2009 ("**Law for the Employment of Non-Resident Workers**"), Law no. 4/2010 ("**Social Security Regime**") and Decree Law no. 40/95/M ("**Legal Regime of Compensation of Damages Caused by Industrial Accidents and Occupational Diseases**").

Relevant policies and measures would be elaborated in the following aspects.

— Employee Remuneration and Welfare

— Employee-friendly Working Environment

— Training and Development

— Prevention of Child Labour and Forced Labour

Employee Remuneration and Welfare

The Group has established a lawful remuneration and benefit protection system. Duties and obligations of the Group, and employment clauses are duly stated, such as employment contract requirements, probation period, working hours, overtime and annual leave.

The Group participates and contributes to the mandatory social security funds and to purchase compulsory industrial accident insurance for the Group's employees. Additionally, the Group protects employees' statutory benefits such as holidays.

Regarding the employment of foreign labour, it is important to note that non-residents of Macau are generally not permitted to work unless a proper work permit has been obtained. The employment of such workers is subject to application provisions stipulated to Law no. 21/2009 ("**Law for the Employment of Non-Resident Workers**").

Environmental, Social and Governance Report

Employee-friendly Working Environment

The Group promotes the culture of employee-friendly working environment. The Group always treats our employees with affection and respect so as to make them feel comfortable and serene. Every employee should be considered as important and should be treated with esteem.

Apart from a formal engagement, the Group also encourages informal connection with our employees outside of work, leading them feel open and contented. Therefore, our employees have various types of habitual gathering such as causal dinners and birthday dinners, with participants ranging from large groups to small teams.

Training and Development

Ongoing learning and development is critical to helping our employees not only maintain relevant skills to adequately do their jobs, it also helps them acquire new skills as market dynamics change. The Group highly encourages our employees to acquire professional qualifications.

Prevention of Child Labour and Forced Labour

Child and forced labour are strictly prohibited during the recruitment process. Personal data are collected to verify candidates' personal identity. Moreover, to verify the authenticity of the candidates' Macau Resident Identity Cards, the identity cards would be verified by the integrated self-service kiosks managed by the Identification Services Bureau, Macau Special Administrative Region.

COMMUNITY ENGAGEMENT

The Group engages in our community to improve the quality of life and reinforce our deep connections to our community. During the Reporting Period, the Group donated one million Hong Kong dollars to the Community Chest of Hong Kong, which was an independent non-profit making organisation serving the community. Moreover, our employees participated in Walk for Millions in Macau.

ENVIRONMENTAL PROTECTION

Risks in relation to environmental, climate change as well as extreme weather have been ranking in a higher and higher position. The Group recognises the pivotal importance of climate change and environmental protection, as well as the collective responsibility to mitigate its negative and adverse effect. The Group has therefore adopted an environmental policy and states its responsibilities to protect and enhance the environmental protection and to minimise adverse environmental impacts of its activities. As a fitting-out contractor, by far our greatest environmental impact is indirect, through the projects that the Group manages. Relevant environmental impacts could be significantly influenced by the discretions of the clients, those with respect to the extent of sustainable design elements and use of environmental friendly building materials.

Environmental endeavours of the Group would be elaborated in the following aspects.

— Emissions

— Use of Resources

— Waste Management

— Green Office

— Environmental Design

During the Reporting Period, the Group has not identified any material non-compliance of applicable laws and regulations in Macau, including but not limited to the applicable provisions laid down by Law no. 2/91/M ("**Macau Environmental Law**") and Law no. 8/2014 ("**Prevention and Control on Environmental Noise**").

For the total packaging material used for finished products, this figure is not disclosed since it is not applicable to the Group's business.

Emissions

The GHG emission figure is prepared in accordance with the "GHG Protocol Corporate Accounting and Reporting Standard" (GHG Protocol) issued by the World Resources Institute and the World Business Council for Sustainable Development. The GHG emission for Scope 1 is 16.09 tonnes of CO2e and that for Scope 2 is 5.97 tonnes of CO2e, with total GHG emission of 22.06 tonnes of CO2e and intensity 0.08 tCO2e/m^2.

The air emission of the Group majorly came from the use of bulldozer, its emission of nitrogen oxides (NOx) was 142.80 kg, emission of sulphur oxides (SOx) was 22.20 kg and emission of particulate matter (PM) was 9.90 kg.

Use of Resources

The energy consumption of the Group is 15,318.31 kWh, with intensity of 54.14kWh/m^2. The Group has introduced various environmental measures in our office to reduce energy consumption. The Group replaced the lighting with energy efficient LEDs in 2018, leading to energy reduction around 60%.

The Group operated in leased office premises in Macau where the water supply and discharge were solely controlled by the respective building management which considered the provision of water withdrawal and discharge data or sub-meter for individual occupant not feasible. The water consumption could therefore not be disclosed.

Waste Management

Construction waste including concrete and demolition waste could cause significant and negative environmental impacts. The Group therefore monitors the sub-contractor to handle the construction waste properly. It is found that some of the sub-contractor would just loosely cover the construction waste. The Group requests the sub-contractor to properly seal and cover the waste to the designated construction waste landfill area. Particularly, vehicles need to pass through the bridge in Macau during transportation. Dust pollution would be severe if the construction waste has not been covered properly.

Non-hazardous waste generated from the Group's office is immaterial, and thus the figure is not disclosed. In light of the Group's business nature, the Group did not generate any hazardous waste.

Green Office

The Group implements several measures to promote environmental protection. It is found that each increment in temperature setting of an office building with central air-conditioning could proportionately reduce electricity consumption in the air-conditioning equipment. The Group is recommending the 26 degree Celsius initiative to minimise the electricity consumption. Energy saving tips is placed in areas commonly seen. Furthermore, duplex printing is highly recommended, reducing paper consumption. These measures could enhance the environmental awareness of the Group's employees.

Environmental Design

The Group is always on the hunt for the best in eco-friendly, incorporating sustainable interior design techniques to eradicate adverse environmental effects. The Group would communicate with project owners and suggest using eco-friendly materials, low emitting adhesives and paints, energy saving products such as LED and variable-speed air conditioner, and water efficient devices.

With the prevailing concerns over indoor air quality, especially after renovation, air flush, air purification works and indoor air measurement would be performed. An air flush is a technique that can be applied whereby air is forced through a building after construction and prior to occupancy in order to remove or reduce air pollutants such as volatile organic compounds and particulate matter that were introduced indoors during construction. Air purification works mainly consist of applying air purification technology likes photocatalytic oxidation and placing air purifiers to sites. The Group would appoint third-party environmental laboratories to conduct measurement for commonly found air pollutants such as formaldehyde and volatile organic compounds. Furthermore, the Group chooses construction material with environmental considerations. The Group would use fly ash bricks, rather than normal red bricks. It is because the amount of carbon dioxide emitted when manufacturing the red bricks is much higher than that of fly ash bricks.

The Group would incessantly explore how to strategically introduce new environmental measures to ameliorate the negative environmental effects.

QUALITY AND PROBITY

Quality engineering works and business probity act as the cornerstone of the Group's business. The Group has set up procedures to monitor the project quality.

The Group abides by the relevant anti-corruption laws and regulations, and incessantly optimises the anti-corruption management system.

Relevant policies and measures would be elaborated in the following aspects.

— Project Quality Management

— Business Integrity and Anti-corruption

— Client Satisfaction and Complaint Handling

Project Quality Management

Standardised procedures and steps have been established from tender review, cost analysis, submission document preparation, contract endorsement, project plan, material purchase, project progress review, inspection arrangement to payment receipt. Duties and responsibilities for the Board, and various departments including engineering department, contract department and finance department are explicitly and clearly stated. Additionally, project quality is achieved through regular project meeting, material analysis, inspection and testing.

Project meeting is hosted regularly to identify issues, facilitate information exchange, as well as review project status covering aspects with respect to schedule, budget, quality and supplier performance.

In order to assure the quality of the construction materials, representatives of the Group would visit the production factories to conduct inspection. The Group would appoint third-party testing laboratory to conduct analysis for specific type of construction materials such as glass and brick, and the analysis covers different parameters, for instance, film thickness determination for paints and varnishes.

Inspection and testing would be carried out on electrical installations in accordance with the prescribed requirements. The inspection and testing items comprise of visual inspection, correctness of the installation designation, checks on cable tray system for continuity, enclosure of moulded adaptable boxes, and so on.

Environmental, Social and Governance Report

Business Integrity and Anti-corruption

The Group is committed to high ethical, legal and moral standards and all employees of the Group are expected to share this commitment. Sub-contractors are requested to be aligned with our values and principles and uphold high standards of business integrity and technical conduct. This is critical for our clients who are increasingly demanding transparency about our supply chain activity. The Group has established an Anti-Bribery, Anti-Corruption and Anti-Money Laundering Policy on the avoidance of bribery, corruption and money laundering. The Group strictly prohibits acts of corruption, such as those in relation to pay bribes or receive kickbacks. In addition, clear guidelines have been stated about acceptance of gifts, hospitality, rewards, benefits or other incentives. The policy applies to sub-contractors as well.

Concerning prevention of money laundering and terrorist financing, the Group fully supports the international drive against serious crime, drug trafficking and terrorism and is committed to assisting the authorities to identify money laundering and terrorist financing transactions. All our employees shall comply fully with the applicable laws and rules in the anti-money laundering and terrorist financing.

Client Satisfaction and Complaint Handling

Enhancing the service quality and safeguarding the rights and interest of clients incessantly articulates the Group's strategy.

On the occasion when client complaint is received, the engineering director and the project manager concerned would jointly handle the case, conduct investigation and work out the correction immediately.

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. LOU Cheok Meng (盧卓明先生), aged 40, was appointed as a Director on 20 June 2017 and redesignated as an executive Director on 22 January 2018 and, subsequently entered into the services agreement dated 24 October 2019 with the Company for the initial term of three years as its executive Director which was approved at the shareholders' meeting of the Company on 24 October 2019. Mr. Lou is also the Chairman of the Board and our Managing Director. He is also the members of the remuneration committee and the nomination committee of the Company. He is one of the founders of our Group and set up AD&C Engineering & Construction Company Limited (the "**AD&C**") in November 2003. Mr. Lou has gained more than 14 years of experience in the construction and civil engineering fields through the operations of our Group. The Board is of the view that Mr. Lou's technical expertise and experience in the industry has enhanced the development and scale of operations of our Group in the past years. Mr. Lou is responsible for the overall management and direction of our Group and formulation of our business plans and operating strategies.

Mr. Lou obtained a Bachelor of Architecture from Huaqiao University in the People's Republic of China (the "**PRC**") in July 2003. Mr. Lou is registered with the Land, Public Works and Transport Bureau of Macau (in Portuguese, Direcção dos Serviços de Solos, Obras Públicas e Transportes da Região Administrativa Especial de Macau) (the "**DSSOPT**") as a technician for project elaboration. He was registered with the Architecture, Engineering and Urban Planning Council of Macau (in Portuguese, Conselho de Arquitetura, Engenharia e Urbanismo da Região Administrativa Especial de Macau) (the "**CAEU**") as an architect in January 2016. Mr. Lou was admitted to the Master of Business Administration programme of the Macau University of Science and Technology in September 2017.

Mr. Lou has become a member of the fourteenth session of the Chinese People's Political Consultative Conference Nanjing City Committee (中國人民政治協商會議南京市委員會) since January 2018. Mr. Lou has been the secretary-general of Nanjing Youth Association of Hong Kong and Macau since March 2016. He has served as a board member of the Association of Macau Architects and Civil Engineers of China Hua Qiao University (中國華僑大學建築、土木(澳門)協會) since November 2005.

Mr. CHANG Wa Ieong (曾華壤先生), aged 44, was appointed as a Director on 20 June 2017 and redesignated as an executive Director on 22 January 2018 and, subsequently entered into the services agreement dated 24 October 2019 with the Company for the initial term of three years as its executive Director which was approved at the shareholders' meeting of the Company on 24 October 2019. He is one of the founders of our Group and set up AD&C in November 2003. Mr. Chang is responsible for the management and supervision of our projects, in particular focusing on project implementation, arrangement of project team and coordination of site personnel so as to ensure on-time completion of the projects. In terms of the management of bidding and tendering activities of our Group, he is responsible for estimation of project schedule, cost analysis and price determination of various items in a tender or quotation.

Mr. Chang obtained a Bachelor of Engineering in Building Engineering from Huaqiao University in the PRC in July 2002. He received a certificate for completion of the programme for Construction Safety Supervisor jointly organised by the Centre for Continuing Education of the University of Macau and the Labour Affairs Bureau of Macau (in Portuguese, Direcção dos Serviços para Assuntos Laborais da Região Administrativa Especial de Macau) (the "**DSAL**") in January 2010. Mr. Chang is registered with the DSSOPT as a technician for project elaboration, project direction and supervision of works. He was registered with the CAEU as a civil engineer in December 2015.

Mr. Chang has been a board member of the Macau Construction Machinery Engineering Association since August 2016. He has served as a board member of the Association of Macau Architects and Civil Engineers of China Hua Qiao University since July 2006.

Biographical Details of Directors and Senior Management

Mr. AO Weng Kong (歐穎剛先生), aged 41, was appointed as a Director on 20 June 2017 and redesignated as an executive Director on 22 January 2018 and, subsequently entered into the services agreement dated 24 October 2019 with the Company for the initial term of three years as its executive Director which was approved at the shareholders' meeting of the Company on 24 October 2019. He is one of the founders of our Group and set up AD&C in November 2003. Mr. Ao is responsible for (i) implementation and promotion of occupational safety measures; (ii) formulation of workplace safety plans; (iii) training and arrangement of safety officers; and (iv) attendance of various training courses in relation to occupational health and safety. In terms of the management of bidding and tendering activities of our Group, he is responsible for providing recommendations on legal compliance regarding occupational health and workplace safety matters based on his expertise and past working experience from the DSAL.

Mr. Ao once left our Group and worked for the DSAL as an assistant technician (second class, first scale) from September 2005 to October 2006. He rejoined our Group in November 2006. He obtained a certificate for Safety & Health Supervisor (Construction) from the Macau Occupational Safety & Health Council of Hong Kong in June 2006. He received a certificate for completion of the programme for Construction Safety Supervisor jointly organised by the Macau Polytechnic Institute and the DSAL in August 2007. The Board is of the view that Mr. Ao's training and experience in safety supervision is valuable to the safe working environment for our employees.

Mr. Ao obtained a Bachelor of Engineering in Real Estate Management from Huaqiao University in the PRC in July 2002.

Mr. Ao currently serves as a vice-president of the Macau Construction Association. He has served as the chairman of the Board of the Association of Macau Architects and Civil Engineers of China Hua Qiao University since January 2013.

Mr. LEONG Ka In (梁家賢先生), aged 40, was appointed as a Director on 20 June 2017 and redesignated as an executive Director on 22 January 2018 and, subsequently entered into the services agreement dated 24 October 2019 with the Company for the initial term of three years as its executive Director which was approved at the shareholders' meeting of the Company on 24 October 2019. He is one of the founders of our Group and set up AD&C in November 2003. Mr. Leong is responsible for providing advice on workplace safety by identifying safety issues and making recommendations. In terms of our business operations, he is responsible for advising our project team on specific and difficult issues based on his previous site management experience.

Mr. Leong obtained a Bachelor of Engineering in Building Engineering from Huaqiao University in the PRC in July 2002. Mr. Leong is registered with the DSSOPT as a technician for project elaboration, project direction and supervision of works. He was registered with the CAEU as a civil engineer in December 2015.

Mr. Leong has served as a board member of the Association of Macau Architects and Civil Engineers of China Hua Qiao University since August 2007.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. LAM Chi Kit (林志傑醫生) ***BBS MH JP***, aged 64, was appointed as an independent non-executive Director on 24 October 2019. He is also the chairman of the nomination committee of the Company, the members of the audit committee and the remuneration committee of the Company. He graduated from the University of the East in the Philippines with the degree of Doctor of Dental Medicine in April 1979.

Dr. Lam was qualified as a dental surgeon in 1979. He was elected as a fellow of the Academy of Dentistry International in May 2004 and a fellow of the International College of Dentists in March 2015. Dr. Lam served as a director of the Hong Kong Dental Association Limited from November 2007 to October 2009. He has been the chairman of the Hong Kong Chinese Dentists Association since December 2015.

Dr. Lam has received recognition from government of Hong Kong for his service to the community. Dr. Lam was awarded by the government of Hong Kong the Medal of Honour in 1999 and the Bronze Bauhinia Star in 2010. He was appointed a Justice of the Peace in July 2013. Dr. Lam served as a member of the Independent Police Complaints Council from January 2007 to December 2012 and a member of the Appeal Board on Public Meetings and Processions from December 2011 to December 2017. He is an Honorary Commissioner of the Hong Kong Road Safety Patrol.

Dr. SIN Wai Chiu Joseph (冼偉超博士), aged 65, was appointed as an independent non-executive Director on 24 October 2019. He is also the chairman of the audit committee of the Company and a member of the nomination committee of the Company. Dr. Sin obtained a Bachelor of Commerce (Business & Industrial Management) from the Far East College Hong Kong in July 1985. He was awarded an honorary doctoral degree (Doctorate d'Honneur) by the Paris Institute of Administration Studies and Management (Institut des Estudes d' Administration et de Management de Paris) in June 2011.

Dr. Sin has accumulated over 40 years of experience in the financial management and insurance fields. Dr. Sin worked for AXA Group between April 1986 and January 2001. He was heavily involved in the establishment of the Sino-French joint venture of AXA-Minmetals Assurance Company Limited (now renamed as ICBC-AXA Assurance Co., Ltd.) between 1997 and May 1999 and served as its director, president and chief executive from May 1999 to December 2000. He worked as the managing director of Tanrich Financial Holdings Limited (now renamed as Southwest Securities International Securities Limited, a company listed on the Main Board with stock code: 00812) from September 2001 to July 2003. Dr. Sin joined Happy Life Insurance Co., Ltd. in the PRC in November 2007 as vice-president, and he was appointed as its financial controller in March 2010 until December 2011. Dr. Sin was the managing director of Bureau of Insurance Services Limited between December 2003 and August 2019.

Dr. Sin served as an independent non-executive director of Kong Sun Holdings Limited (a company listed on the Main Board with stock code: 00295) between May 2005 and March 2006. He has served as an independent director of Union Life Insurance Co., Ltd. (the debt securities of which are listed on the Stock Exchange with stock code: 04322) since September 2017.

Dr. Sin was elected a fellow of the Institute of Financial Accountants in May 1982. He is also a fellow of the Institute of Certified Public Accountants in Ireland. Dr. Sin was admitted as a fellow member of the Association of International Accountants in September 2005. He was elected a fellow of the Institute of Chartered Secretaries and Administrators in February 2003.

Biographical Details of Directors and Senior Management

Mr. LO Chun Chiu Adrian (羅俊超先生), aged 64, was appointed as an independent non-executive Director on 24 October 2019. He is also the chairman of the remuneration committee of the Company and a member of the audit committee of the Company. Mr. Lo was awarded a Bachelor of Laws by the University of London (as external student) in August 1988.

Mr. Lo is a member of the Law Society of Hong Kong and has been practising as a solicitor since November 1991. Mr. Lo joined Joseph C.T. Lee & Co. in 1989 and was promoted to partnership in December 1993. He has been engaging in various fields of legal practice involving commercial and conveyancing litigation, acquisition and sale of business and/or companies, company liquidation, charity foundation works, family law, immigration law and employment law.

Mr. Lo has served as an independent non-executive director of New Concepts Holdings Limited (a company listed on the Main Board with stock code: 02221) since September 2014.

SENIOR MANAGEMENT

Mr. WONG Yat Chung (黃逸中先生), aged 32, is our chief financial officer and company secretary. He joined our Group on 24 April 2018 and is responsible for overall management of our financial team and supervision of our Group's secretarial, corporate finance, treasury, financial reporting, tax and other related financial matters.

Mr. Wong joined World Link CPA Limited as Auditor II in November 2011 and he was promoted to Senior Auditor III in July 2013 prior to his departure in September 2014. He served as assistant financial controller of Truth & Faith International Limited (a subsidiary of Ausupreme International Holdings Limited, a company listed on the Main Board with stock code: 02031) from January 2015 to September 2016. He was then responsible for financial accounting and reporting, and participating in group corporate finance functions including its initial public offering.

Mr. Wong obtained a Bachelor of Business Administration in Accountancy from the Hong Kong Polytechnic University in November 2010. He was admitted as a member of the HKICPA in May 2015.

Mr. LIANG Yuxiang (梁煜祥先生), aged 39, is the financial controller of our Group. He joined our Group on 22 July 2016 and is responsible for management of our financial and accounting departments and supervision of financial matters.

Before joining our Group, Mr. Liang served as the deputy financial officer for Zhuhai International Container Terminals (Gaolan) Limited from May 2011 to October 2015.

Mr. Liang obtained a Master of International Professional Accounting from James Cook University in Australia in September 2008.

Mr. SAM Ngai Wa (岑毅華先生), aged 34, is the engineering director of our Group. He joined our Group as an assistant architect on 15 July 2009. Mr. Sam was promoted to the position of engineering director on 1 January 2017 and is now responsible for the management and supervision of construction projects of our Group.

Mr. Sam obtained a Bachelor of Architecture from Huaqiao University in the PRC in June 2009. He completed a programme for Construction Safety Supervisor jointly organised by the University of Macau and the DSAL in September 2013. Mr. Sam is registered with the DSSOPT as a technician in project elaboration. He was registered with the CAEU as an architect in January 2016.

Mr. KU Chon Fai (古俊輝先生), aged 32, is the engineering director of our Group. He joined our Group as an assistant engineer on 9 October 2009. Mr. Ku was promoted to the position of engineering director on 1 January 2017 and is responsible for the management and supervision of electromechanical projects of our Group.

Mr. Ku received a Bachelor of Science in Electromechanical Engineering from the University of Macau in July 2009. He completed a programme for Construction Safety Supervisor jointly organised by the University of Macau and the DSAL in October 2012. Mr. Ku is registered with the DSSOPT as a technician in project elaboration, project direction and supervision of works. He was registered with the CAEU as an electromechanical engineer in June 2016.

Ms. FAN Hei Man (范曦文女士), aged 26, is the financial manager of our Group. She joined our Group on 1 October 2016 and is responsible for handling the financial, human resources and administrative matters of our Group.

Ms. Fan graduated from the Guangdong Ocean University with a diploma in Accounting in January 2016.

Corporate Governance Report

The Board is pleased to present the corporate governance report of the Company for the Reporting Period.

COMMITMENT TO CORPORATE GOVERNANCE

The Directors and the management of the Group recognise the importance of sound corporate governance to the long-term success and continuing development of the Group. Therefore, the Board is committed to upholding good corporate governance standards and procedures, so as to emphasis on accountability, independence, responsibility, fairness and transparency for the Group, and to protect the interests and create value for the Shareholders.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company's corporate governance practices are based on the principles and code provisions as set out in the Corporate Governance Code and Corporate Governance Report (the "**Code**") in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"). Since the Listing Date and up to 31 December 2019 (the "**Period**"), the Directors had reviewed the Company's performance of its corporate governance practices that, to the best knowledge of the Board, the Company has complied with the code provisions as set out in the Code to throughout the Period, save for the deviation as specified with considered reasons for such deviation as explained below.

Under Code Provision A.2.1 of the Code, the roles of the chairman and chief executive officer should be separated and should not be performed by the same individual.

During the Period, the Company has not separated the roles of chairman and chief executive officer of the Company. Mr. Lou is acting as the chairman of the Board and our managing director, who in practice operates as the chief executive of our Group. Our Directors are of the view that, Mr. Lou has been a key leadership figure of our Group and engaging with the overall management and in formulating our business plans and operating strategies, and our Group has benefited from Mr. Lou's extensive business network in the Macau construction industry and his technical expertise in the engineering fields. As such, our Directors are of the view that it would be in our Group's best interest for Mr. Lou to continue performing the two roles in terms of effective management and business development. Our Directors further believe that the balance of power and authority is adequately ensured by the operations of the Board, which comprises experienced and high-calibre individuals, with three of them being independent non-executive Directors.

Based on the above factors, the Board considers that the deviation from the code provision A.2.1 of the Code is appropriate.

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.

THE BOARD

Roles and responsibilities

The Board assumes responsibility for leadership and control of the Company and is collectively responsible for promoting the success of the Company by directing and supervising the Company's affairs in the best interest of the Company and its Shareholders at all times. The key responsibilities of the Board include formulation of the Group's overall strategies, setting management targets and supervision of the management's performance. Under the leadership of the executive Directors, the management of the Company are delegated with the authority and responsibility by the Board to operate the businesses and to carry out the day-to-day administration of the Group; whereas the independent non-executive Directors of the Company are responsible for ensuring a high standard of financial and management reporting to the Board and Shareholders as well as a balanced composition in the Board so that there is a strong independent element in the Board. In addition, the Board has also delegated various responsibilities to the board committees of the Company (the "**Board Committees**"). Further details of the Board Committees are set out in this annual report.

Board composition

The members of the Board during the Period and up to the date of this annual report are as follows:

Executive Directors:

Mr. LOU Cheok Meng *(Chairman and Managing Director)*
Mr. CHANG Wa Ieong
Mr. AO Weng Kong
Mr. LEONG Ka In

Independent Non-executive Directors:

Dr. LAM Chi Kit *BBS MH JP*
Dr. SIN Wai Chiu Joseph
Mr. LO Chun Chiu Adrian

After annual assessment by the nomination committee of the Company at a meeting on 31 March 2020, the Board considers that all the Directors have distinguished themselves in their field of expertise so as to give a balance of skills, knowledge and experience, and diversity of perspectives required for the running of an effective Board. The Board currently comprises four executive Directors and three independent non-executive Directors. The brief biographical details of the Directors and the senior management and relationship among them are set out in the section headed "Biographical Details of Directors and Senior Management" of this annual report.

Independent Non-executive Directors

Pursuant to Rules 3.10(1), 3.10(2) and 3.10A of the Listing Rules, the Company has appointed three independent non-executive Directors who represent more than one third of the Board and with one of whom hold appropriate professional qualifications or accounting or related financial management expertise.

The Company has entered into a services agreement with each of the independent non-executive Directors for a term of three years commenced from 24 October 2019, which may be terminated earlier by no less than three months written notice served by either party on the other. However, they are still subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provisions of the Company's articles of association (the "**Articles**").

The Company has received from each of its independent non-executive Directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules and after annual assessment by the nomination committee of the Company at a meeting on 31 March 2020, the Company considers that all of the independent non-executive Directors are independent under the Listing Rules.

Board diversity

In November 2019, the Company adopted a policy on diversity of the Board members (the "**Board Diversity Policy**"). The policy is to review, assess and recommend any appointment, re-election or any succession plan of any Directors to the Board from time to time after considering a number of factors, including but not limited to gender, age, cultural and educational background, race, professional experience, skills, knowledge and tenure of appointment to allow for the Company's business model and specific needs. The selection of candidates of any new directors will be based on a range of criteria, including but not limited to, gender, age, cultural and educational background, experience (professional or otherwise), skills and knowledge. The appointment of Directors will continue to be made based on merit and potential contribution by the candidate to the Board and the Company. The Board considers that each Director has the necessary skills and experience appropriate for discharging their duties as Directors in the best interest of the Company and its Shareholders.

After annual assessment by the nomination committee of the Company at a meeting held on 31 March 2020, the Company considers that, all Directors demonstrated themselves in their respective fields of expertise to perform a check and balance function with diversity of skills, knowledge, varied background and experience required for running an effective Board.

Re-election of Directors

Pursuant to Article 108(a) of the Articles, one-third of the Directors for the time being (or if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. Dr. LAM Chi Kit *BBS MH JP*, Dr. SIN Wai Chiu Joseph and Mr. LO Chun Chiu Adrian will retire from office as Directors at the forthcoming annual general meeting of the Company ("**AGM**"), and being eligible, will offer themselves for re-election thereat.

Board meetings and general meeting

During the Period and up to the date of this annual report, the Board held one regular meetings and nil ad-hoc meetings. The attendance records of individual Directors at the Board meetings and at the general meeting are set out below:

Name of Directors	Number of Board meetings attended/ eligible to attend	Number of general meeting attended/ eligible to attend
Executive Directors:		
Mr. LOU Cheok Meng *(Chairman and Managing Director)*	1/1	0/0
Mr. CHANG Wa Ieong	1/1	0/0
Mr. AO Weng Kong	1/1	0/0
Mr. LEONG Ka In	1/1	0/0
Independent Non-executive Directors:		
Dr. LAM Chi Kit *BBS MH JP*	1/1	0/0
Dr. SIN Wai Chiu Joseph	1/1	0/0
Mr. LO Chun Chiu Adrian	1/1	0/0

Independent non-executive Directors will attend meeting(s) independently held with the chairman of the Board without the executive Directors present on the direction of the Group's strategy and policies during the year of 2020.

All Directors have access to the company secretary of the Company who is responsible for ensuring that Board procedures are followed and all applicable rules and regulations are complied with.

The Board ensures that its members are supplied, in a timely manner, with all necessary information in a form and of a quality appropriate to enable the Board to discharge its duties.

The minutes of Board meetings recorded all the details of the matters considered by the Board and the decisions reached, including any concerns raised by Directors or dissenting views expressed. Minutes of Board meetings are kept by the company secretary of the Company and are available for inspection by any Director.

Directors' and Officers' liability

Appropriate insurance cover on Directors and officers' liabilities has been provided to cover potential legal actions against Directors and officers.

Relationships among Board Members and Senior Management

Saved as disclosed in the section headed "Biographical Details of Directors and Senior Management" of this annual report, there is no financial, business, family or other material or relevant relationship among members of the Board and the senior management of the Company.

Directors' Continuing Professional Development Programme

All Directors must keep abreast of their collective responsibilities. The Group acknowledges the importance of adequate and ample continuing professional development for the Directors to ensure their contributions to the Board remains informed and relevant. In this regard, the Group provides briefings and other training to develop and refresh the Directors' knowledge and skills. Details of the continuous professional development participated by the Directors for the Period, that the Company received, are set out below:

Name of Directors	**Attended seminars or briefing/read materials**
Executive Directors:	
Mr. LOU Cheok Meng *(Chairman and Managing Director)*	✓
Mr. CHANG Wa Ieong	✓
Mr. AO Weng Kong	✓
Mr. LEONG Ka In	✓
Independent Non-executive Directors:	
Dr. LAM Chi Kit *BBS MH JP*	✓
Dr. SIN Wai Chiu Joseph	✓
Mr. LO Chun Chiu Adrian	✓

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 code of conduct regarding securities transactions by the Directors. All Directors have confirmed, following specific enquiry by the Company, that they have complied with the required standard as set out in the Model Code throughout the Period.

BOARD COMMITTEES

The Board has established three committees to oversee particular aspects of the Group's affairs and to assist in the execution of the Board's responsibilities. All committees have their own terms of reference. The views of different committees and their recommendation not only ensure proper control of the Group but also the continual achievement of the high corporate governance standards expected of a listed company. The Board conducts regular review of the structure and composition of the committees with particular attention to the skills, knowledge and experience of individual members.

Audit Committee

The audit committee of the Company (the "**Audit Committee**") was set up on 24 October 2019 with specific terms of reference. The terms of reference of the Audit Committee which are available on the websites of the Stock Exchange and the Company with its terms of reference in compliance with Rules 3.21 of the Listing Rules and code provision C.3.3 of the Code.

The Audit Committee currently consists of three independent non-executive Directors namely, Dr. SIN Wai Chiu Joseph, the chairman of the Audit Committee, Dr. LAM Chi Kit *BBS MH JP* and Mr. LO Chun Chiu Adrian.

A total of two meetings were held during the Period and up to the date of this annual report and the attendances of individual members are as follows:

Name of members	**Number of meetings attended/eligible to attend**
Dr. SIN Wai Chiu Joseph *(Chairman)*	2/2
Dr. LAM Chi Kit *BBS MH JP*	2/2
Mr. LO Chun Chiu Adrian	2/2

During the Period, the Audit Committee had discussed internal controls, risk management and financial reporting matters. The Audit Committee had also reviewed the audited annual results for the Reporting Period contained in this annual report, and confirmed that this annual report complies with the applicable accounting standards, the Listing Rules, and other applicable legal requirements and that adequate disclosures have been made. There is no disagreement between the Directors and the Audit Committee regarding the selection and appointment of the external auditors. The Audit Committee has recommended to the Board that Wellink CPA Limited, Certified Public Accountants ("**Wellink**") be nominated for re-appointment as the Company's auditor at the AGM. The Board is of the view that the Audit Committee has properly discharged its duties and responsibilities during the Period and up to the date of this annual report.

Remuneration Committee

The remuneration committee of the Company (the "**Remuneration Committee**") was set up on 24 October 2019 with specific terms of reference. The terms of reference of the Remuneration Committee which are available on the websites of the Stock Exchange and the Company with its terms of reference in compliance with Rule 3.25 of the Listing Rules and code provision B.1 of the Code.

The Remuneration Committee currently comprises three members, including the chairman and managing director of the Company, Mr. LOU Cheok Meng, and two independent non-executive Directors, Mr. LO Chun Chiu Adrian as the chairman of the Remuneration Committee, and Dr. LAM Chi Kit *BBS MH JP*.

The remuneration packages of Directors and senior management of the Company are recommended by the Remuneration Committee to the Board for determination, as authorised by the shareholders at the annual general meeting, having regard to the operating results of the Company, individual performance and prevailing market conditions. The Board conducts regular review of the structure and composition of the Remuneration Committee with particular attention to the skills, knowledge and experience of individual members.

During the Period and up to the date of this annual report, the Remuneration Committee had reviewed the existing remuneration packages of the Board and the senior management of the Company and to make recommendation on the remuneration package of all Directors and senior management. The attendances of individual members are as follows:

Name of members	Number of meetings attended/eligible to attend
Mr. LO Chun Chiu Adrian *(Chairman)*	1/1
Mr. LOU Cheok Meng	1/1
Dr. LAM Chi Kit *BBS MH JP*	1/1

Nomination Committee

The nomination committee of the Company (the "**Nomination Committee**") was set up 24 October 2019 with specific terms of reference. The terms of reference of the Nomination Committee which are available on the websites of the Stock Exchange and the Company with its terms of reference in compliance with paragraph A.5 of the Code.

The Nomination Committee will take into consideration a candidate's qualification, experience, expertise, knowledge and diversity of perspectives, the requirements applicable to the Company and the structure and composition of the Board. The Nomination Committee identifies, reviews and nominates with diligence and care that candidates suitably qualified as Board members before making recommendation to the Board for their final appointment. Factors such as gender, age, cultural and educational background, and professional experience will also be taken into account to maintain a balanced composition and diversity of the perspectives of the Board.

The Board had adopted the Board Diversity Policy setting out the approach to diversify members of the Board. Selection of candidates will be based on a number of factors, including but not limited to gender, age, culture and educational background, race, professional experience, skills, knowledge and tenure of appointment.

The Board is currently composed of diversified members of different age, with education in architecture, engineering in building engineering, engineering in real estate management, dental medicine, legal, commerce and business administration, respectively, from leading universities in China (including Hong Kong) and Philippines. Business and professional experiences of the Board are even diversified which include but not limited to, entrepreneurship, listed companies directorship in Nanjing, Macau, Hong Kong, legal practices in Hong Kong, financial management and insurance in Hong Kong.

After annual assessment by the Nomination Committee at a meeting on 31 March 2020, the Company considers that the Board has achieved the following measurable objectives under the Board Diversity Policy for the Period:

1. at least one third of the members of the Board shall be independent non-executive Directors; and

2. at least one of the members of the Board shall have obtained accounting or other professional qualifications.

The Nomination Committee currently comprises three members, including the chairman and managing director of the Company, Mr. LOU Cheok Meng and two independent non-executive Directors, Dr. LAM Chi Kit *BBS MH JP* as the chairman of the Remuneration Committee, and Dr. SIN Wai Chiu Joseph.

During the Period and up to the date of this annual report, the Nomination Committee had reviewed and assessed under the existing policy for (i) re-election of Directors reviewed and assessed (ii) the structure, size and composition (including the skills, knowledge and experience) of the Board, (iii) the performance of each of the Directors, (iv) the independence of all independent non-executive Directors. The Board is of the view that the Nomination Committee had properly discharged its duties and responsibilities during the Period and up to the date of this annual report. The attendances of individual members are as follows:

Name of members	**Number of meetings attended/eligible to attend**
Dr. LAM Chi Kit *BBS MH JP (chairman)*	1/1
Mr. LOU Cheok Meng	1/1
Dr. SIN Wai Chiu Joseph	1/1

Dividend Policy

(1) Objective

It is the policy of the Company, in recommending the payment of dividends, to allow Shareholders to participate in the Company's profits and for the Company to retain adequate reserves for future growth.

(2) Determination Mechanism

The Company considers stable and sustainable returns to the Shareholders to be its goal.

Subject to the approval of the Shareholders and requirements of the relevant laws, the Company shall pay annual dividends to the Shareholders if the Group is profitable, operations environment is stable and there is no significant investment or commitment made by the Group. The remaining net profits will be used for the Group's development and operations. This policy allows the Company to declare special dividends or any distribution of profits from time to time in addition to interim and/or final dividends that the Board may deem appropriate.

In proposing any dividend payout, the Board shall also take into account, inter alia:

(a) the Group's actual and expected financial performance;

(b) the Group's expected working capital requirements and future expansion plans;

(c) the Group's debt to equity ratios and the debt level;

(d) any restrictions on payment of dividends that may be imposed by the Group's lenders;

(e) general economic conditions, business cycle of the Group's business and other internal and external factors that may have an impact on the business or financial performance and position of the Company;

(f) dividends received from the Company's subsidiaries and associates;

(g) the Shareholders' and investors' expectation and industry's norm; and

(h) any other conditions or factors that the Board deems relevant.

Any final dividends proposed by the Company must be approved by an ordinary resolution of Shareholders at an annual general meeting and must not exceed the amount recommended by the Board. The Board may from time to time pay to the Shareholders interim dividends as appear to the directors to be justified by the profits of the Group.

(3) Approval and Payment Procedures

Details of the procedures have been set out in Articles 154–168 of the Articles.

(4) Review and Monitor of the Policy

The policy and the declaration and/or payment of future dividends under the policy are subject to the Board's continuing determination that the policy and the declaration and/or payment of dividends would be in the best interests of the Group and Shareholders. The Board endeavours to maintain a balance between meeting Shareholders' expectations and prudent capital management with a sustainable dividend policy.

The form, frequency and amount of dividend payment by the Company are subject to any restrictions under the laws of the Cayman Islands and the Articles. The Board reserves the right in its sole and absolute discretion to update, amend, modify and/or cancel the policy at any time, and the policy shall in no way constitute a legally binding commitment by the Company in respect of its future dividend and/or in no way obligate the Company to declare a dividend at any time or from time to time.

Auditor's Remuneration

During the Period, the Group engaged Wellink as the Group's external auditor and to hold office until the conclusion of the AGM. The Company's consolidated financial statements for the Reporting Period have been audited by Wellink. The remuneration paid or payable to Wellink is set out as follows:

Services rendered

	Fees paid/payable for the year ended 31 December 2019 (HK$)
Statutory audit services	1,200,000
Non-statutory audit services as reporting accountant for listing of the shares of the Company on the Stock Exchange	550,000

Company Secretary

Mr. WONG Yat Chung ("**Mr. Wong**") is the Company Secretary of the Company. Please refer to the section headed "Biographical details of Directors and Senior Management" of this annual report for his biographical information.

Mr. Wong has confirmed that he took not less than 15 hours of relevant professional training during the Period in compliance with rule 3.29 of the Listing Rules.

Risk Management and Internal Control Systems

The Board is responsible for reviewing the effectiveness of the risk management and internal control systems of the Group. The scope of the review is determined and recommended by the Audit Committee and approved by the Board annually. The review covers:

1. all material controls, including but not limited to financial, operational and compliance controls;

2. risks management functions; and

3. the adequacy of resources, qualifications and experience of staff in connection with the accounting and financial reporting function of the Group and their training programmes and relevant budget.

During the Period, the Audit Committee assessed once the risk management and internal control environment of the Group and reviewed once the internal control procedural manual of the Group and considers that the Group's risk management and internal control systems effective and adequate. The systems are designed in consideration of the nature of business and the organisation structure. Further, the systems are designed to manage rather than eliminate the risk of failure in operational system and to provide reasonable, but not absolute, assurance against material misstatement or loss. The system is designed further to safeguard the Group's assets, maintain appropriate accounting records and financial reporting, achieve efficiency of operations and ensure compliance with the Listing Rules and all other applicable laws and regulations.

During the Period, the Group has engaged external independent professionals to review its risk management and internal control systems and further enhance its risk management and internal control systems as appropriate.

There is currently no internal audit function within the Group. The Board has reviewed the need for an internal audit function and is of the view that in light of the size, nature and complexity of the business of the Group, it would be more cost effective to appoint external independent professionals to perform internal audit functions for the Group as the need arises. Nevertheless, the Board will continue to review the need for an internal audit function annually.

In order to enhance the Group's system of handling inside information, and to ensure timely and accurate disclosure of such information pursuant to the relevant provisions under the SFO and the Listing Rules, the Group has also adopted and implemented an inside information policy and procedures. Certain reasonable measures have been taken from time to time to ensure that proper safeguards exist to prevent a breach of disclosure requirements in relation to the Group, which include:

- all Directors, employees or any services providers, who are in possession of possible inside information, covenant to keep such information remains confidential until it is authorised for publication;
- confidentiality clause is included when the Group is at a stage of preliminary negotiation with any party;
- the dissemination of inside information is timely, efficiently and consistently made when it is the subject of decision of the Board;
- notification of blackout period or prohibition period to deal in securities of the Company to all Directors and employees who are in possession of inside information; and
- the Group continually keeps all Directors and employees updated of the latest and new amendments on legal disclosure requirements of inside information.

Directors' and Auditor's Responsibility for Consolidated Financial Statements

The Directors acknowledge and understand their responsibility for preparing the consolidated financial statements and to ensure that the consolidated financial statements of the Group are prepared in a manner which reflects the true and fair view of the state of affairs, results and cash flows of the Group and are in compliance with the relevant accounting standards and principles, applicable laws and disclosure provisions required of the Listing Rules. The Directors are of the view that the consolidated financial statements of the Group for each financial year have been prepared on this basis.

To the best knowledge of the Directors, there is no uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern, therefore the Directors continue to adopt the going concern approach in preparing the consolidated financial statements.

Statement of the Company's external auditor's responsibilities in respect of the consolidated financial statements is set out in the Independent Auditor's Report of this annual report.

Communications with Shareholders

All annual general meetings are forums in which the Board and the Shareholders communicate directly and exchange views concerning the affairs and overall performance of the Group, and its future developments, etc. At the AGM, the Directors (including independent non-executive Directors) are available to attend to questions raised by the Shareholders. The external auditors of the Company is also invited to be present at the AGM to address to queries of the Shareholders concerning the audit procedures and the auditor's report.

The AGM will be held on 19 June 2020, the notice of which shall be sent to the Shareholders at least 20 clear business days prior to the AGM.

Shareholders' Rights

Convening of Extraordinary General Meeting on Requisition by Shareholders

Pursuant to Article 64 of the Articles, the Board may, whenever it thinks fit, convene an extraordinary general meeting ("**EGM**"). EGMs shall also be convened on the requisition of one or more Shareholders holding, at the date of deposit of the requisition, not less than one tenth of the paid-up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the Company Secretary for the purpose of requiring an EGM to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If, within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (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 requisition(s) by the Company.

Procedures for Shareholders' Nomination of Directors

Pursuant to Article 113 of the Articles, no person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected shall have been lodged at the head office or at the registration office of the Company. The period for lodgment of the notices required under this Article will commence no earlier than the day after the dispatch of the notice of the general meeting appointed for such election and end no later than 7 days prior to the date of such general meeting and the minimum length of the period during which such notices to the Company may be given will be at least 7 days.

Procedures for directing shareholders' enquiries to the Board

Shareholders may direct their enquiries concerning their shareholdings to the Company's share registrars. Shareholders may also make a request for the Company's information to the extent that such information has been made publicly available by the Company. All written enquiries or requests may be forwarded to the Company's principal place of business in Hong Kong or by fax at (852) 2191 8218.

The addresses of the Company's principal place of business in Hong Kong and the Company's share registrars can be found in the section "Corporate Information" of this annual report.

Corporate Governance Report

Investor Relations

To ensure transparent and comprehensive disclosures to investors, the Group delivers information of the Group to the public through various channels, including general meeting, public announcement and financial reports. The investors are also able to access the latest news and information of the Group via the Company's website (www.huarchi.com).

In order to maintain good and effective communication, the Company together with the Board extend their invitation to all Shareholders and encourage them to attend the AGM and all future general meetings.

Shareholders and other stakeholders may at any time send their enquiries and concerns to the Board by addressing them to the company secretary of the Company by post, fax or email. The contact details are set out as below:

Principal place of business in Hong Kong:	905B, 9/F. Harbour Crystal Centre 100 Granville Road Tsim Sha Tsui Kowloon Hong Kong
Headquarters and principal place of business in Macau:	Alameda Dr. Carlos d'Assumpçáo No. 249 Edif. China Civil Plaza 7 Andar E&F Macau
Tel:	+852 2197 8668
Fax:	+852 2191 8218
Email:	info@huarchi.com

Amendments to Constitutional Documents

During the Period, there were no change in the memorandum of association and articles of association of the Company, which are available on the websites of the Company and the Stock Exchange.

The Board is pleased to present this annual report which includes the audited consolidated financial statements (the "**Financial Statements**") of the Group for the Reporting Period.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The subsidiaries of the Company are principally engaged in (i) fitting-out works; (ii) construction works; and (iii) repair and maintenance works in Macau, from both private and public sector customers. The principal activities of its principal subsidiaries are set out in Note 27 to the Financial Statements of this annual report.

An analysis of the Group's results for the Reporting Period by segments is set out in Note 9 to the Financial Statements of this annual report.

RESULTS AND DIVIDENDS

The Group's results for the Reporting Period and the state of affairs of the Company and the Group are set out in the consolidated financial statements on pages 59 to 119. The Board does not recommend the payment of any dividend for the Year (2018: AD&C, Huarchi Global Construction Corporation Limited and Q.F. Stone Decoration Engineering (Macau) Company Ltd., which are subsidiaries of the Company, declared and paid total dividends of MOP80 million, to their then shareholders prior to the completion of the Reorganisation (as defined in note 2 of notes to consolidated financial statements) which are also the controlling shareholders of the Company).

BUSINESS REVIEW

A review of the Group's business for the Reporting Period, a discussion on the Group's future business development and principal risks and uncertainties that the Group is facing are provided in the sections headed "Chairman's Statement" on pages 4 to 5 and "Management Discussion and Analysis" on pages 6 to 11 of this annual report.

Please refer to page 117 for the events after Reporting Period.

FINANCIAL SUMMARY

A summary of the published results, assets and liabilities, and non-controlling interests of the Group for the last four financial years, as extracted from the Financial Statements is set out on page 120 of this annual report. This summary does not form part of the Financial Statements.

PLANT AND EQUIPMENT

Details of movements in the plant and equipment of the Group during the Reporting Period are set out in Note 17 to the Financial Statements.

SHARE CAPITAL

The Company's issued share capital as at 31 December 2019 was 2,000,000,000 ordinary shares of par value of HK$0.01 each.

Details of movements in the Company's share capital are set out in Note 26 to the Financial Statements.

CHARITABLE DONATIONS

The Group made charitable donations of approximately MOP1,032,000 for the Reporting Period.

EQUITY-LINKED AGREEMENTS

Save as disclosed in the section headed "Share Option Scheme" below, no equity-linked agreement was entered into by the Company during the Reporting Period.

RELATIONSHIPS WITH KEY STAKEHOLDERS

The Company recognises that our management, employees, customers and business partners (including suppliers, financial institutions and academic bodies) are key stakeholders to the Company's success. We strive to achieve corporate sustainability through engaging our management and employees, providing quality products to our customers, collaborating with business partners to deliver quality sustainable products and services and supporting our community.

ENVIRONMENTAL, POLICIES AND PERFORMANCE

The Group is devoted to promoting and maintaining the environmental and social sustainable development of the regions where it operates. As a responsible enterprise, the Group strives to comply with all the relevant laws and regulations in terms of the environmentally friendliness, health and safety, adopts effective measures, conserves energy and reduces waste. A report on environmental, social and governance matters are detailed in the Environmental, Social and Governance Report on pages 12 to 20 of this annual report.

PERMITTED INDEMNITY PROVISION

The Articles provided that all Directors and officers of the Company shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty. Directors' and officers' liability insurance is arranged to cover the directors and officers of the Group against any potential costs and liabilities arising from claims brought against them.

The Company has taken out and maintained directors' liability insurance which provides appropriate cover for the Directors.

RETIREMENT BENEFITS SCHEME/FUND/INSURANCE

The Group has arranged for its Hong Kong employees to join the Mandatory Provident Fund Scheme (the "**MPF Scheme**"), a defined contribution scheme managed by an independent trustee. Under the MPF Scheme, each of the Group (the employer) and its employees make monthly contributions to the MPF Scheme generally at 5% of the employees' earnings as defined under the Mandatory Provident Fund legislation. The monthly contributions of each of the employer and the employee are subject to a maximum contribution of HK$1,500 per month (for period after 1 June 2014) and thereafter contributions are voluntary. The Group has no further obligation for post-retirement benefits beyond the contributions.

The Group also has arranged for its Macau employees to join the mandatory social security funds and to purchase for them the compulsory industrial accident insurance in accordance with relevant applicable legislation.

The MPF Scheme, the mandatory social security funds and the compulsory industrial accident insurance made by the Group amounted to approximately MOP119,000 (2018: approximately MOP158,000) for the year ended 31 December 2019.

REMUNERATION POLICY

Remuneration policy of the Company is reviewed regularly, making reference to market condition and performance of the Company and individual staff (including the Directors). The remuneration policy and remuneration packages of the Directors and management team are reviewed by the Remuneration Committee and the Board which are detailed in the paragraph headed "Remuneration Committee" under the Corporate Governance Report on pages 31 to 32 of this annual report.

The Company has adopted a share option scheme as incentive to the Directors and eligible employees, details of which are set out in the section headed "Share Option Scheme" below.

RELATED PARTY TRANSACTIONS

The Directors consider that those related party transactions disclosed in Note 20(c) to the Financial Statements did not fall under the definition of "connected transactions" or "continuing connected transactions" (as the case may be) in Chapter 14A of the Listing Rules which are required to comply with any of the reporting, announcement or independent shareholders' approval requirements under the Listing Rules. The Directors confirmed that the Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

CONNECTED TRANSACTION AND CONTINUING CONNECTED TRANSACTION

During the Reporting Period, the Company did not have any connected transactions or continuing connected transactions which were subject to the reporting requirements under Chapter 14A of the Listing Rules.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro-rata basis to the Shareholders.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the Reporting Period. The Company did not redeem any of its listed securities during the Reporting Period.

RESERVES

Details of movements in the reserves of the Company and the Group during the Reporting Period are set out in Note 26 to the Financial Statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

The Company's reserves available for distribution represent the aggregate of share premium less accumulated losses. Under the Companies Law (Revised) Chapter 22 of the Cayman Islands, the reserves of the Company are available for paying distributions or dividends to the Shareholders subject to the provisions of the Articles. As at 31 December 2019, the reserves available for distribution to the Shareholders were approximately MOP107,115,000 which represented the aggregate of share premium of MOP117,449,000 net of accumulated losses of MOP10,334,000.

MAJOR CUSTOMERS, SUPPLIERS AND SUB-CONTRACTORS

The major customers of the Group include some of the major project customers in Macau. The Directors believe that such long-term relationships represent confidence and trust from business partners and acknowledgement of the Group's ability.

The Group recognises the importance of maintaining good relationships with customers, suppliers and sub-contractors to achieve its long-term business growth and development. Accordingly, the Group has kept good communications and shared business updates with business partners when appropriate.

For the Reporting Period, revenue to the Group's five largest customers accounted for 85.6% of the total sales for the Reporting Period (2018: approximately 91.3%) and sales to the largest customer included therein amounted to 44.0%. (2018: approximately 51.6%).

Purchases of goods and services from the Group's five largest suppliers accounted for 51.0% of the total purchases for the Reporting Period (2018: approximately 69.9%) and purchases from the largest supplier included therein amounted to 16.1%. (2018: approximately 24.1%).

Sub-contracting fees paid to the Group's five largest sub-contractors accounted for 93.9% of the total subcontracting fees for the Reporting Period (2018: approximately 73.2%) and sub-contracting fees paid to the Group's largest sub-contractor included therein amounted to 52.1%. (2018: approximately 33.9%).

To the best of the knowledge of the Directors, none of the Directors, their close associates nor any Shareholders (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had an interest in these major customers, suppliers and sub-contractors.

DIRECTORS

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

Executive Directors:

Mr. LOU Cheok Meng *(Chairman and Managing Director)*
Mr. CHANG Wa Ieong
Mr. AO Weng Kong
Mr. LEONG Ka In

Independent Non-executive Directors:

Dr. LAM Chi Kit *BBS MH JP*
Dr. SIN Wai Chiu Joseph
Mr. LO Chun Chiu Adrian

In accordance with Article 108(a) of the Articles, Dr. LAM Chi Kit *BBS MH JP*, Dr. SIN Wai Chiu Joseph, Mr. LO Chun Chiu Adrian will retire by rotation and being eligible, offer themselves for re-election at the forthcoming annual general meeting.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and the senior management of the Group are set out on pages 21 to 25 of this annual report.

DIRECTORS' SERVICE CONTRACTS

Each of our executive Directors has entered into a service agreement with our Company for a term of three years, which may be terminated by not less than three months' notice in writing served by either party on the other. Each of our independent non-executive Directors has entered into a letter of appointment with our Company for a term of three years, which may be terminated by not less than three months' notice in writing served by either party on the other. No Director proposed for re-election at the forthcoming annual general meeting has a service agreement or a letter of appointment with the Company, which is not determinable by the Company within one year without payment other than statutory compensation.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

No Director or his/her connected entity had a material interest, whether directly or indirectly in any transactions, arrangements and contracts of significance to the business of the Group to which the Company or any its subsidiaries was party at the end of the Reporting Period or at any time during the Reporting Period.

MANAGEMENT CONTRACTS

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

CONTROLLING SHAREHOLDERS' INTEREST IN CONTRACT OF SIGNIFICANCE

Save as disclosed in the section headed "Connected Transaction" below, there was no contract of significance between the Company or any of its subsidiaries, and a controlling shareholder or any of its subsidiaries for the Reporting Period.

REMUNERATION OF THE DIRECTORS, SENIOR MANAGEMENT AND THE FIVE HIGHEST PAID INDIVIDUALS

Details of the remuneration of the Directors and the five highest paid individuals in the Group are set out in Note 15 to the Financial Statements of this annual report.

The emoluments paid or payable to the senior management of the Group who are not Directors were within the following band:

	Year ended 31 December	
	2019 Number of individuals	2018 Number of Individuals
Nil to MOP1,000,000	**5**	5

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN COMPETING BUSINESSES

For the Reporting Period and up to the date of this report, each of the Directors, four out of which are all executive Directors and the controlling shareholders of the Company (the "**Controlling Shareholders**"), and their respective close associates (as defined in the Listing Rules) has confirmed that none of them had any business or interest in any company that competes or may compete, either directly or indirectly, with the business of the Group and any other conflict of interest which any such person has or may have, either directly or indirectly, with the Group.

Our Controlling Shareholders and our Directors do not have any interest in a business apart from our Group's business which competes or is likely to compete, directly or indirectly, with our Group's business, and would require disclosure under the Listing Rules.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

The Group recognises the importance of compliance with legal and regulatory requirements and the risk of non-compliance with such requirements. The Group conducts on-going reviews of newly enacted/revised laws and regulations affecting its operations. The Company is not aware of any non-compliance in any material respect with the relevant laws and regulations that have a significant impact on the business and operation of the Group during the Reporting Period.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Neither the Company nor any of its subsidiaries was a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate at any time during the Reporting Period or at the end of the Reporting Period.

SHARE OPTION SCHEME

The Company adopted a share option scheme ("**Scheme**") on 24 October 2019 which was valid and effective for 10 years from its date of adoption.

Purpose

The Scheme is for the purpose of retaining eligible persons and providing additional as incentives for their contribution to the Group and promoting the success of the business of the Group.

Eligible Persons

Under the Scheme, eligible persons include any employee (full-time or part-time), director, consultant or adviser of our Group, or any substantial shareholder of our Group, or any distributor, contractor, supplier, agent, customer, business partner or service provider of our Group at the discretion of the Board on the basis of his contribution or potential contribution to the development and growth of our Group.

Basis of Determining the Subscription Price

The subscription price for Share under the Scheme shall be at the absolute discretion of the Board, provided that it must be at least the highest of (i) the closing price of the shares on the Stock Exchange on the offer day; and (ii) the average of the closing prices of the shares on the Stock Exchange on the five trading days immediately preceding the offer date; and (iii) or the nominal value of the shares.

Maximum Entitlement of Each Eligible Participant

The maximum entitlement of each eligible participant is that the total number of Shares issued and to be issued upon exercise of the outstanding options granted and to be granted to such eligible participant (including both exercised, cancelled and outstanding options) under the Scheme and other scheme(s) of the Group in any 12-month period must not exceed 1% of the issued share capital of the Company at the date of grant.

Total Number of Share Option Available for Issue

The maximum number of Shares in respect of which options may be granted under the Scheme will not exceed 10% of the issued share capital of the Company as at the listing date on 21 November 2019 which may be refreshed by shareholders' approval in general meetings; and the maximum number of Shares in respect of which options may be granted under all share option schemes will not exceed 30% of the maximum number of Shares in issue from time to time.

Grant of options to certain connected persons

Independent non-executive Directors approval must be obtained for any grant of an option to a Director, chief executive or substantial shareholder of the Company (or any of their respective associates).

Shareholders' approval in general meeting must be obtained for any grant of an option to a substantial shareholder or an independent non-executive Director (or any of their respective associates), which result in the total number of Shares upon exercise of all options to such person under all share option schemes of the Company (including options exercised, cancelled and outstanding) in any 12-month period up to the date of grant, (i) representing in aggregate over 0.1% of the shares in issue; and (ii) having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK$5.0 million.

Performance targets

Save as determined by the Board and provided in the offer of the grant of the relevant options, there is no performance target which must be achieved before any of the options can be exercised.

Minimum Period for which an Option must be Held Before it is Exercised

The period within which an option may be exercised under the Scheme is determined by the Board at its absolute discretion, provided that such period is consistent with any other terms and condition of the Scheme.

Payment on Acceptance of the Option

A consideration of HK$1 is payable upon acceptance within 7 days from the date of the offer of grant of the option under the Scheme.

The Remaining Life of the Share Option Scheme

The Scheme remains in force for 10 years from the date of its adoption on 24 October 2019, unless otherwise terminated, cancelled or amended.

Restrictions on the time of grant of options

No option shall be granted after inside information has come to the knowledge of our Company until our Company has announced the information.

No options have been granted since the adoption of the Scheme and there was no share option outstanding as at 31 December 2019.

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

As at 31 December 2019, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")), as recorded in the register required to be kept under Section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code as set out in Appendix 10 to the Listing Rules were as follows:

Long position

Interests in shares and underlying shares of the Company or in an associated corporation of the Company

Name	Name of associated corporation	Capacity/Nature	Number of shares Interested	Number of underlying shares hold under equity derivatives	Approximate percentage of the issued share capital (Note 1)
Lou Cheok Meng ("**Mr. Lou**")	Seong Wa Holdings Limited ("**Seong Wa**") (Note 2)	Direct interest in a controlled corporation	1,201,920,000 (L) (Note 2)	—	60.1%
			1,201,920,000 (L)		
Chang Wa Ieong ("**Mr. Chang**")	Seong Wa (Note 2)	Direct interest in a controlled corporation	1,201,920,000 (L) (Note 2)	—	60.1%
			1,201,920,000 (L)		
Ao Weng Kong ("**Mr. Ao**")	Seong Wa (Note 2)	Direct interest in a controlled corporation	1,201,920,000 (L) (Note 2)	—	60.1%
			1,201,920,000 (L)		
Leong Ka In ("**Mr. Leong**")	Seong Wa (Note 2)	Direct interest in a controlled corporation	1,201,920,000 (L) (Note 2)	—	60.1%
			1,201,920,000 (L)		

Notes:

(L) denotes as long position

1. Total number of issued shares as at 31 December 2019 was 2,000,000,000 ordinary shares.

2. Seong Wa directly controls approximately 60.1% of the voting rights at general meetings of the Company. Seong Wa is legally and beneficially owned as to 40% by Mr. Lou, 20% by Mr. Chang, 20% by Mr. Ao and 20% by Mr. Leong, respectively. As Mr. Lou, Mr. Chang, Mr. Ao and Mr. Leong have decided to restrict their ability to exercise direct control over our Company by holding their interests through Seong Wa, they together with Seong Wa are deemed as a group of our Controlling Shareholders by the Stock Exchange under the Listing Rules.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2019, the following persons (other than Directors or chief executive of the Company) had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

Long position

Interests in shares and underlying shares of the Company

Name	Name of associated corporation	Capacity/Nature	Number of shares Interested	Number of underlying shares hold under equity derivatives	Approximate percentage of the issued share capital (Note 1)
Seong Wa	—	Beneficial owner (Note 2)	1,201,920,000 (L)	—	60.1%
Ace Hope Investments Limited ("**Ace Hope**")	—	Beneficial owner (Note 3)	149,040,000 (L)	—	7.4%
Chen Qingling	Ace Hope	Interest in controlled corporation (Note 3)	149,040,000 (L)	—	7.4%
Talent Leap Investments Limited ("**Talent Leap**")	—	Beneficial owner (Note 4)	149,040,000 (L)	—	7.4%
Wong Yat Tze	Talent Leap	Interest in controlled corporation (Note 4)	149,040,000 (L)	—	7.4%

Notes:

(L) denotes as long position

1. Total number of issued shares as at 31 December 2019 was 2,000,000,000 ordinary shares.

2. Seong Wa is a company incorporated in the BVI and will beneficially own approximately 60.1% of shareholding interest in our Company immediately following completion of the share offer and the capitalisation issue (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the over-allotment option or any options to be granted under the share option scheme).

3. Ace Hope is a company incorporated in the BVI and will beneficially own approximately 7.4% of shareholding interest in our Company immediately following completion of the share offer and the capitalisation issue (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the over-allotment option or any options to be granted under the share option scheme). Ace Hope is wholly owned by Ms. Chen Qingling.

4. Talent Leap is a company incorporated in the BVI and will beneficially own approximately 7.4% of shareholding interest in our Company immediately following completion of the share offer and the capitalisation issue (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the over-allotment option or any options to be granted under the share option scheme). Talent Leap is wholly owned by Ms. Wong Yat Tze.

Save as disclosed above, as at 31 December 2019, the Company had not been notified by any persons (other than the Directors and chief executive of the Company, whose interests are set out in the section headed "Directors' and Chief Executives' Interests and Short Positions in Shares and Underlying Shares" above), who had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

2020 AGM AND CLOSURE OF REGISTER OF MEMBERS

The AGM will be held at United Conference Centre, 10/F United Centre, 95 Queensway, Admiralty, Hong Kong on Friday, 19 June 2020 at 3:00 p.m..

For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Tuesday, 16 June 2020 to Friday, 19 June 2020 (both days inclusive) during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the AGM, all share transfer documents 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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Monday, 15 June 2020. All persons who are registered holders of the Shares on 19 June 2020, the record date of the 2020 AGM, will be entitled to attend and vote at the AGM.

SUFFICIENCY OF PUBLIC FLOAT

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

CONFIRMATION OF INDEPENDENCE

The Company has received from each of the independent non-executive Directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules and considers all the independent non-executive Directors to be independent.

AUDIT COMMITTEE

The Audit Committee together with the senior management have reviewed the accounting standards and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters in connection with the preparation of the audited consolidated financial statements of the Group for the year ended 31 December 2019.

AUDITOR

The consolidated Financial Statements for the Reporting Period have been audited by Wellink, certified public accountants, who will retire and, being eligible, offer itself for re-appointment. A resolution for the re-appointment of Wellink as the auditor of the Company is to be proposed at the AGM of the Company.

EVENTS AFTER THE REPORTING PERIOD

Details of the event after the Reporting Period and set out in Note 32 to the Financial Statements.

On Behalf of the Board

LOU Cheok Meng
Chairman and Managing Director

Macau, 31 March 2020

Wellink CPA Limited
匯聯會計師事務所有限公司

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

OPINION

We have audited the consolidated financial statements of Huarchi Global Group Holdings Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 59 to 119, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the 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 2019, 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 judgement, 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 recognition from contracts with customers	
Refer to notes 4, 5 and 8 to the consolidated financial statements We identified the revenue recognition on fitting-out and construction works as a key audit matter due to the significant judgements exercised by the management in determining the estimation of contract revenue using input method or output method. For the year ended 31 December 2019, the Group recognised revenue from fitting-out and construction works amounting to approximately MOP466,986,000. For fitting-out and construction works, the Group's performance creates or enhances an asset or work in progress that the customers controls as the asset is created or enhanced and thus the Group satisfies its performance obligations and recognises revenue over the time. When the progress towards complete satisfaction of the performance obligations of a contract can be measured reasonably, revenue from fitting out and construction works are recognised using the percentage of completion method, measured by reference to the amount of work performed to date (i) under output method: the work performed is established according to the progress certificate confirmed by the customers as a percentage of total contract sum or (ii) under input method: the work performed is measured based on the proportion that contract costs incurred for work performed to date relative to the estimated total contract costs. For all projects (i.e applied consistently) with progress certificates confirmed by customers such that progress certificates provide the most faithful and reliable depiction of the Group's progress in satisfying its performance obligations (i.e. similar performance obligations in similar circumstances),output method is adopted to measure progress; and for all projects (i.e applied consistently) with no progress certificates confirmed by customers such that Group's inputs relative to the total expected inputs to the satisfaction of performance obligations provide the most faithful and reliable depiction of the Group's progress in satisfying its performance obligations (i.e. similar performance obligations in similar circumstances), input method is adopted to measure progress.	Our audit procedures in relation to revenue recognition on fitting-out and construction works included: • We assessed and tested the key controls over the project costs budgetary process; • We selected, on a sample basis, contracts to examine management's budget of the cost components, such as costs of materials and subcontracting fees, etc. We compared the budgeted cost components to supporting documents including but not limited to agreements and price quotations; • We inspected material construction contracts of the Group for agreed contract sum and variations, if any; and • We tested, on sample basis, actual costs incurred to supporting documents including, but not limited to subcontractors' and suppliers' invoices. For projects where revenue was recognised using input method: • We compared the actual costs incurred against the budgeted costs to understand the status of the project completion and identified whether there are any cost overruns or variation of work scope. Where applicable, we checked these changes from the original work scope to supporting documents.

Key audit matter	How our audit addressed the key audit matter
Revenue recognition from contracts with customers	
Recognition of revenue on fitting-out and construction works requires significant judgement and estimates in (a) measuring the progress towards complete satisfaction of the performance obligation; (b) estimating total budgeted costs and profit margin for each project; and (c) estimating the expected recovery of costs arising from variation of work scope during the contracts periods. We focused on this area as a key audit matter due to the significance of the revenue to the Group's consolidated financial statements and the significance of the judgement and estimates involved.	Furthermore, for projects where revenue was recognised using output method: • We checked the completion status specified in progress certificates and compared the status/amount with revenue recognised; • We discussed with the project managers about the status of the projects, to identify any variations of contracts and claims, and to obtain explanations from management for fluctuations in margins and changes in budget as well as the expected recovery of variations; and • We inspected the correspondence with customers and sub-contractors, on a sample basis, for corroboration of management explanations. We consider that the Group's revenue recognition from contracts with customers is supported by the available evidence.

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of trade and retention receivables and contract assets	
Refer to notes 4, 5, 7, 19 and 21 to the consolidated financial statements We identified the impairment assessment of trade and retention receivables and contract assets as a key audit matter due to the significance of trade and retention receivables and contract assets to the Group's consolidated statements of financial position and the involvement of subjective judgement and management estimation in evaluating the impairment assessment of trade and retention receivables and contract assets of the Group's trade and retention receivables and contract assets at the end of the reporting period. As at 31 December 2019, the Group's trade and retention receivables amounted to approximately MOP187,831,000 and contract assets amounted to approximately MOP56,437,000 respectively. As disclosed in note 4 to the consolidated financial statements, the management of the Group assesses the lifetime expected credit losses ("**ECL**") for trade and retention receivables and contract assets 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. Estimated loss rates are based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information. In addition, trade and retention receivables and contract assets that are credit impaired are assessed for ECL individually.	Our audit procedures in relation to the impairment assessment of trade and retention receivables and contract assets included: • obtaining an understanding of and assessing the related internal controls of the measurement of ECL established by the management; • evaluating the management's relevant considerations and objective evidences for ECL measurement of trade and retention receivables and contract assets (including historical records and circumstances of bad debts of trade and retention receivables and contract assets with each customer credit and market environment, etc.), and assessing the appropriateness of the methods being applied of the trade and retention receivables and contract assets and calculation for the ECL; • gathering public information about the customers whose balances of trade and retention receivables and contract assets is material or exceeds the credit period or its industry development status to identify any situations affecting the Group's ECL assessment results of trade and retention receivables and contract assets; • assessing the accuracy and classification of trade and retention receivables and contract assets by obtaining ageing analysis of the trade and retention receivables and contract assets as at 31 December 2019 and reviewing, on a sample basis, key information such as aging, overdue days, and relationship by checking supporting documents such as accounting vouchers and invoices;

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of trade and retention receivables and contract assets	
	• recalculating the ECL on trade and retention receivables and contract assets and comparing the results with the amounts recorded by the Group; and • evaluating the reasonableness of management's ECL assessment by considering the customer's settlement subsequent to the reporting period. We considered that the Group's impairment assessment of trade and retention receivables and contract assets is supported by the available evidence.

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 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.

The audit committee ("**Audit Committee**") 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 judgement 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 the Audit Committee 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 the Audit Committee 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 the Audit Committee, 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.

WELLINK CPA LIMITED
Certified Public Accountants
CHAN YAN TING
Practising Certificate number P06380

Hong Kong, 31 March 2020

Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Notes	Year ended 31 December 2019 MOP'000	2018 MOP'000
Revenue	8	**467,407**	400,085
Cost of services	12(c)	**(373,389)**	(320,469)
Gross profit		**94,018**	79,616
Other income	10	**1,890**	2,852
Other net (losses)/gains	11	**(64)**	129
Administrative and other operating expenses		**(19,482)**	(17,393)
Finance costs	12(a)	**(2,642)**	(2,955)
Listing expenses	12(d)	**(13,206)**	(6,676)
Profit before taxation		**60,514**	55,573
Income tax expense	13	**(9,040)**	(7,131)
Profit and total comprehensive income for the year attributable to owners of the Company	12	**51,474**	48,442
Earnings per share attributable to owners of the Company			
Basic and diluted	16	**MOP3.31 cents**	MOP3.28 cents

Consolidated Statement of Financial Position

	Notes	As at 31 December 2019 MOP'000	2018 MOP'000
Non-current assets			
Plant and equipment	17	**389**	130
Right-of-use assets	18	**32**	963
		421	1,093
Current assets			
Trade and other receivables	19	**196,892**	153,795
Amount due from a controlling shareholder	20(a)	**–**	2,304
Amount due from ultimate holding company	20(b)	**–***	–*
Contract assets	21	**56,437**	22,752
Pledged bank deposits	22	**32,068**	34,032
Bank balances and cash	22	**131,511**	15,723
		416,908	228,606
Current liabilities			
Trade and other payables	23	**(101,883)**	(78,383)
Contract liabilities	21	**(3,101)**	(3,296)
Lease liabilities	24	**(34)**	(911)
Tax payable		**(9,028)**	(7,407)
Bank overdrafts	25	**(11,213)**	(10,343)
Bank borrowings	25	**(35,000)**	(42,000)
		(160,259)	(142,340)
Non-current liabilities			
Lease liabilities	24	**–**	(34)
Net current assets		**256,649**	86,266
Total assets less current liabilities		**257,070**	87,359
Net assets		**257,070**	87,325
Capital and reserves			
Share capital	26	**20,630**	–*
Reserves		**236,440**	87,325
Total equity attributable to owners of the Company		**257,070**	87,325

* The balances represent amount less than MOP1,000.

The consolidated financial statements on page 59 to 119 were approved and authorised for issue by the board of Directors on 31 March 2020 and are signed on its behalf by:

Lou Cheok Meng
Director

Chang Wa Ieong
Director

Consolidated Statement of Changes in Equity

	Attributable to owners of the Company						
	Share capital MOP'000	**Share premium** MOP'000	**Merger reserve** MOP'000	**Legal reserve** MOP'000 (Note 26(e))	**Capital reserve** MOP'000 (Note 26(f))	**Retained earnings** MOP'000	**Total** MOP'000
At 1 January 2018	103	–	–	348	9,349	89,307	99,107
Profit and total comprehensive income for the year	–	–	–	–	–	48,442	48,442
Effect of reorganisation (as defined in Note 26(d))	(103)	–	103	–	–	–	–
Issuance of shares (as defined in Note 26(c))	–*	19,776	–	–	–	–	19,776
Transferred from retained profits	–	–	–	47	–	(47)	–
Dividend recognised as distribution (Note 14)	–	–	–	–	–	(80,000)	(80,000)
At 31 December 2018	**–***	**19,776**	**103**	**395**	**9,349**	**57,702**	**87,325**
Profit and total comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**51,474**	**51,474**
Shares issued pursuant to the Capitalisation Issue (as defined in Note 26(b))	**15,472**	**(15,472)**	**–**	**–**	**–**	**–**	**–**
Shares issued pursuant to the Share Offer (as defined in Note 26(b))	**5,158**	**123,780**	**–**	**–**	**–**	**–**	**128,938**
Share issue expenses	**–**	**(10,667)**	**–**	**–**	**–**	**–**	**(10,667)**
As at 31 December 2019	**20,630**	**117,417**	**103**	**395**	**9,349**	**109,176**	**257,070**

* The balances represent amount less than MOP1,000.

Consolidated Statement of Cash Flows

	Year ended 31 December	
	2019	2018
	MOP'000	MOP'000
Operating activities		
Profit before taxation	**60,514**	55,573
Adjustments for:		
Depreciation of plant and equipment	**93**	111
Depreciation of right-of-use assets	**931**	899
Gain on disposal of plant and equipment	**–**	(129)
Bank interest income	**(1,225)**	(423)
Finance costs	**2,642**	2,955
Operating cash flows before movements in working capital	**62,955**	58,986
Increase in trade and other receivables	**(46,131)**	(37,384)
(Increase)/decrease in contract assets	**(33,685)**	20,835
Increase/(decrease) in trade and other payables	**23,501**	(1,158)
Decrease in contract liabilities	**(195)**	(13,288)
Cash generated from operations	**6,445**	27,991
Income tax paid	**(7,418)**	(11,519)
Net cash (used in)/generated from operating activities	**(973)**	16,472
Investing activities		
Purchase of plant and equipment	**(352)**	(111)
Proceeds from disposal of plant and equipment	**–**	140
Repayment from controlling shareholders	**2,304**	34,025
Repayment to related companies	**–**	(4,000)
Decrease/(increase) in pledged bank deposits	**1,964**	(2,859)
Interest received	**1,225**	423
Net cash generated from investing activities	**5,141**	27,618

Consolidated Statement of Cash Flows

	Year ended 31 December	
	2019	2018
	MOP'000	MOP'000
Financing activities		
Repayments of lease liabilities	**(911)**	(917)
Repayments of bank borrowings	**(7,000)**	(3,674)
Bank overdrafts	**870**	(14,135)
Issuance of shares	**–**	19,776
Net proceed from share offer	**128,938**	–
Issue costs paid	**(7,635)**	–
Dividend paid	**–**	(80,000)
Interest paid	**(2,642)**	(2,955)
Net cash generated from/(used in) financing activities	**111,620**	(81,905)
Net increase/(decrease) in cash and cash equivalents	**115,788**	(37,815)
Cash and cash equivalents at the beginning of the year	**15,723**	53,538
Cash and cash equivalents at the end of the year	**131,511**	15,723

Notes to the Consolidated Financial Statements

1. GENERAL INFORMATION

Huarchi Global Group Holdings Limited (the "**Company**") was incorporated in the Cayman Islands as an exempted company with limited liability on 20 June 2017 under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of its registered office is PO Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1–1108, Cayman Islands. The address of its principal place of business in Hong Kong is 905B, 9/F., Harbour Crystal Centre, 100 Granville Road, Tsim Sha Tsui, Kowloon, Hong Kong. The address of its headquarter and principal place of business in Macau is Alameda Dr. Carlos d'Assumpçáo No. 249 Edif. China Civil Plaza 7 Andar E&F Macau. The Company has its primary listing on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 21 November 2019.

The ultimate holding company of the Company is Seong Wa Holdings Limited ("**Seong Wa**"), which was incorporated in the British Virgin Islands ("**BVI**") and is jointly owned by Mr. Lou Cheok Meng ("**Mr. Lou**"), Mr. Chang Wa Ieong ("**Mr. Chang**"), Mr. Ao Weng Kong ("**Mr. Ao**") and Mr. Leong Ka In ("**Mr. Leong**").

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 27 to the consolidated financial statements.

These consolidated financial statements are presented in Macau Pataca ("**MOP**") which is same as the functional currency of the Company and all values are rounded to the nearest thousand except when otherwise indicated.

2. BASIS OF PREPARATION AND GROUP REORGANISATION

Pursuant to a reorganisation of the Company and its subsidiaries now comprising the Group which was completed on 22 January 2018 to rationalise the Group's structure (the "**Reorganisation**") in preparation of the listing of the shares of the Company on the Main Board of The Hong Kong Stock Exchange Limited (the "**Listing**"), the Company became the holding company of the Group. Details of the Reorganisation are fully explained in the paragraphs headed "Reorganisation" of the section headed "History, Reorganisation and Group Structure" in the prospectus of the Company dated 31 October 2019 (the "**Prospectus**") in connection with the Listing.

Upon completion of the Reorganisation, details of which are explained in the Prospectus, the Company has become the holding company of the companies now comprising the Group, which have been under the control of Mr. Lou, Mr. Chang, Mr. Ao and Mr. Leong together are considered as the ultimate controlling shareholders of the Group (the "**Controlling Shareholders**") before and after the Reorganisation.

The consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows of the Group in respect of the year ended 31 December 2018 are prepared as if the current group structure immediately after the Reorganisation had been in existence throughout the year ended 31 December 2018 or since their respective dates of incorporation or establishment to 31 December 2018 if this is the shorter period.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSS")

(a) New and amended standards adopted by the Group

The Group has consistently applied all new and revised HKFRSs, Hong Kong Accounting Standards ("**HKASs**"), amendments and interpretations issued by the HKICPA which are effective for the accounting periods beginning on 1 January 2019 in financial years prior to the financial year ended 31 December 2019, including HKFRS 15 "Revenue from Contracts with Customers" and related amendments to HKFRS 15 "Clarifications to HKFRS 15 Revenue from Contracts with Customers", together with the relevant transitional provisions, and HKFRS 16 "Leases", except that the Group adopted HKFRS 9 "Financial Instruments" with effect from 1 January 2018.

Accordingly, the coming into mandatory effect of the new and amended HKFRSs in the current financial year had no material impact on the Group's financial performance and positions for the current and years and/or the disclosures set out in these consolidated financial statements.

(b) New and amendments to HKFRSs in issue but not yet effective

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

	Effective for accounting periods beginning on or after
HKFRS 17, *Insurance Contracts*	1 January 2021
HKFRS 10 and HKAS 28, Amendments in *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	To be determined
HKFRS 3, Amendments in *Definition of a Business*	1 January 2020
HKAS 1 and HKAS 8, Amendments in *Definition of Material*	1 January 2020

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far the Group has identified some aspects of the new standards which may have a significant impact on the consolidated financial statements. As the Group has not completed its assessment, further impacts may be identified in due course and will be taken into consideration when determining whether to adopt any of these new requirements before their effective date and which transitional approach to take where there are alternative approaches allowed under the new standards.

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with the accounting policies which conform with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements includes 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 has been prepared on the historical cost basis as explained in the accounting policies set out below. 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 the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the consolidated financial statements are determined on such a basis, except for leasing transactions that are within the scope of HKFRS 16 "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 are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and 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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation (Continued)

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 reporting period 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.

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 interest even if this results in non-controlling interests having a deficit balance.

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

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

Business combinations

Acquisitions of businesses not under common control are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employee Benefits* respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 *Share-based Payment* at the acquisition date (see the accounting policy below); and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations (Continued)

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis.

Revenue recognition

Revenue from contracts with customers

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

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 the customers.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

Revenue from contracts with customers (Continued)

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.

Provision of fitting-out and construction works

(a) Recognition

The Group provides fitting-out and construction works to the customers. For fitting out and construction work, the Group's performance creates or enhances an assets or work in progress that the customer controls as the asset is created or enhanced and thus the Group satisfies a performance obligation and recognises revenue over the time. When the progress towards complete satisfaction of the performance obligations of a contract can be measured reasonably, revenue from fitting-out and construction works are recognised using the percentage of completion method, measured by reference to the amount of work performed to date (i) under output method: the work performed is established according to the progress certificate confirmed by the customers as a percentage of total contract sum or (ii) under input method: the work performed is measured based on the proportion that contract costs incurred for work performed to date relative to the estimated total contract costs. For all projects (i.e applied consistently) with progress certificates confirmed by customers such that progress certificates provide the most faithful and reliable depiction of the Group's progress in satisfying its performance obligations (i.e. similar performance obligations in similar circumstances), output method is adopted to measure progress; and for all projects (i.e applied consistently) with no progress certificates confirmed by customers such that the Group's inputs relative to the total expected inputs to the satisfaction of performance obligations provide the most faithful and reliable depiction of the Group's progress in satisfying its performance obligations (i.e. similar performance obligations in similar circumstances), input method is adopted to measure progress.

When the progress towards complete satisfaction of the performance obligations of a contract cannot be measured reasonably, revenue is recognised only to the extent of contract costs incurred that is expected to be recoverable.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

Revenue from contracts with customers (Continued)

Provision of fitting-out and construction works (Continued)

(b) Contract assets/liabilities

The Group has rights to consideration from customers for the provision of fitting-out and construction works. Contract assets arise when the Group has right to consideration for completion of fitting-out and construction works 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, then the Group recognises a contract liabilities for the difference.

Upfront payment received by the Group is initially recognised as contract liabilities.

Repair and maintenance service income

Repair and maintenance service income are recognised when services are provided.

Other income

Interest income is recognised on a time proportion basis using the effective interest method.

Insurance compensation is recognised when the insurance company confirmed the payment of the insurance compensation.

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.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases

As a lessee

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Right-of-use assets

Except for short-term leases and leases of low value assets, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted for under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

As a lessee (Continued)

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be paid under residual value guarantees;
- the exercise price of a purchase option reasonably certain to be exercised by the Group; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review/expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

As a lessee (Continued)

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

Short term employee benefits

Salaries, annual bonuses, paid annual leaves and the cost of non-monetary benefits are accrued in the reporting period in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

Retirement benefit costs

Payments to the Social Security Fund Contribution in Macau are recognised as an expense when employees have rendered services entitling them to the contributions.

The entity within the Group also participates in a Mandatory Provident Fund Scheme (the "**MPF scheme**") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$30,000. Contributions to the plan vest immediately.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current 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 items 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 the reporting period.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

Deferred tax

Deferred tax is recognised on temporary 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 deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investment 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 and interests 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.

The carrying amount of deferred tax assets is reviewed at the end of the 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 in which 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 the reporting period.

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

Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity, respectively.

Financial instruments

Financial assets and financial liabilities are recognised 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 values of the financial assets or financial liabilities, as appropriate, on initial recognition.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets

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 assets within the timeframe established by the market concerned.

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.

All of the Group's financial assets are subsequently measured at amortised cost.

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 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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses (the "**ECL**") on financial assets which are subject to impairment under HKFRS 9 (including trade and other receivables, contract assets, amount due from a controlling shareholder, amount due from ultimate holding company, pledged bank deposits and bank balances and cash). The amount of ECL is updated at the end of 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 recognises lifetime ECL for trade and retention receivables and contract assets and assesses the lifetime ECL for trade and retention receivables and contract assets individually. The 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 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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

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;

- 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.

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 90 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 fulfill 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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

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 365 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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

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.

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 and retention receivables and contract assets where the correspondence adjustment is recognised through a loss allowance account.

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.

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 entered into 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 a group entity after deducting all of its liabilities. Equity instruments issued by a group entity are recognised at the proceeds received, net of direct issue costs.

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

Financial liabilities (including trade and other payables, lease liabilities, bank overdrafts and bank borrowings) are subsequently measured at amortised cost using the effective interest method.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

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 in its entirety, 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 expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

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 the 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 on monetary items are recognised in profit or loss in the year in which they arise.

Plant and equipment

Plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is provided to write off the cost of items of plant and equipment over their estimated useful lives and after taking into account of their estimated residual values, using the straight-line method, at the following rates per annum:

Plant and machinery	20% – 33%
Furniture and fixtures	20% – 33%
Motor vehicles	33%

An item of plant 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 plant 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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interest-bearing borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

Related parties

(1) A person, or a close member of that person's family, is related to the Group if that person:

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or the Group's parent.

(2) An entity is related to the Group if any of the following conditions applies:

- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
- (vi) The entity is controlled or jointly controlled by a person identified in (1).
- (vii) A person identified in (1)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Group's chief operating decision maker for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 4, the directors of the Company are required to make judgements, 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 estimate 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.

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

5. KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Estimation uncertainty on construction contracts including fitting-out and construction works

The Group's contract profit or loss arising from construction contracts is estimated by reference to the latest available budgets of individual construction contracts prepared by the management of the Group. The estimation of budget contract costs is based on management's best estimates and judgements. Contract costs include costs for materials, labour costs and subcontracting fees. If the price of materials or the wages of labour or the subcontracting fees varied significantly in the coming months from the budgets, the contract profit for each of the individual projects will differ significantly from the estimated contract profit. If estimated costs exceed contract revenue, a contract loss will be recognised.

Estimated impairment of trade and retention receivables and contract assets

The management of the Group estimates the amount of impairment loss for ECL on trade and retention receivables and contract assets based on the credit risk of trade and retention receivables and contract assets. The amount of the impairment loss based on ECL model is measured 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. Where the future cash flows are less than expected, or being revised downward due to changes in facts and circumstances, a material impairment loss may arise.

As at 31 December 2019, the carrying amounts of trade and retention receivables and contract assets are approximately MOP244.3 million (2018: MOP150.5 million).

6. 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 equity shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged during the year.

The capital structure of the Group consists of net debt, which includes bank borrowings disclosed in Note 25, net of cash and cash equivalents and equity attributable to the owners of the Company, comprising issued share capital and reserves.

The Group monitors capital with references to its debt position. The Group's strategy was to maintain the equity and debt in a balanced position and ensure there was adequate working capital to serve its debt obligations. At 31 December 2019, the ratio of the Group's total liabilities over its total assets was 38% (2018: 62%).

7. FINANCIAL INSTRUMENTS

Categories of financial instruments

	At 31 December	
	2019	2018
	MOP'000	MOP'000
Financial assets		
Amortised cost	**353,338**	188,945
Financial liabilities		
Amortised cost	**146,213**	129,490

Financial risk management objectives and policies

The Group's financial instruments include trade and other receivables (excluding prepayments), amount(s) due from a controlling shareholder and ultimate holding company, pledged bank deposits, bank balances and cash, trade and other payables, lease liabilities, bank overdrafts and bank borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. 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.

Market risk

Currency risk

The Group has no significant exposure to currency risk as substantially all of the Group's transactions are denominated in MOP.

Interest rate risk

The Group's cash flow interest rate risk relates primarily to variable-rate bank balances, bank overdrafts and bank borrowings (see Note 22 for details of bank balances and cash and pledged bank deposits and Note 25 for details of bank borrowings and bank overdrafts). The Group currently does not have an interest rate hedging policy. However, the management of the Group monitors interest rate exposure and will consider other necessary actions when significant interest rate exposure is anticipated.

The Group's and the Company's exposure to interest rates on financial liabilities is detailed in the liquidity risk management section of this note.

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of the interest rates on prevailing best lending rates quoted by the banks in Macau (the "**Prime Rate**") arising from the Group's bank borrowings and bank overdrafts, all of which bear interest at variable rates.

7. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Market risk (Continued)

Interest rate risk (Continued)

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for non-derivative financial instruments at the end of the reporting period. For variable-rate bank overdrafts and bank borrowings, the analysis is prepared assuming bank overdrafts and bank borrowings outstanding at the end of the reporting period were outstanding for the whole year.

A 50 basis points increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. If interest rates on variable rate bank overdrafts and bank borrowings had been 50 basis points higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 December 2019 would decrease/increase by approximately MOP203,000 (2018: MOP230,000).

Credit risk

At the end of the reporting period, the Group's and the Company's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantees is arising from the carrying amount of the respective recognised financial assets and contract assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk, management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, management of the Group reviews the recoverable amount of each individual debts at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts on trade and retention receivables and contract assets. The Group applies simplified approach on trade and retention receivables and contract assets to provide for ECL prescribed by HKFRS 9. To measure the ECL of trade and retention receivables and contract assets, trade and retention receivables and contract assets are assessed individually. In this regard, the directors of the Company consider that the Group's and the Company's credit risk is significantly reduced.

7. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Credit risk (Continued)

The Group is exposed to concentration of credit risk as at 31 December 2019 on trade and retention receivables from the Group's 5 major customers amounting to approximately MOP146,829,000 (2018: MOP106,640,000), and accounted for 78% (2018: 83%), of the Group's total trade and retention receivables. The major customers of the Group are certain reputable organisations who have long term/on-going trading relationships with the Group and have good repayment records. The management of the Group considers that the credit risk is limited in this regard. Other than concentration of credit risk on trade and retention receivables, the Group has concentration of credit risk on amounts due from controlling shareholders. Amount due from a controlling shareholder amounted to approximately MOP nil as at 31 December 2019 (2018: MOP2,304,000), details of which are set out in Note 20(a). In the opinion of the management of the Group, the risk of default by the counterparty is not significant and the Group assessed that the ECL on the balance is insignificant upon the application of HKFRS 9 on 1 January 2018 and thus no impairment loss allowance was recognised.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for trade and retention receivables and contract assets. Management assessed the expected loss on trade and retention receivables and contract assets individually. Based on historical experience of the Group, these trade and retention receivables and contract assets are generally recoverable due to the long term/on-going relationship and good repayment record. As at 31 December 2019, the additional loss allowance for provision for trade and retention receivables and contract assets was insignificant.

7. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Credit risk exposure and impairment assessment

The tables below detail the credit risk exposure of the Group's financial assets and contract assets, which are subject to ECL assessment:

	Internal credit rating	12m or lifetime ECL	Gross carrying amount 2019 MOP'000	2018 MOP'000
Financial assets at amortised costs				
Trade receivables	High*	Lifetime ECL	**113,321**	77,170
Retention receivables	High*	Lifetime ECL	**74,510**	50,544
Bank balances	N/A	12m ECL	**163,579**	49,755
Deposits and other receivables	High*	12m ECL	**1,928**	9,172
Amount due from a controlling shareholder	High*	12m ECL	**–**	2,304
			353,338	188,945
Other item				
Contract assets	High*	Lifetime ECL	**56,437**	22,752

* The internal credit rating of these Group's financial assets and contract assets are considered to be "High" as the counterparties are the reputable organisations who have long term/on-going trading relationships and good repayment records and there is no information indicating that the financial assets and contract assets had a significant increase in credit risk.

7. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the senior management when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants (if any), to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following table shows the remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities, which are based on the contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay.

	Contractual undiscounted cash flow					
At 31 December 2019	Within 1 year or on demand MOP'000	More than 1 year but less than 2 years MOP'000	More than 2 years but less than 5 years MOP'000	More than 5 years MOP'000	Total MOP'000	Carrying amount MOP'000
Trade and other payables	99,966	–	–	–	99,966	99,966
Bank overdrafts	11,213	–	–	–	11,213	11,213
Bank borrowings	36,838	–	–	–	36,838	35,000
Lease liabilities	34	–	–	–	34	34
	148,051	–	–	–	148,051	146,213

	Contractual undiscounted cash flow					
At 31 December 2018	Within 1 year or on demand MOP'000	More than 1 year but less than 2 years MOP'000	More than 2 years but less than 5 years MOP'000	More than 5 years MOP'000	Total MOP'000	Carrying amount MOP'000
Trade and other payables	76,202	–	–	–	76,202	76,202
Bank overdrafts	10,343	–	–	–	10,343	10,343
Bank borrowings	42,569	–	–	–	42,569	42,000
Lease liabilities	937	34	–	–	971	945
	130,051	34	–	–	130,085	129,490

7. FINANCIAL INSTRUMENTS (Continued)

Fair value

The fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis, with the most significant input being the discount rate that reflects the credit risk of counterparties.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

8. REVENUE

Revenue represents the net amounts received and receivable for fitting-out works, construction works and repair and maintenance works rendered by the Group to customers, net of discounts, in which contract revenue from fitting-out and construction works are recognised over time and revenue from repair and maintenance works is recognised upon completion.

An analysis of the Group's revenue is analysed as follows:

	Year ended 31 December	
	2019	2018
	MOP'000	MOP'000
Contract revenue from fitting-out works	**455,864**	392,700
Contract revenue from construction works	**11,122**	5,662
Repair and maintenance works	**421**	1,723
Total	**467,407**	400,085

8. REVENUE (Continued)

Disaggregation of revenue from contracts with customers

(a) Revenue breakdown by recognition methods

The Group recognised revenue derived from provision of fitting-out and construction works either by input or output method. For provision of repair and maintenance works, due to the short duration of the contracts, the Group recognised revenue upon completion. The table below sets forth a breakdown of the Group's revenue by recognition methods during the year:

	Year ended 31 December	
	2019	2018
	MOP'000	MOP'000
Revenue recognised over time using:		
Input method	**596**	16,864
Output method	**466,390**	381,498
	466,986	398,362
Repair and maintenance works	**421**	1,723
Total	**467,407**	400,085

When the progress towards complete satisfaction of the performance obligations of a contract can be measured reasonably, revenue from fitting-out and construction works is recognised using the percentage of completion method, measured by reference to the amount of work performed to date. Under output method, the work performed is established according to the progress certificate confirmed by the customers as a percentage of total contract sum. Under input method, the work performed is measured based on the proportion that contract costs incurred for work performed to date relative to the estimated total contract costs.

8. REVENUE (Continued)

Disaggregation of revenue from contracts with customers (Continued)

(a) Revenue breakdown by recognition methods (Continued)

The directors consider that progress certificates confirmed by customers are the only directly observable and faithful depiction to measure the Group's performance and progress. As such, for projects where the customers confirm progress certificates, output method is to be adopted; and the only circumstance that leads to the adoption of input method for a particular project is the lack of progress certificates confirmed by customers.

(b) Revenue breakdown by source of contracts and role of the Group

	Year ended 31 December 2019			
	Fitting-out works MOP'000	**Construction works MOP'000**	**Repair and maintenance works MOP'000**	**Total MOP'000**
Source of contracts				
Public sector	**167,134**	**10,327**	**417**	**177,878**
Private sector	**288,730**	**795**	**4**	**289,529**
Total	**455,864**	**11,122**	**421**	**467,407**

	Year ended 31 December 2018			
	Fitting-out works MOP'000	Construction works MOP'000	Repair and maintenance works MOP'000	Total MOP'000
Source of contracts				
Public sector	70,160	5,662	1,315	77,137
Private sector	322,540	—	408	322,948
Total	392,700	5,662	1,723	400,085

8. REVENUE (Continued)

Disaggregation of revenue from contracts with customers (Continued)

(b) Revenue breakdown by source of contracts and role of the Group (Continued)

	Year ended 31 December 2019			
	Fitting-out works MOP'000	Construction works MOP'000	Repair and maintenance works MOP'000	Total MOP'000
Role of the Group				
Main contractor	88,741	11,122	417	100,280
Subcontractor	367,123	–	4	367,127
Total	455,864	11,122	421	467,407

	Year ended 31 December 2018			
	Fitting-out works MOP'000	Construction works MOP'000	Repair and maintenance works MOP'000	Total MOP'000
Role of the Group				
Main contractor	68,693	5,662	1,583	75,938
Subcontractor	324,007	–	140	324,147
Total	392,700	5,662	1,723	400,085

9. 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 works;

(b) Construction works; and

(c) Repair and maintenance works.

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.

9. SEGMENT INFORMATION (Continued)

(a) Segment revenue and profit

The following is an analysis of the Group's revenue and results by operating segment:

For the year ended 31 December 2019

	Fitting-out works MOP'000	Construction works MOP'000	Repair and maintenance works MOP'000	Total MOP'000
Segment revenue – external	**455,864**	**11,122**	**421**	**467,407**
Segment results	**91,972**	**1,974**	**72**	**94,018**
Corporate expenses				**(32,688)**
Other income, net gains or (losses)				**1,826**
Finance costs				**(2,642)**
Profit before taxation				**60,514**

For the year ended 31 December 2018

	Fitting-out works MOP'000	Construction works MOP'000	Repair and maintenance works MOP'000	Total MOP'000
Segment revenue – external	392,700	5,662	1,723	400,085
Segment results	77,588	1,103	925	79,616
Corporate expenses				(24,069)
Other income, net gains or (losses)				2,981
Finance costs				(2,955)
Profit before taxation				55,573

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 4. Segment results mainly represented profit earned by each segment, excluding income and expenses of the corporate function, which include certain other income, net gains and (losses), certain administrative and other expenses, listing expenses and finance costs.

9. SEGMENT INFORMATION (Continued)

(b) Geographical information

The Group's operations are solely located in Macau.

(c) Information about major customers

Revenue from customers of the corresponding year contributing over 10% of the total revenue of the Group are as follows:

	Year ended 31 December	
	2019	2018
	MOP'000	MOP'000
Customer A	**50,999**	N/A[(b)]
Customer B	**73,015**	N/A
Customer C	**48,013**	N/A[(b)]
Customer D	**N/A[(b)]**	206,390
Customer E	**N/A[(b)]**	95,889
Customer F	**205,553**	N/A

Notes:

(a) The revenue was from contract revenue from fitting-out and construction works.

(b) Revenue from the customers is less than 10% of the total revenue in the respective corresponding year.

(c) No single customers in respect of repair and maintenance services contributed 10% or more to the Group's revenue for the year.

10. OTHER INCOME

	Year ended 31 December	
	2019	2018
	MOP'000	MOP'000
Interest income	**1,225**	423
Insurance compensation	**657**	2,429
Others	**8**	—*
	1,890	2,852

* The balance represents amount less than MOP1,000.

11. OTHER NET (LOSSES)/GAINS

	Year ended 31 December	
	2019	2018
	MOP'000	MOP'000
Net exchange loss	**(64)**	—*
Gain on disposal of plant and equipment	**—**	129
	(64)	129

* The balance represents amount less than MOP1,000.

12. PROFIT FOR THE YEAR

Profit for the year is arrived at after charging/(crediting):

	Year ended 31 December	
	2019	2018
	MOP'000	MOP'000
(a) Finance costs		
Interest on lease liabilities	**25**	81
Interest on bank borrowings	**2,089**	2,361
Bank overdraft interest	**528**	513
	2,642	2,955
(b) Staff costs (including directors' remuneration)		
Contributions to defined contribution retirement plans	**119**	158
Salaries and wages		
— Directors' remuneration (Note 15(a))	**1,648**	1,567
— Salaries recognised as administrative and other operating expenses	**11,691**	12,167
— Wages recognised as costs of services	**1,022**	3,615
Other staff costs	**96**	1
	14,576	17,508
(c) Cost of services		
Subcontracting fees	**357,229**	297,953
Staff costs	**1,022**	3,615
Material costs	**10,415**	14,023
Others	**4,723**	4,878
	373,389	320,469
(d) Other items		
Depreciation for plant and equipment	**93**	111
Depreciation for right-of-use assets	**931**	899
Minimum operating lease payments	**—**	3
Gain on disposal of plant and equipment	**—**	(129)
Net foreign exchange losses	**64**	—*
Auditor's remuneration (Note)	**1,238**	—
Listing expenses	**13,206**	6,676

Note: No auditor's remuneration was incurred for the year ended 31 December 2018 as the companies comprising the Group are not subject to statutory audit requirements under the relevant rules and regulations in their respective jurisdictions of incorporation.

* The balance represents amount less than MOP1,000.

13. INCOME TAX EXPENSE

	Year ended 31 December	
	2019	2018
	MOP'000	MOP'000
The income tax expense comprises:		
Macau Complementary Tax		
— current year	**9,040**	7,131

The Company is tax exempted under the laws of Cayman Islands and subject to Hong Kong profits tax at a tax rate of 16.5% (2018: 16.5%) on the estimated assessable profit arising in Hong Kong.

During the reporting period, all of the Group's revenue was derived in Macau. Macau Complementary Tax is calculated at 12% of the estimated assessable profits exceeding MOP600,000, during the reporting period.

The income tax expense for the year can be reconciled to the profit before taxation in the consolidated statement of profit or loss and other comprehensive income as follows:

	Year ended 31 December	
	2019	2018
	MOP'000	MOP'000
Profit before taxation	**60,514**	55,573
Notional tax on profit before taxation calculated at rates applicable to profits in the tax jurisdictions concerned	**6,807**	6,696
Tax effect of utilisation of tax losses not previously recognised	**—**	(66)
Tax effect of expenses not deductible for tax purpose	**2,002**	801
Tax effect of tax loss not recognised	**516**	192
Tax effect of tax exemption under Macau Complementary Income Tax	**(216)**	(216)
Tax effect of non-taxable income	**(81)**	—
Others	**12**	(276)
Income tax expense for the year	**9,040**	7,131

At the end of the reporting period, there was no material deferred tax required to be provided.

14. DIVIDEND

No dividend has been paid or declared by other companies comprising the Group during the year ended 31 December 2019.

During the year ended 31 December 2018, AD&C Engineering & Construction Company Limited ("**AD&C**"), Huarchi Global Construction Corporation Limited ("**Huarchi Global**") and Q.F. Stone Decoration Engineering (Macau) Company Ltd. ("**Q.F. Stone**") declared and paid total dividends of MOP80,000,000 to their then shareholders prior to the completion of the Reorganisation, who are also the Controlling Shareholders.

15. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments and chief executive's emoluments

Details of the emoluments paid or payable by the Group to the directors of the subsidiaries who were appointed as the directors of the Company during year for their services rendered are as follows:

Year ended 31 December 2019

	Fees MOP'000	Salaries and other allowance MOP'000	Discretionary bonus MOP'000	Retirement benefit scheme contributions MOP'000	Total MOP'000
Executive directors					
Mr. Lou (Note (i))	—	360	30	1	391
Mr. Chang	—	360	30	1	391
Mr. Ao	—	360	30	1	391
Mr. Leong	—	360	30	1	391
Independent non-executive directors					
Dr. LAM Chi Kit *BBS MH JP* (Note (iv))	28	—	—	—	28
Dr. SIN Wai Chiu Joseph (Note (iv))	28	—	—	—	28
Mr. LO Chun Chiu Adrian (Note (iv))	28	—	—	—	28
	84	1,440	120	4	1,648

15. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS AND EMPLOYEES' EMOLUMENTS (Continued)

(a) Directors' emoluments and chief executive's emoluments (Continued)

Year ended 31 December 2018

	Fees MOP'000	Salaries and other allowance MOP'000	Discretionary bonus MOP'000	Retirement benefit scheme contributions MOP'000	Total MOP'000
Executive directors					
Mr. Lou (Note (i))	—	360	30	2	392
Mr. Chang	—	360	30	2	392
Mr. Ao	—	360	30	1	391
Mr. Leong	—	360	30	2	392
Independent non-executive directors					
Dr. LAM Chi Kit *BBS MH JP* (Note (iv))	—	—	—	—	—
Dr. SIN Wai Chiu Joseph (Note (iv))	—	—	—	—	—
Mr. LO Chun Chiu Adrian (Note (iv))	—	—	—	—	—
	—	1,440	120	7	1,567

Notes:

(i) Mr. Lou is the chairman of the board and managing director of the Company and is regarded as the Chief Executive of the Company.

(ii) No director received any emoluments from the Group as an inducement to join or upon joining the Group or as compensation for loss of office during the year (2018: nil). No director waived or agreed to waive any emoluments.

(iii) The executive directors' emoluments shown above were mainly for their services in connection with the management of the affairs of the Company and the Group including services as chief executive of the Company. The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

(iv) Appointed as independent non-executive director of the Company on 24 October 2019.

15. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS AND EMPLOYEES' EMOLUMENTS (Continued)

(b) Employees' emoluments

The five highest paid individuals of the Group during the year ended 31 December 2019 include nil director (2018: nil), details of whose emoluments are set out in Note 15(a) above. Details of the emoluments of the remaining 5 individuals for the year ended 31 December 2019 (2018: 5) are as follows:

	Year ended 31 December	
	2019	2018
	MOP'000	MOP'000
Salaries and other allowance	**2,125**	2,035
Discretionary bonus	**190**	185
Retirement benefit scheme contributions	**9**	10
	2,324	2,230

The emoluments of the remaining highest paid employees were within the following bands:

	Year ended 31 December	
	2019	2018
	No. of individuals	No. of individuals
Nil to MOP1,000,000	**5**	5

During the year ended 31 December 2019, no emoluments were paid by the Group to any of the directors of the Company or chief executive or five highest paid individuals of the Group as an inducement to join or upon joining the Group or as compensation for loss of office.

16. EARNINGS PER SHARE

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

	2019	2018
Profit attributable to owners of the Company (MOP'000)	**51,474**	48,442
Weighted average number of ordinary shares in issue (in '000 Number of shares)	**1,556,164**	1,475,500
Basic and diluted earnings per share (MOP cents)	**3.31**	3.28

The calculation of the basic earnings per share is based on the profit for the year attributable to owners of the Company and weighted average number of shares in issue. The number of shares for the purpose of basic earnings per share has been retrospectively adjusted for the 1,499,987,520 shares which were issued pursuant to the Capitalisation Issue (as defined in Note 26(b)). In addition, the number of shares for the year ended 31 December 2018 is calculated on the basis that the shares issued to Talent Leap Investments Limited and Ace Hope Investments Limited (see Note 26(b)(iii)) have been issued since 31 January 2018.

Diluted earnings per share for those years were the same as basic earnings per share as there were no potential ordinary shares outstanding during each of the two years ended 31 December 2019.

17. PLANT AND EQUIPMENT

	Motor vehicles MOP'000	Plant and machinery MOP'000	Furniture and fixtures MOP'000	Total MOP'000
Cost				
At 1 January 2018	315	98	143	556
Additions	—	—	111	111
Disposal	(315)	—	—	(315)
At 31 December 2018	**—**	**98**	**254**	**352**
Additions	**—**	**352**	**—**	**352**
At 31 December 2019	**—**	**450**	**254**	**704**
Accumulated Depreciation				
At 1 January 2018	252	42	121	415
Charge for the year	52	21	38	111
Disposal	(304)	—	—	(304)
At 31 December 2018	**—**	**63**	**159**	**222**
Charge for the year	**—**	**71**	**22**	**93**
At 31 December 2019	**—**	**134**	**181**	**315**
Carrying Values				
At 31 December 2019	**—**	**316**	**73**	**389**
At 31 December 2018	—	35	95	130

18. RIGHT-OF-USE ASSETS

	Right-of-use assets MOP'000
Cost	
At 1 January 2018	—
Additions	1,862
At 31 December 2018	**1,862**
Additions	**—**
At 31 December 2019	**1,862**
Accumulated Depreciation	
At 1 January 2018	—
Charge for the year	899
At 31 December 2018	**899**
Charge for the year	**931**
At 31 December 2019	**1,830**
Carrying Values	
At 31 December 2019	**32**
At 31 December 2018	963

The right-of-use assets are depreciated over their estimated useful lives, using straight-line method, over the lease term per annum.

19. TRADE AND OTHER RECEIVABLES

	At 31 December	
	2019	2018
	MOP'000	MOP'000
Trade receivables	**113,321**	77,170
Retention receivables	**74,510**	50,544
	187,831	127,714
Deferred listing expenses	**—**	3,032
Other receivables, prepayments and deposits	**9,061**	23,049
Total trade and other receivables	**196,892**	153,795

Trade receivables

The Group allows an average credit period of 0–90 days to its customers. The following is an aged analysis of trade receivables presented based on invoice dates at the end of the reporting period, net of allowance for impairment.

	At 31 December	
	2019	2018
	MOP'000	MOP'000
0–30 days	**44,618**	46,229
31–60 days	**51,587**	16,600
61–90 days	**466**	8,372
Over 90 days	**16,650**	5,969
	113,321	77,170

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customers. Recoverability of the existing customers is reviewed by the Group regularly.

19. TRADE AND OTHER RECEIVABLES (Continued)

Retention receivables

Retention receivables are unsecured, interest-free and recoverable at the end of the defects liability period of individual contracts, ranging from 1 year to 5 years from the date of the completion of the respective projects.

The following is an aged analysis of retention receivables which are to be settled, based on the expiry of the defects liability period, at the end of the reporting period.

	At 31 December	
	2019	2018
	MOP'000	MOP'000
On demand or within one year	**25,471**	35,746
After one year	**49,039**	14,798
	74,510	50,544

Included in Group's retention receivables balances as at 31 December 2019 were receivables with aggregate carrying amount of approximately MOP8,831,000 (2018: MOP6,126,000), which were past due at the end of the reporting period for which the Group had not provided for impairment loss. The Group does not hold any collateral over these balances.

The Group applies simplified approach to provide for ECL prescribed by HKFRS 9. The Group assessed the ECL for trade and retention receivables individually as at 31 December 2019 and 2018. No impairment allowance for trade and retention receivables were provided since the loss given default and exposure at default are low based on historical credit loss experience. The management of the Group has also assessed all available forward looking information, including but not limited to expected growth rate of the industry and expected subsequent settlement, and concluded that there is no significant increase in credit risk and the expected credit loss rate for the Group's trade and retention receivables is minimal for all bands of trade and retention receivables.

In determining the recoverability of trade and retention receivables, the Group considers any change in credit quality of the trade receivables from the date credit was initially granted up to the end of the reporting period.

The Group's trade and retention receivables are denominated in the functional currency.

There were no impairment losses recognised for retention receivables during the year.

20. AMOUNT(S) DUE FROM A CONTROLLING SHAREHOLDER/ULTIMATE HOLDING COMPANY

(a) Amount due from a controlling shareholder:

	At 31 December		Maximum amount outstanding during Year ended 31 December	
	2019	2018	**2019**	2018
	MOP'000	MOP'000	**MOP'000**	MOP'000
Mr. Lou	**—**	2,304	**2,304**	63,020

Note:

The amount due is unsecured, interest free, non-trade in nature and repayable on demand.

(b) Amount due from ultimate holding company:

	At 31 December	
	2019	2018
	MOP'000	MOP'000
Seong Wa	**—***	—*

The amount due is unsecured, interest free, non-trade in nature and repayable on demand.

* The balances represent amount less than MOP1,000

(c) Related parties transactions:

		Year ended 31 December	
		2019	2018
		MOP'000	MOP'000
Mr. Chang	Payments of lease liabilities	**528**	624

(d) Key management personnel transactions:

All members of key management personnel are directors of the Company and their remuneration is disclosed in Note 15(a).

21. CONTRACT ASSETS AND CONTRACT LIABILITIES

Disclosures of revenue-related items:

	At 31 December	
	2019	2018
	MOP'000	MOP'000
Contract assets		
Provision of fitting-out works	**56,437**	21,704
Provision of construction works	**—**	1,048
	56,437	22,752
Contract liabilities		
Provision of fitting-out works	**3,101**	2,726
Provision of construction works	**—**	570
	3,101	3,296

The contract assets primarily relate to the Group's right to consideration for work completed and not billed because as at the end of the reporting period the rights are conditional on the Group's future performance or on certification of the works by the customers. The contract assets are transferred to trade receivables when the rights become unconditional. The Group classifies these contract assets as current assets because the Group expects to realise them in its normal operating cycle. The changes in contract assets and liabilities are due to i) adjustments arising from changes in the measure of progress of contracting work, or ii) reclassification to trade receivables when the Group has unconditional right to the consideration.

Contract assets as at 31 December 2019 are expected to be recovered and settled during the year ending 31 December 2020 (2018: year ended 31 December 2019).

Contract liabilities as at 31 December 2019 are expected to be recognised as revenue during the year ending 31 December 2020 (2018: year ended 31 December 2019).

As at 31 December 2019, contract liabilities included receipt in advance from customers amounting to approximately MOP3,101,000 (2018: MOP2,700,000).

There were no impairment losses recognised on any contract assets during the year.

The Group applies simplified approach to provide for ECL prescribed by HKFRS 9. The Group assessed the ECL for contract assets individually as at 31 December 2019 and 2018. No impairment allowance for contract assets were provided since the loss given default and exposure at default are low based on historical credit loss experience. The management of the Group has also assessed all available forward looking information, including but not limited to expected growth rate of the industry and expected subsequent settlement, and concluded that there is no significant increase in credit risk.

21. CONTRACT ASSETS AND CONTRACT LIABILITIES (Continued)

Transaction price allocated to the remaining performance obligations

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

	As at 31 December	
	2019	2018
	MOP'000	MOP'000
Provision of fitting-out works	**173,376**	153,170
Provision of construction works	**28,859**	14,000
	202,235	167,170

Based on the information available to the Group at the end of the reporting period, the management of the Group expects the transaction price allocated to the above unsatisfied (or partially unsatisfied) contracts in respect of provision of fitting-out and construction works services as of 31 December 2019 will be substantially recognised as revenue during the year ending 31 December 2020.

Movement in contract liabilities balances during the year are as follows:

	Year ended 31 December	
	2019	2018
	MOP'000	MOP'000
Revenue recognised in the year that was included in contract liabilities at beginning of the year	**3,296**	16,014

22. BANK BALANCES AND CASH/PLEDGED BANK DEPOSITS

	At 31 December	
	2019	2018
	MOP'000	MOP'000
Cash at banks	**163,579**	49,755
Less: Pledged bank deposits	**(32,068)**	(34,032)
	131,511	15,723

As at 31 December 2019, deposits of approximately MOP32,068,000 (2018: MOP34,032,000) were held at banks as pledge for banking facilities granted to the Group.

22. BANK BALANCES AND CASH/PLEDGED BANK DEPOSITS (Continued)

The pledged bank deposit balances represent deposits pledged to secure the banking facilities (including bank borrowings and overdrafts and issuance of performance bonds). Pledged bank deposits carry interest at variable rates which range from 0.04% to 2.0% per annum as at 31 December 2019 (2018: 0.08% to 2.20%).

(a) Reconciliation of liabilities arising from financing activities

	Bank overdrafts MOP'000	Bank borrowings MOP'000	Lease liabilities MOP'000	Total MOP'000
At 1 January 2018	24,478	45,674	—	70,152
Changes from financing cash flow:				
Changes in bank overdrafts	(14,135)	—	—	(14,135)
Recognition of lease liabilities	—	—	1,862	1,862
Repayments of lease liabilities	—	—	(917)	(917)
Repayments of bank borrowings	—	(3,674)	—	(3,674)
Interest paid	(513)	(2,361)	(81)	(2,955)
Total changes from financing cash flow	(14,648)	(6,035)	864	(19,819)
Other changes				
Interest expenses (Note 12(a))	513	2,361	81	2,955
At 31 December 2018 and 1 January 2019	**10,343**	**42,000**	**945**	**53,288**
Changes from financing cash flow:				
Changes in bank overdrafts	**870**	**—**	**—**	**870**
Repayments of lease liabilities	**—**	**—**	**(911)**	**(911)**
Repayment of bank borrowings	**—**	**(7,000)**	**—**	**(7,000)**
Interest paid	**(528)**	**(2,089)**	**(25)**	**(2,642)**
Total changes from financing cash flow	**342**	**(9,089)**	**(936)**	**(9,683)**
Other changes				
Interest expenses (Note 12(a))	**528**	**2,089**	**25**	**2,642**
At 31 December 2019	**11,213**	**35,000**	**34**	**46,247**

(b) Major non-cash transactions

During the year ended 31 December 2018, certain subsidiaries of the Company entered into several assignments with Mr. Lou, Mr. Chang, Mr. Leong and a related company. Pursuant to the agreements, amount due from Mr. Chang and Mr. Leong of approximately MOP3,238,000, amount due from a related company of MOP4,000,000 and amount due to Mr. Chang of approximately MOP545,000 were assigned to Mr. Lou by the certain subsidiaries of the Company.

23. TRADE AND OTHER PAYABLES

Trade and other payables at the end of the reporting period comprise amounts outstanding for trade purposes and daily operating costs. The average credit period taken for trade purchase is 0 to 35 days.

	At 31 December	
	2019	2018
	MOP'000	MOP'000
Trade payables	**14,118**	25,943
Retention payables (Note)	**44,741**	25,765
	58,859	51,708
Accrued contract costs	**38,758**	22,381
Accruals and other payables	**4,266**	4,294
Total trade and other payables	**101,883**	78,383

Note: Retention payables are interest-free and payable at the end of the defects liability period of individual contracts, ranging from 1 to 5 years from the completion date of the respective project.

Accrued contract costs as at 31 December 2019 are expected to be settled during the year ending 31 December 2020 (2018: year ended 31 December 2019).

The following is an aged analysis of trade payables presented based on the invoice dates at the end of the reporting period:

	At 31 December	
	2019	2018
	MOP'000	MOP'000
1–30 days	**2,522**	3,371
31–60 days	**6,473**	17,933
61–90 days	**791**	1,423
Over 90 days	**4,332**	3,216
	14,118	25,943

The retention payables are to be settled within 2 years based on the expiry of defects liability period, at the end of the reporting period.

23. TRADE AND OTHER PAYABLES (Continued)

The following is an aged analysis of retention payables which are to be settled, based on the expiry of the defects liability period, at the end of the reporting period.

	At 31 December	
	2019	2018
	MOP'000	MOP'000
On demand or within one year	**24,780**	14,921
After one year	**19,961**	10,844
	44,741	25,765

The Group's trade and retention payables are denominated in the functional currency.

24. LEASE LIABILITIES

	At 31 December	
	2019	2018
	MOP'000	MOP'000
Non-current	**—**	34
Current	**34**	911
	34	945

	At 31 December	
	2019	2018
	MOP'000	MOP'000
Minimum lease payments due:—		
Within one year	**34**	937
More than one year, but not exceeding two years	**—**	34
	34	971
Less: future finance charges	**—**	(26)
Present value of lease liabilities	**34**	945

24. LEASE LIABILITIES (Continued)

	At 31 December	
	2019	2018
	MOP'000	MOP'000
Maturity analysis		
Present value of lease liabilities:—		
Within one year	**34**	911
More than one year, but not exceeding two years	**—**	34
	34	945

The Group leased two properties as disclosed in Note 18 to operate for office uses. The lease terms were 2 years. These lease liabilities were measured at the present value of the lease payments that are not yet paid.

The Group does not face a significant liquidity risk with regard to its lease liabilities. Lease liabilities are monitored within the Group's treasury function.

The total cash outflow for leases including repayments of lease liabilities and payment of interest expenses for the year ended 31 December 2019 are approximately MOP936,000 (2018: MOP998,000).

25. BANK BORROWINGS AND BANK OVERDRAFTS

	At 31 December	
	2019	2018
	MOP'000	MOP'000
Bank borrowings (Note a)	**35,000**	42,000
Bank overdrafts	**11,213**	10,343
Total bank borrowings and bank overdrafts	**46,213**	52,343
Carrying amounts of the above bank borrowings and bank overdrafts repayable (Note b):		
On demand or within one year	**46,213**	52,343
More than one year, but not exceeding two years	**—**	—
More than two years, but not more than five years	**—**	—
More than five years	**—**	—
	46,213	52,343
Less: Amounts shown under current liabilities (Note c)	**(46,213)**	(52,343)
Amounts shown under non-current liabilities	**—**	—

25. BANK BORROWINGS AND BANK OVERDRAFTS (Continued)

Notes:

(a) The bank borrowings amounted to MOP35,000,000 as at 31 December 2019 (2018: MOP40,000,000), carry interest at Prime Rate per annum.

The bank borrowings amounted MOP nil (2018: MOP2,000,000), carry interest at Prime Rate plus 1% per annum. The effective interest rates on the borrowings as at 31 December 2019 was 5.25% to 5.375% per annum (2018: 5.375% to 6.375% per annum).

(b) The Group's bank borrowings are denominated in the functional currency. These bank borrowings are under banking facilities for drawing loans and issuing performance bonds. The banking facilities are secured by pledged bank deposits as disclosed in Note 22 and promissory notes endorsed by AD&C, Q.F. Stone and S.J. Construction Design Engineering Company Ltd. which were guaranteed by the Company.

(c) All bank borrowings contain a repayment on demand clause and are shown under current liabilities.

26. CAPITAL AND RESERVES

(a) Movement in component of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity.

(b) Share capital

	2019 Number of shares	2019 Share capital MOP'000	2018 Number of shares	2018 Share capital MOP'000
Ordinary shares of HK$0.01 each				
Authorised:				
At date of incorporated and 1 January (Note i)	**38,000,000**	**392**	38,000,000	392
Increase in authorised share capital on 24 October 2019 (Note iv)	**9,962,000,000**	**102,758**	—	—
At 31 December	**10,000,000,000**	**103,150**	38,000,000	392
Issued and fully paid:				
At date of incorporation and 1 January (Note i)	**12,480**	**—***	1,000	—*
Allotment of shares (Note ii)	**—**	**—**	9,000	—*
Allotment of shares under pre-ipo investment (Note iii)	**—**	**—**	2,480	—*
Issue of shares under the Capitalisation Issue (Note v)	**1,499,987,520**	**15,472**	—	—
Issue of shares under the Share Offer (Note vi)	**500,000,000**	**5,158**	—	—
At 31 December	**2,000,000,000**	**20,630**	12,480	—*

* The balances represent amount less than MOP1,000.

26. CAPITAL AND RESERVES (Continued)

(b) Share capital (Continued)

Notes:

(i) The Company was incorporated on 20 June 2017 in the Cayman Islands as an exempted company with limited liability with an authorised share capital of HK$380,000 divided into 38,000,000 ordinary shares with a par value of HK$0.01 per share ("**Share**"). The subscriber to the Memorandum and Articles of Association was allotted and issued one fully paid Share. The subscriber Share was subsequently transferred to Seong Wa on the same day. On 20 June 2017, 999 Shares were allotted and issued at par to Seong Wa. Thereafter, Seong Wa owned 1,000 Shares.

(ii) On 22 January 2018, 9,000 shares were allotted and issued at par to Seong Wa.

(iii) Pre-IPO Investment

On 26 January 2018, Talent Leap Investments Limited ("**Talent Leap**") and Ace Hope Investments Limited ("**Ace Hope**") respectively entered into a share subscription agreement with the Company respectively. Pursuant to the share subscription agreements, the Company allotted and issued 1,240 shares and 1,240 shares to Talent Leap and Ace Hope respectively at a total consideration of HK$19,200,000 (approximately MOP19,776,000) and was fully and unconditionally settled in cash on 31 January 2018.

(iv) On 24 October 2019, the authorised share capital of the Company was increased from HK$380,000 divided into 38,000,000 shares of HK$0.01 each to HK$100,000,000 divided into 10,000,000,000 shares of HK$0.01 each by the creation of an additional of 9,962,000,000 shares of HK$0.01 each, each ranking pari passu with the shares then in issue in all respects.

(v) On 24 October 2019, the Company capitalised the sum of HK$14,999,875 (equivalent to MOP15,472,000) standing to the credit of the share premium account of the Company (the "**Capitalisation Issue**") and applied the amount towards paying up in full 1,499,987,520 shares of nominal value of HK$0.01 each for allotment to the shareholders whose names appear on the register of members of the Company prior to the listing of the Company's shares on the Stock Exchange pro rata to the then existing shareholders in the Company.

(vi) On 21 November 2019, 500,000,000 ordinary shares of HK$0.01 each were issued by way of share offer at a price of HK$0.25 per share (the "**Share Offer**") for a total cash consideration of HK$125,000,000 (equivalent to MOP128,938,000), before issuance cost. The excess of the Share Offer over the par value of the shares issued was credited to the share premium account of the Company.

(c) Share premium

The share premium represents the difference between the consideration of HK$19,200,000 (approximately MOP19,776,000) and the par value of the 1,240 shares and 1,240 shares of the Company issued to Talent Leap and Ace Hope respectively (Note 26 (b)).

(d) Merger reserves

Merger reserves represent the reserves that arose pursuant to the Reorganisation.

(e) Legal reserves

In accordance with the Article 377 of the Commercial Code of Macau Special Administrative Region, the subsidiaries registered under private limited liability companies by quotas in Macau are required to transfer part of their profits of each accounting period of not less than 25% to legal reserve, until the amount reaches half of the respective share capital.

In accordance with the Article 432 of the Commercial Code of Macau Special Administrative Region, a subsidiary registered under a public company by shares (in Chinese "股份有限公司") in Macau is required to transfer part of its profits of each accounting period of not less than 10% to legal reserve until the amount reaches a quarter of the respective share capital.

(f) Capital reserve

Capital reserve represents the nominal consideration for the acquisition of subsidiaries and the issuance of shares of certain subsidiaries.

27. PARTICULARS OF SUBSIDIARIES

At the date of this report, the Company has direct or indirect interests in the following subsidiaries, all of which are private companies:

Company name	Place of incorporation	Particulars of issued and paid-up capital	Attributable equity interest: Group's effective interest	Held by the Company	Held by subsidiary	Principal activities
HGC-KWAN FUNG Limited	BVI	1,000 ordinary shares of US$1 each	100%	100%	—	Investment Holding
HGC-WAH LUEN Limited	BVI	1,000 ordinary shares of US$1 each	100%	100%	—	Investment Holding
HGC-SHEUNG KEE Limited	BVI	1,000 ordinary shares of US$1 each	100%	100%	—	Investment Holding
HGC-WAH KEE Limited	BVI	1,000 ordinary shares of US$1 each	100%	100%	—	Investment Holding
AD&C (Note (a))	Macau	MOP100,000	100%	—	100%	Construction works, fitting-out works and provision of repair and maintenance works
Q.F. Stone (Note (a))	Macau	MOP120,000	100%	—	100%	Construction works, fitting-out works and provision of repair and maintenance works
S.J. Construction Design Engineering Company Ltd. (Notes (a))	Macau	MOP120,000	100%	—	100%	Construction works, fitting-out works and provision of repair and maintenance works
Huarchi Global (Note (b))	Macau	MOP1,000,000	100%	—	100%	Construction works, fitting-out works and provision of repair and maintenance works

27. PARTICULARS OF SUBSIDIARIES (Continued)

All companies comprising the Group have adopted 31 December as their financial year end date. No statutory audited financial statements have been prepared since their date of incorporation as they are incorporated in a jurisdiction where there is no statutory audit requirements.

Notes:

(a) The subsidiaries were registered as private companies in Macau.

(b) The subsidiary was registered as a public company by shares (in Chinese "股份有限公司").

28. IMMEDIATE AND ULTIMATE CONTROLLING PARTY

As at 31 December 2019, the directors consider the immediate parent of the Group to be Seong Wa, which is incorporated in the British Virgin Islands. This entity does not produce financial statements available for public use. The ultimate controlling parties of the Group are Mr. Lou, Mr. Chang, Mr. Ao and Mr. Leong.

29. RETIREMENT BENEFIT PLANS

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 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 Macau government. The Group funds the entire contribution and has no further commitments beyond its monthly contributions.

30. SHARE OPTION SCHEME

The Company's share option scheme (the "**Scheme**") was conditionally adopted by the written resolutions of the shareholders of the Company passed on 24 October 2019 ("**Adoption date**"). Under the Scheme, the board of directors of the Company may, at their absolute discretion, at any time within a period of ten years commencing from the adoption date offer to grant to any eligible persons, including employees (full-time and part-time), directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners or service providers and shareholders of any member of the Group and to promote the success of the Group, options to subscribe for shares. The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, with approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, with approval from the Company's shareholders. Up to the issuance of these consolidated financial statements, no option is granted under the Scheme.

31. CONTINGENT LIABILITIES

At 31 December 2019, contingent liabilities not provided for in the year were as follows:

	At 31 December	
	2019	2018
	MOP'000	MOP'000
Bank guarantees given to potential customers for an invitation to tender	**22,942**	29,268
Performance bonds given to customers for due and proper performance of projects undertaken by the Group's subsidiaries	**60,023**	98,714
	82,965	127,982

32. EVENT AFTER THE REPORTING PERIOD

The COVID-19 outbreak since early 2020 has exerted certain downward pressure on the overall economy in Macau and may potentially impact the Group's operations and financial position and performance.

The Group has been closely monitoring the impact of the developments on the Group's businesses and will continue to focus its fitting-out projects on the local residential, office and school premises in Macau, with the expectation that the corresponding impact faced by the Group can be mitigated.

As the extent to which the COVID-19 outbreak will continue is uncertain, it is not practicable to estimate the full financial effect that the COVID-19 outbreak may have on the Group's businesses as at the date when the financial statements are authorised to issue.

33. FINANCIAL INFORMATION OF THE COMPANY

Statement of Financial Position of the Company

	As at 31 December	
	2019	2018
	MOP'000	MOP'000
Non-current assets		
Investment in subsidiaries	**32**	32
Current assets		
Prepayment	**267**	—
Amounts due from subsidiaries	**118,278**	19,597
Amount due from a holding company	**—***	—*
Bank balances	**10,572**	—
	129,117	19,597
Current liabilities		
Accruals	**(1,404)**	(25)
Amount due to a subsidiary	**—**	(21)
	(1,404)	(46)
Net current assets	**127,713**	19,551
Total assets less current liabilities	**127,745**	19,583
Net assets	**127,745**	19,583
Capital and reserves		
Share capital	**20,630**	—*
Share premium	**117,449**	19,808
Accumulated losses	**(10,334)**	(225)
Total equity	**127,745**	19,583

* The balances represent amount less than MOP1,000.

33. FINANCIAL INFORMATION OF THE COMPANY (Continued)

Statements of Financial Position of the Company (Continued)

Notes:

Movement in the reserve of the Company is as follows:

	Share premium MOP'000	Accumulated losses MOP'000	Total MOP'000
At 1 January 2018	—	—	—
Effect of reorganisation	32	—	32
Issuance of shares	19,776	—	19,776
Loss and total comprehensive expenses for the year	—	(225)	(225)
At 31 December 2018 and 1 January 2019	**19,808**	**(225)**	**19,583**
Capitalisation Issue	**(15,472)**	**—**	**(15,472)**
Share issue pursuant to the Share Offer	**123,780**	**—**	**123,780**
Share issue expenses	**(10,667)**	**—**	**(10,667)**
Loss and total comprehensive expenses for the year	**—**	**(10,109)**	**(10,109)**
At 31 December 2019	**117,449**	**(10,334)**	**107,115**

Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last four financial years, extracted from the audited financial statements in this annual report and the Prospectus of the Company dated 31 October 2019, are as follows.

RESULTS

	Year ended 31 December			
	2016 MOP'000	2017 MOP'000	2018 MOP'000	**2019** **MOP'000**
Revenue	175,216	322,724	400,085	**467,407**
Profit before taxation	29,526	56,402	55,573	**60,514**
Income tax expense	(4,160)	(6,725)	(7,131)	**(9,040)**
Profit and total comprehensive income for the year	25,366	49,677	48,442	**51,474**
Attributable to:				
Equity shareholders of the Company	24,906	49,677	48,442	**51,474**
Non-controlling interests	460	–	–	**–**
	25,366	49,677	48,442	**51,474**

ASSETS AND LIABILITIES

	At 31 December			
	2016 MOP'000	2017 MOP'000	2018 MOP'000	**2019** **MOP'000**
Total assets	270,027	277,178	229,699	**417,329**
Total liabilities	(170,600)	(178,071)	(142,374)	**(160,259)**
Net assets	99,427	99,107	87,325	**257,070**