



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

Interim Report 2020

Contents

	<i>Page(s)</i>
Corporate Information	2
Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income	4
Condensed Consolidated Statement of Financial Position	5
Condensed Consolidated Statement of Changes in Equity	6
Condensed Consolidated Statement of Cash Flows	7
Notes to the Condensed Consolidated Interim Financial Statements	8
Management Discussion and Analysis	19
Other Information	27

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. LOU Cheok Meng
(Chairman and Managing Director)
Mr. CHANG Wa leong
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'Assumpção No. 249
Edif. China Civil Plaza 7 Andar E&F
Macau

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Ocorian 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

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2020

RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of Huarchi Global Group Holdings Limited (the “**Company**”) presents the unaudited condensed consolidated interim results of the Company and its subsidiaries (together as the “**Group**”) for the six months ended 30 June 2020, together with the relevant comparative figures as follows:

		Six months ended 30 June	
		2020	2019
		MOP'000	MOP'000
		(unaudited)	(unaudited)
Notes			
		154,906	197,121
		(120,724)	(153,857)
Revenue	4		
Cost of services			
		34,182	43,264
Gross profit			
Other income		1,320	968
Other net losses		(1)	–
Administrative and other operating expenses		(14,599)	(8,321)
Finance costs		(1,036)	(1,372)
Listing expenses		–	(1,001)
		19,866	33,538
Profit before taxation			
Income tax expense	6	(2,874)	(4,539)
		16,992	28,999
Profit and total comprehensive income for the period attributable to owners of the Company	7		
		MOP0.85 cents	MOP1.93 cents
Earnings per share attributable to owners of the Company	9		
– Basic			

Condensed Consolidated Statement of Financial Position

At 30 June 2020

	Notes	At 30 June 2020 MOP'000 (unaudited)	At 31 December 2019 MOP'000 (audited)
Non-current assets			
Plant and equipment		334	389
Right-of-use assets		615	32
		949	421
Current assets			
Trade and other receivables	10	198,530	196,892
Amount due from ultimate holding company		—*	—*
Contract assets	11	52,041	56,437
Pledged bank deposits		23,586	32,068
Bank balances and cash		136,278	131,511
		410,435	416,908
Current liabilities			
Trade and other payables	12	(81,390)	(101,883)
Contract liabilities	11	(4,252)	(3,101)
Lease liabilities		(387)	(34)
Tax payable		(11,902)	(9,028)
Bank overdrafts		(9,156)	(11,213)
Bank borrowings		(30,000)	(35,000)
		(137,087)	(160,259)
Net current assets		273,348	256,649
Total assets less current liabilities		274,297	257,070
Non-current liabilities			
Lease liabilities		(235)	—
Net assets		274,062	257,070
Capital and reserves			
Share capital	13	20,630	20,630
Reserves		253,432	236,440
Total equity attributable to owners of the Company		274,062	257,070

* The balances represent amount less than MOP1,000

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2020

	Share capital MOP'000	Share premium MOP'000	Merger reserve MOP'000 (Note (i))	Legal reserve MOP'000 (Note (ii))	Capital reserve MOP'000	Retained earnings MOP'000	Total MOP'000
At 1 January 2019 (audited)	–*	19,776	103	395	9,349	57,702	87,325
Profit and total comprehensive income for the period	–	–	–	–	–	28,999	28,999
At 30 June 2019 (unaudited)	–*	19,776	103	395	9,349	86,701	116,324
At 1 January 2020 (audited)	20,630	117,417	103	395	9,349	109,176	257,070
Profit and total comprehensive income for the period	–	–	–	–	–	16,992	16,992
At 30 June 2020 (unaudited)	20,630	117,417	103	395	9,349	126,168	274,062

* The balances represent amount less than MOP1,000

Notes:

(i) **Merger reserve**

Merger reserve represents the reserve that arose pursuant to the Group reorganisation completed on 22 January 2018, which are fully explained in the paragraphs headed “Reorganisation” of the section headed “History, Reorganisation and Corporate Structure” in the prospectus of the Company dated 31 October 2019 (the “**Prospectus**”).

(ii) **Legal reserve**

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.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2020

	Six months ended 30 June	
	2020 MOP'000 (unaudited)	2019 MOP'000 (unaudited)
Net cash generated from operating activities	3,875	29,028
Investing activities		
Purchase of plant and equipment	–	(352)
Decrease/(increase) in pledged bank deposits	8,482	(17,673)
Interest received	692	303
Net cash generated from/(used in) investing activities	9,174	(17,722)
Financing activities		
Repayment of lease liabilities	(189)	(426)
Repayment of bank borrowings	(5,000)	(5,000)
Bank overdrafts repaid	(2,057)	(1,384)
Interest paid	(1,036)	(1,372)
Net cash used in financing activities	(8,282)	(8,182)
Net increase in cash and cash equivalents	4,767	3,124
Cash and cash equivalents at the beginning of the period	131,511	15,723
Cash and cash equivalents at the end of the period	136,278	18,847

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2020

1. GENERAL INFORMATION

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'Assumpção No. 249 Edif. China Civil Plaza 7 Andar E&F Macau. The issued ordinary shares of the Company were initially listed 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**").

The principal activity of the Company is an investment holding company and its subsidiaries provide services of fitting-out works, construction works and repair and maintenance works in Macau.

These unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2020 (the "**Condensed Consolidated Interim 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 otherwise indicated.

2. BASIS OF PREPARATION

The unaudited Condensed Consolidated Interim Financial Statements have been prepared in accordance with Hong Kong Accounting Standard ("**HKAS**") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") as well as the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

The unaudited Condensed Consolidated Interim Financial Statements have been prepared on the historical cost basis.

The unaudited Condensed Consolidated Interim Financial Statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the annual report of the Company for the year ended 31 December 2019.

The Condensed Consolidated Interim Financial Statements have not been audited nor reviewed by the independent auditor of the Company but have been reviewed by the audit committee of the Company (the "**Audit Committee**").

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2020

3. PRINCIPAL ACCOUNTING POLICIES

The accounting policies and methods of computation used in the unaudited Condensed Consolidated Interim Financial Statements are the same as those followed in the preparation of the Group's consolidated financial statements for the year ended 31 December 2019.

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards (the "HKFRSs") issued by the HKICPA that are relevant for the preparation of the Condensed Consolidated Interim Financial Statements and mandatorily effective for the current interim period beginning on or after 1 January 2020:

Amendments to HKFRS 3	Definition of a Business
Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

The application of the above mentioned amendments to HKFRSs in the current interim period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these Condensed Consolidated Interim Financial Statements.

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a material impact on its results of operations and financial position.

4. REVENUE

Revenue represents the 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 as follows:

	Six months ended 30 June	
	2020 MOP'000 (unaudited)	2019 MOP'000 (unaudited)
Revenue recognised over time:		
Contract revenue from fitting-out works	152,326	196,290
Contract revenue from construction works	2,473	795
	154,799	197,085
Repair and maintenance works	107	36
Total	154,906	197,121

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2020

5. 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.

(a) Segment revenue and profit

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

For the six months ended 30 June 2020

	Fitting-out works MOP’000 (unaudited)	Construction works MOP’000 (unaudited)	Repair and maintenance works MOP’000 (unaudited)	Total MOP’000 (unaudited)
Segment revenue – external	152,326	2,473	107	154,906
Segment results	34,055	111	16	34,182
Corporate expenses				(14,599)
Other income				1,320
Other net losses				(1)
Finance costs				(1,036)
Profit before taxation				19,866

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2020

5. SEGMENT INFORMATION (Continued)

(a) Segment revenue and profit (Continued)

For the six months ended 30 June 2019

	Fitting-out works MOP'000 (unaudited)	Construction works MOP'000 (unaudited)	Repair and maintenance works MOP'000 (unaudited)	Total MOP'000 (unaudited)
Segment revenue – external	196,290	795	36	197,121
Segment results	43,171	84	9	43,264
Corporate expenses				(9,322)
Other income				968
Finance costs				(1,372)
Profit before taxation				33,538

Segment results mainly represented profit earned by each segment, excluding income and expenses of the corporate function, which include certain other income, net losses, certain administrative and other expenses, listing expenses and finance costs.

(b) Geographical information

The Group's operations are solely located in Macau.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2020

6. INCOME TAX EXPENSE

	Six months ended 30 June	
	2020	2019
	MOP'000	MOP'000
	(unaudited)	(unaudited)
Macau Complementary Tax — current period	2,874	4,539

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

7. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2020	2019
	MOP'000	MOP'000
	(unaudited)	(unaudited)
Profit for the period has been arrived at after charging/(crediting):		
Cost of services	120,724	153,857
Other items:		
Depreciation of plant and equipment	55	38
Depreciation of right-of-use assets	194	466
Impairment losses of trade receivables	423	–
Government subsidies in relation to COVID-19	(600)	–

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2020

8. DIVIDENDS

No dividend has been paid or declared by the Company during the six months ended 30 June 2020 and 2019.

9. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2020	2019
	MOP'000	MOP'000
	(unaudited)	(unaudited)
Earnings		
Earnings for the purpose of basic earnings per share	16,992	28,999
	Six months ended 30 June	
	2020	2019
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	2,000,000	1,500,000

The calculation of the basic earnings per share is based on the profit for the period attributable to owners of the Company and weighted average number of shares in issue. The number of shares for the six months ended 30 June 2019 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 13).

Diluted earnings per share are not presented as there were no potential dilutive ordinary shares in issue during both periods.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2020

10. TRADE AND OTHER RECEIVABLES

	At 30 June 2020 MOP'000 (unaudited)	At 31 December 2019 MOP'000 (audited)
Trade receivables, net of loss allowance	105,047	113,321
Retention receivables	75,321	74,510
	180,368	187,831
Other receivables, prepayment and deposits	18,162	9,061
	198,530	196,892

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 Group allows generally a credit period ranging from 0 to 90 days to its customers. The following is an aging analysis of trade receivables presented based on dates of invoices issued at the end of the reporting period, net of loss allowance.

	At 30 June 2020 MOP'000 (unaudited)	At 31 December 2019 MOP'000 (audited)
0 – 30 days	38,957	44,618
31 – 60 days	33,312	51,587
61 – 90 days	22,635	466
Over 90 days	10,143	16,650
	105,047	113,321

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2020

11. CONTRACT ASSETS AND CONTRACT LIABILITIES

	At 30 June 2020 MOP'000 (unaudited)	At 31 December 2019 MOP'000 (audited)
Disclosure of revenue-related items:		
Contract assets		
Provision of fitting-out works	51,480	56,437
Provision of construction works	561	–
	52,041	56,437
Contract liabilities		
Provision of fitting-out works	685	3,101
Provision of construction works	3,567	–
	4,252	3,101

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.

As at 30 June 2020, contract liabilities included receipt in advance from customers amounting to approximately MOP4,252,000 (31 December 2019: MOP3,101,000).

Contract assets as the end of the reporting period are expected to be recovered and settled in subsequent year.

Contract liabilities as at the end of the reporting period are expected to be recognised as revenue in subsequent year.

Transaction prices allocated to the remaining performance obligations

The transaction prices allocated to the remaining performance obligations unsatisfied (or partially unsatisfied) as at 30 June 2020 of the amount MOP131,314,000 which are expected to be substantially recognised as revenue in subsequent year.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2020

12. 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 30 June 2020 MOP'000 (unaudited)	At 31 December 2019 MOP'000 (audited)
Trade payables	5,206	14,118
Retention payables (Note)	38,912	44,741
	44,118	58,859
Accrued contract costs	34,827	38,758
Accruals and other payables	2,445	4,266
	81,390	101,883

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.

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

	At 30 June 2020 MOP'000 (unaudited)	At 31 December 2019 MOP'000 (audited)
1 – 30 days	1,278	2,522
31 – 60 days	1,990	6,473
61 – 90 days	223	791
Over 90 days	1,715	4,332
	5,206	14,118

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.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2020

13. SHARE CAPITAL

Details of the share capital of the Company are as follows:

	Number	Share capital MOP'000
Ordinary shares of HK\$0.01 each		
Authorised:		
At 1 January 2019 (Note i)	38,000,000	392
Increase in authorised share capital (Note ii)	9,962,000,000	102,758
	<hr/>	<hr/>
At 31 December 2019 and 30 June 2020	10,000,000,000	103,150
	<hr/>	<hr/>
Issued and fully paid:		
At 1 January 2019 (Note i)	12,480	–*
Issue of shares on capitalisation issue (Note iii)	1,499,987,520	15,472
Issue of shares on listing (Note iv)	500,000,000	5,158
	<hr/>	<hr/>
At 31 December 2019 and 30 June 2020	2,000,000,000	20,630
	<hr/>	<hr/>

* The balances represent amount less than MOP1,000

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. On 22 January 2018, 9,000 shares were allotted and issued at par to Seong Wa. For pre-IPO investment, Talent Leap Investments Limited ("**Talent Leap**") and Ace Hope Investments Limited ("**Ace Hope**") respectively entered into a share subscription agreement with the Company on 26 January 2018. 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.
- (ii) 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.
- (iii) 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.
- (iv) 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.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2020

14. CONTINGENT LIABILITIES

At 30 June 2020, contingent liabilities not provided for in the period/year were as follows:

	At 30 June 2020 MOP'000 (unaudited)	At 31 December 2019 MOP'000 (audited)
Bank guarantees given to potential customers for an invitation to tender	16,026	22,942
Performance bonds given to customers for due and proper performance of projects undertaken by the Group's subsidiaries	60,494	60,023
	76,520	82,965

15. EVENT AFTER REPORTING PERIOD

Since the beginning of 2020, the Group's operation has been affected by the COVID-19 pandemic. Along with the production of construction material in the mainland China is returning to normal, the Group expects that the progress of the Group's fitting-out works underway and tendering procedures for new projects will be resumed in the foreseeable future. However, in consideration of the global economic downturn and uncertainties, the business environment in Macau remains uncertain. The Group is unable to quantify the related financial effects, while the Group's operations and financial position may continue to be affected in 2020.

The Group will pay close attention to the development of the COVID-19 pandemic and perform further assessment of its impact and take relevant measures when necessary.

16. APPROVAL OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The unaudited Condensed Consolidated Interim Financial Statements was approved and authorised for issue by the Board on 31 August 2020.

Management Discussion and Analysis

BUSINESS REVIEW AND OUTLOOK

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 (a) public sector projects and (b) private sector projects by the types of project employers.

For the six months ended 30 June 2020, as affected by the COVID-19 pandemic, the Group's ongoing and new projects have been delayed. The Group's revenue for the six months ended 30 June 2020 decreased by approximately 21.4% to approximately MOP154,906,000 (six months ended 30 June 2019: approximately MOP197,121,000).

Meanwhile, due to the COVID-19 pandemic, some of the Group's customers and government departments have adopted various prevention measures, for example, the "Work from Home" policy, causing delay in tendering and related administrative procedures for the Group's new projects. Coupled with the uncertain economic outlook owing to the COVID-19 pandemic, customers of the Group were also urged to be more prudent in project budgeting and investing in new project. As at 30 June 2020, the transaction prices allocated to the remaining performance obligations of the Group amounted to approximately MOP131,314,000 (31 December 2019: approximately MOP202,235,000).

The Group expected that, along with the alleviation of the COVID-19 pandemic, the Group's business shall resume to normal. The Group will continue to follow its 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. Meanwhile, the Group maintains an optimistic outlook on the development of the fitting-out industry in Macau.

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 2019, the Group had 20 fitting-out projects in progress, and for the six months ended 30 June 2020, the Group was awarded 21 new fitting-out projects, of which, 18 fitting-out projects have been practically completed, and 23 fitting-out projects are still in progress.

Management Discussion and Analysis

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 2019, the Group had two construction projects in progress, and for the six months ended 30 June 2020, no new construction projects were awarded and no 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 2019, the Group had two repair and maintenance projects in progress, and for the six months ended 30 June 2020, the Group was awarded four new repair and maintenance projects, of which, three repair and maintenance projects have been practically completed, and three repair and maintenance projects are still in progress.

In summary, the Group had 28 projects still in progress as at 30 June 2020, of which, 18 projects were public sector projects and 10 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.

Management Discussion and Analysis

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 six months ended 30 June 2020 and 2019:

	For the six months ended 30 June			
	2020 MOP'000	Percentage of total revenue	2019 MOP'000	Percentage of total revenue
Fitting-out works	152,326	98.3%	196,290	99.5%
Construction works	2,473	1.6%	795	0.4%
Repair and maintenance works	107	0.1%	36	0.1%
	154,906	100.0%	197,121	100.0%

For the six months ended 30 June 2020, the revenue of the Group amounted to approximately MOP154,906,000, representing a decrease of approximately 21.4% from approximately MOP197,121,000 for the six months ended 30 June 2019, of which (i) revenue derived from fitting out works was approximately MOP152,326,000, representing a decrease of approximately 22.4% compared to approximately MOP196,290,000 for the six months ended 30 June 2019, which was mainly because the progress of the Group's on-going fitting-out projects have been delayed as affected by the COVID-19 pandemic since the beginning of 2020, including (a) delay in construction materials delivery due to the suspension of production in the Mainland China; and (b) the Group's subcontractors, who mainly relied on non-resident workers, failed to complete their works on time due to the shortage of non-resident workers in Macau, as a result of the 14-day quarantine measure in Macau and Guangdong Province since March 2020; (ii) revenue derived from construction works was approximately MOP2,473,000, representing an increase of approximately 211.1% compared to approximately MOP795,000 for the six months ended 30 June 2019. Such increase was mainly attributed to a construction project in the public sector with a total contract value of approximately MOP16.2 million, which commenced during the six months ended 30 June 2020; and (iii) revenue derived from repair and maintenance works was approximately MOP107,000, representing an increase of approximately MOP71,000 compared to approximately MOP36,000 for the six months ended 30 June 2019.

Management Discussion and Analysis

Cost of services

Cost of services includes subcontracting fees, staff costs, material costs and others. The total cost of services decreased by approximately 21.5% from approximately MOP153,857,000 for the six months ended 30 June 2019 to approximately MOP120,724,000 for the six months ended 30 June 2020, which was attributed to the decrease in revenue.

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 six months ended 30 June 2020 and 2019:

	For the six months ended 30 June			
	2020		2019	
	Gross profit	Gross profit	Gross profit	Gross profit
	MOP '000	margin	MOP '000	margin
		%		%
Fitting-out works	34,055	22.4 %	43,171	22.0%
Construction works	111	4.5 %	84	10.6%
Repair and maintenance works	16	15.0 %	9	25.0%
	34,182	22.1 %	43,264	21.9%

The Group's gross profit decreased by approximately 21.0% from approximately MOP43,264,000 for the six months ended 30 June 2019 to approximately MOP34,182,000 for the six months ended 30 June 2020, which was mainly attributed to the decrease in overall project revenue.

The gross profit margin of fitting-out works maintained at a stable level of approximately 22.0% for the six months ended 30 June 2019 and 2020.

The gross profit margin of construction works decreased from approximately 10.6% for the six months ended 30 June 2019 to approximately 4.5% for the six months ended 30 June 2020, mainly due to a rectification cost of a construction project incurred during the defect liability period (as referred to note 10 of notes to the Condensed Consolidated Interim Financial Statements), resulting a decrease in the overall gross profit margin of construction works.

The gross profit margin of repair and maintenance works decreased from approximately 25.0% for the six months ended 30 June 2019 to approximately 15.0% for the six months ended 30 June 2020. 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 six months ended 30 June 2020.

As a result, the Group's overall gross profit margin increased from approximately 21.9% for the six months ended 30 June 2019 to approximately 22.1% for the six months ended 30 June 2020.

Management Discussion and Analysis

Other income and other net losses

The Group's other income and other net losses for the six months ended 30 June 2020 was approximately MOP1,319,000 (six months ended 30 June 2019: approximately MOP968,000), which included (i) government subsidies for our Macau operating subsidiaries of approximately MOP600,000 which is an economic support measure against the COVID-19 pandemic in Macau; and (ii) interest income of approximately MOP692,000.

Administrative and other operating expenses

The administrative and other operating expenses of the Group for the six months ended 30 June 2020 amounted to approximately MOP14,599,000 (six months ended 30 June 2019: approximately MOP8,321,000), representing an increase of approximately MOP6,278,000 or approximately 75.4% compared with the same period of last year. This was mainly due to (i) the increase of staff costs by approximately MOP2,417,000; and (ii) the increase of legal and professional fee by approximately MOP2,659,000 mainly for the business consultancy fee and the compliance fee incurred during the six months ended 30 June 2020 after listing.

Listing expenses

No listing expenses incurred for the six months ended 30 June 2020 since it was non-recurring in nature while the Group incurred listing expenses of approximately MOP1,001,000 for the six months ended 30 June 2019.

Finance costs

The finance costs of the Group decreased from approximately MOP1,372,000 for the six months ended 30 June 2019 to approximately MOP1,036,000 for the six months ended 30 June 2020. Such decrease was mainly due to the repayment of bank borrowings of approximately MOP7,000,000 and approximately MOP5,000,000 for the year ended 31 December 2019 and the six months ended 30 June 2020, respectively.

Income tax expense

The income tax expense of the Group decreased from approximately MOP4,539,000 for the six months ended 30 June 2019 to approximately MOP2,874,000 for the six months ended 30 June 2020, mainly due to the shrinking in profit before taxation of the Group.

Profit for the period

The Group's profit for the period attributable to owners of the Company decreased by approximately MOP12,007,000 from approximately MOP28,999,000 for the six months ended 30 June 2019 to approximately MOP16,992,000 for the six months ended 30 June 2020. Such decrease was the result of the combined effects of the aforementioned items.

Management Discussion and Analysis

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2020, the Group had cash and cash equivalents of approximately MOP136,278,000 (31 December 2019: approximately MOP131,511,000), which represented the bank and cash balances of the Group. As at 30 June 2020, the Group's pledged bank deposits amounted to approximately MOP23,586,000 (31 December 2019: approximately MOP32,068,000).

As at 30 June 2020, bank borrowings amounted to approximately MOP30,000,000 (31 December 2019: approximately MOP35,000,000), and bank overdrafts amounted to approximately MOP9,156,000 (31 December 2019: approximately MOP11,213,000).

The Group's current and quick ratio was 3.0 (31 December 2019: 2.6). Current ratio is calculated as current assets divided by current liabilities at the end of reporting period. Quick ratio is calculated as current assets excluding inventories divided by current liabilities at the end of reporting period. As the Group did not have any inventory on the condensed consolidated statement of financial position, the quick ratio was the same as the current ratio and the Group maintains sufficient liquid asset and a healthy financial position.

The Group's gearing ratio was 14.5% (31 December 2019: 18.0%), which was calculated as total debt divided by total equity at the end of reporting period. The decrease in the gearing ratio was mainly due to the increase in capital of approximately MOP16,992,000.

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 30 June 2020, the outstanding bank borrowings, bank overdrafts and unutilised bank facilities of the Group were approximately MOP30,000,000, MOP9,156,000 and MOP128,577,000, respectively, which have been secured by the Group's 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 21 November 2019 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.

Management Discussion and Analysis

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

For the six months ended 30 June 2020, 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 30 June 2020, 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\$35,105,000 had been utilised as of 30 June 2020 as follows:

Intended use	Actual	Amount	Amount	Amount	Remaining	Expected
	amount	utilised as of	utilised	utilised for the	balance	timeline of
	of net	31 December	as of	six months	as at	full utilisation of
	proceeds	2019	30 June	ended	30 June	the remaining
	HK\$'000	HK\$'000	2020	30 June	2020	balance as at
			HK\$'000	2020	HK\$'000	30 June 2020
To finance our fitting-out and construction projects in Macau	62,693	20,573	35,105	14,532	27,588	31 December 2020
To increase our workforce	15,967	-	-	-	15,967	31 December 2021
To purchase machinery and equipment	13,111	-	-	-	13,111	30 June 2021
	91,771	20,573	35,105	14,532	56,666	

As at 30 June 2020, the unutilised net proceeds from the Share Offer had been deposited in the bank account(s) of the Group.

Due to the fact that new fitting-out and construction projects in Macau have been substantially delayed as affected by the COVID-19 pandemic since the beginning of the year 2020, approximately HK\$27.6 million of the assigned proceeds to finance the Group's fitting-out and construction projects in Macau remained unutilised as of 30 June 2020. The Directors are of the view that the Group's new projects are expected to be resumed and kick-started during the six months ending 31 December 2020, and the unutilised proceeds to finance the Group's fitting-out and construction projects in Macau is expected to be fully utilised by 31 December 2020.

Management Discussion and Analysis

In light of the impact from the COVID-19 pandemic and the progress of the Group's new projects as mentioned above, the use of proceeds to increase the Group's workforce and purchase machinery and equipment was also delayed for the six months ended 30 June 2020. The Directors are of the view that, along with the alleviation of the COVID-19 pandemic, the Group will increase its workforce and purchase machinery and equipment for both the needs of new projects and general use of the Group's operation. It is being expected that the remaining unutilised proceed of approximately HK\$16.0 million to increase the Group's workforce and HK\$13.1 million to purchase machinery and equipment, respectively, will be utilised together with the Group's new projects, and will be fully utilised by 31 December 2021 and 30 June 2021 respectively, to increase the Group's workforce and purchase machinery and equipment for the Group's operation.

Other than the time schedule, the Directors are not aware of any material changes in the plans in relation to the use of proceeds as set out in the section headed "Future Plans and Use of Proceeds" of the Prospectus.

The total remaining balance of the net proceeds are expected to be fully utilised by 31 December 2021 for the same purpose as set out above and in the Prospectus, based on the Directors' best estimate of the future market conditions, but subject for adjustment. Should there be any material change in the intended use of the net proceeds from the Share Offer as described in the Prospectus, the Company will make announcement(s) as and when appropriate.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2020, the Group had 45 (31 December 2019: 56) 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 having regard to the operating results of the Group and prevailing market condition.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As at 30 June 2020, the Group had no capital commitment (31 December 2019: nil). As at 30 June 2020, the Group had contingent liabilities of approximately MOP76,520,000 (31 December 2019: approximately MOP82,965,000). The decrease was primarily due to the release of bank guarantee given to potential customers for an invitation to tender.

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.

DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: Nil).

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS

As at 30 June 2020, the interests and short positions of the directors and chief executives of the Company in the Shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which (a) were required to be notified to the Company and The Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they have taken or were deemed to have taken under such provisions of the SFO); or (b) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), to be notified to the Company and the Stock Exchange, 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 Cheek Meng ("Mr. Lou")	Seong Wa (Note 2)	Direct interest in a controlled corporation	1,201,920,000 (L) (Note 2)	–	60.1%
			<u>1,201,920,000 (L)</u>		<u>60.1%</u>
Chang Wa leong ("Mr. Chang")	Seong Wa (Note 2)	Direct interest in a controlled corporation	1,201,920,000 (L) (Note 2)	–	60.1%
			<u>1,201,920,000 (L)</u>		<u>60.1%</u>
Ao Weng Kong ("Mr. Ao")	Seong Wa (Note 2)	Direct interest in a controlled corporation	1,201,920,000 (L) (Note 2)	–	60.1%
			<u>1,201,920,000 (L)</u>		<u>60.1%</u>

Other Information

Name	Name of associated corporation	Capacity/Nature	Number of shares Interested	Number of underlying shares held under equity derivatives	Approximate percentage of the issued share capital (Note 1)
Leong Ka In ("Mr. Leong")	Seong Wa (Note 2)	Direct interest in a controlled corporation	1,201,920,000 (L) (Note 2)	-	60.1%
			<u>1,201,920,000 (L)</u>		<u>60.1%</u>

Notes:

(L) denotes as long position

- Total number of issued shares as at 30 June 2020 was 2,000,000,000 ordinary shares.
- Seong Wa owns approximately 60.1% of the issued shares of the Company. After transfer of shares of 4% on 19 June 2020, each of Mr. Chang, Mr. Ao and Mr. Leong transferred 4% interest in Seong Wa to Mr. Lou based on the closing price of the Company on even date. Seong Wa is now owned by Mr. Lou, Mr. Chang, Mr. Ao and Mr. Leong as to 52%, 16%, 16% and 16% respectively. As Mr. Lou, Mr. Chang, Mr. Ao and Mr. Leong have decided to restrict their ability to exercise direct control over the Company through Seong Wa, each of them is (together with Seong Wa) as a group of the controlling shareholders of the Company (the "**Controlling Shareholders**") by the Stock Exchange under the Listing Rules.

Save as disclosed above, as at 30 June 2020, none of the directors or chief executives of the Company, had any interests or short positions in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they have taken or were deemed to have taken under such provisions of the SFO); or (b) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save for those disclosed under the headings "Directors' and Chief Executives' Interests and Short Positions" above and "Share Option Scheme" below, at no time during the six months ended 30 June 2020 was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company (including their spouses and children under the age of 18) to acquire benefits by means of acquisition of Shares in or debentures of the Company or any other body corporate.

SHARE OPTION SCHEME

The Company has adopted a share option scheme (“**Scheme**”) on 24 October 2019 which was valid and effective for 10 years from its date of adoption. No options have been granted since the adoption of the Scheme and there was no share option outstanding as at 30 June 2020.

SUBSTANTIAL SHAREHOLDERS’ INTERESTS

As at 30 June 2020, the following persons (other than directors or chief executive of the Company) 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:

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	–	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	–	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

- Total number of issued shares as at 30 June 2020 was 2,000,000,000 ordinary shares.
- Seong Wa is a company incorporated in the BVI and beneficially owns 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 any options to be granted under the Scheme).

Other Information

3. Ace Hope is a company incorporated in the BVI and beneficially owns 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 any options to be granted under the Scheme). Ace Hope is wholly owned by Ms. Chen Qingling.
4. Talent Leap is a company incorporated in the BVI and beneficially owns 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 any options to be granted under the Scheme). Talent Leap is wholly owned by Ms. Wong Yat Tze.

Save as disclosed above, the directors of the Company are not aware of any other persons who, as at 30 June 2020, 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.

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 six months ended 30 June 2020.

CORPORATE GOVERNANCE

In the opinion of the directors of the Company, the Company has complied with the code provisions set out in the Corporate Governance Code (the "Code") contained in Appendix 14 to the Listing Rules during the six months ended 30 June 2020, save for the deviation from code provision A.2.1 as disclosed 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 six months ended 30 June 2020, 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, one of whom is a financial expert.

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.

COMPLIANCE DISCLOSURE OF THE DEED OF NON-COMPETITION

The Company received an annual confirmation and declaration by each of the executive Directors and Seong Wa (the Controlling Shareholders who are also the covenantors under a deed of non-competition entered in favour of the Group dated 24 October 2019 (the “**Deed of Non-competition**”)), pursuant to which each of the covenantors confirmed that (i) none of them, their close associates (as defined in the Listing Rules) or companies controlled by them (other than any member of the Group) had any business, involvement, engagement or interest in any company, business or project that is or is likely to compete, either directly or indirectly, with the business of any member of the Group; or had any other conflict of interest which any such person has or may have, either directly or indirectly, with the Group; (ii) they had provided all information requested by the Company which was necessary for annual review; and (iii) none of them has been offered or has referred to the Group any opportunity to invest, participate or be engaged in or operate any project or new business opportunity that is or is likely to compete with the business of the Group.

The independent non-executive Directors had reviewed the aforesaid confirmations by each of the executive Directors and Seong Wa on their non-competition undertakings under the Deed of Non-competition and non-competing business confirmation under the Listing Rules by each of the executive Directors.

In addition, the independent non-executive Directors also evaluated the effective implementation of the Deed of Non-competition based on the fact that (i) no whistleblowing message has been received by the independent non-executive Directors for non-compliance of the Deed of Non-competition up to the date of the 2019 annual report; (ii) each of the executive Directors and Seong Wa respectively confirmed that they have complied with the terms of the Deed of Non-competition up to the date of the 2019 annual report during the board meeting held on 31 March 2020, with the presence of the independent non-executive Directors; and (iii) the independent non-executive Directors have reviewed the part of the Group’s internal control measures from the internal control review report for the year ended 31 December 2019, which was prepared by an external independent consultant, during the audit committee meeting held on 31 March 2020.

The independent non-executive Directors were satisfied with the compliance of the non-competition undertaking of each of the executive Directors and Seong Wa for the year ended 31 December 2019.

The Board believed that each of the executive Directors and Seong Wa had met their obligations to act in the best interest of the Company under the Deed of Non-competition to protect the interest of the Shareholders as described on the page 172 of the Prospectus.

CHANGES IN DIRECTOR’S INFORMATION

There are no changes in the information of the Directors required to be disclosed pursuant to Rule 13.51(B) of the Listing Rules subsequent to the publication of the annual report of the Company for the year ended 31 December 2019.

Other Information

CHANGES IN SENIOR MANAGEMENT

Mr. Sam Ngai Wa (“**Mr. Sam**”) and Mr. Ku Chon Fai (“**Mr. Ku**”) appointed on 1 January 2017 as engineering directors of the Company, have resigned from their position with effect from 8 June 2020 due to personal reasons.

The Directors are of the view that the operation of the Group has not been impacted due to the resignation of Mr. Sam and Mr. Ku.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as its code of conduct regarding securities transactions by the directors of the Company. All directors of the Company have confirmed, following specific enquiry made by the Company, that they have complied with the required standard as set out in the Model Code throughout the reporting period.

AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive directors, namely Dr. LAM Chi Kit *BBS MH JP*, Dr. SIN Wai Chiu Joseph and Mr. LO Chun Chiu Adrian. The Audit Committee has reviewed the accounting principles and practices adopted by the Group and discussed and reviewed the unaudited Condensed Consolidated Interim Financial Statements for the reporting period.

By Order of the Board

LOU Cheek Meng

Chairman and Managing Director

Hong Kong, 31 August 2020