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

(incorporated in the Cayman Islands with limited liability)

Stock code: 3321

2020 Annual Report

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Li Kam Hung *(Chairman & Chief Executive Officer)*
Mr. Yu Ming Ho
Mr. Yau Yan Ming Raymond (appointed on 17 April 2020)
Mr. Cen Guangming (appointed on 23 July 2020 and resigned on 2 September 2020)
Mr. Ge Lintao (appointed on 2 September 2020 and resigned on 4 March 2021)

Non-executive Directors

Mr. Li Chun Ho
Mr. Zhu Jun (appointed on 15 July 2020)

Independent Non-executive Directors

Ms. Rita Botelho dos Santos
Mr. Wu Chou Kit
Mr. Lam Chi Wing

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

AUTHORISED REPRESENTATIVES

Mr. Li Kam Hung
Mr. Yau Yan Yuen

COMPANY SECRETARY

Mr. Yau Yan Yuen *(CPA)*

AUDITOR

Deloitte Touche Tohmatsu
Registered Public Interest Entity Auditor

COMPLIANCE ADVISER

Red Sun Capital Limited

REGISTERED OFFICE

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

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN MACAU

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL BANK

Luso International Banking Ltd.

LEGAL ADVISER

As to Hong Kong Laws
Stevenson, Wong & Co.

STOCK CODE

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

WEBSITE

whh.com.hk

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board of directors (the "**Board**") of Wai Hung Group Holdings Limited (the "**Company**"), I am pleased to present the annual report of the Company and its subsidiaries (together, the "**Group**") in respect of the year ended 31 December 2020 (the "**Reporting Period**").

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

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

Our revenue increased by approximately MOP146.5 million or 40.7% from approximately MOP359.8 million for the year ended 31 December 2019 to approximately MOP506.3 million for year ended 31 December 2020. Such increase was mainly attributable to the increase in the revenue derived from our retail areas fitting-out projects due to the commencement of a fitting-out contract in hotel area with one of our customers' integrated resort in June 2020, having an original contract sum of approximately MOP209.4 million.

The widespread and prolonged COVID-19 pandemic has brought unprecedented challenges to Macau's economy, profound effects to all sectors and industries, and various difficulties and challenges to enterprises of all sizes. The Government of the Macau Special Administrative Region has taken active and effective measures in pursuit of economic and social stability, efforts of which include revitalizing the economy, steadily promoting various construction projects in the SAR, upgrading accommodation options, cultural facilities, retail stores, transportation facilities, tourist attractions and entertainment facilities, promoting and facilitating the renovation and construction industry in Macau, in a bid to poise itself for the influx of tourists brought by the resumption of tourism in Macau after the COVID-19 pandemic. To expand the Group's business scope and overall revenue stream, the Group plans to diversify into lithium resources, lithium battery technology and smart car garage business.

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

Yours truly,

Li Kam Hung
Chairman, Chief Executive Officer and Executive Director

Hong Kong, 25 March 2021

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is a contractor providing fitting-out services and repair and maintenance services in Macau and Hong Kong. The Group's fitting-out services primarily cover refitting works for existing buildings and extend to casinos, retail areas, hotels, restaurants, commercial properties and residential properties. The Group primarily focuses on providing fitting-out services for the commercial segment, in particular facilities located within integrated resorts in Macau.

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

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

For the years ended 31 December 2019 and 2020, total revenue amounted to approximately MOP359.8 million and MOP506.3 million, of which revenue generated from providing fitting-out services constituted approximately 99.8% and 99.9% of total revenue, respectively.

PROSPECTS

The widespread and prolonged COVID-19 pandemic has brought unprecedented challenges to Macau's economy, profound effects to all sectors and industries, and various difficulties and challenges to enterprises of all sizes. The Government of the Macau Special Administrative Region has taken active and effective measures in pursuit of economic and social stability, efforts of which include revitalizing the economy, steadily promoting various construction projects in Macau, upgrading accommodation options, cultural facilities, retail stores, transportation facilities, tourist attractions and entertainment facilities, promoting and facilitating the renovation and construction industry in Macau, in a bid to poise itself for the influx of tourists brought by the resumption of tourism in Macau after the COVID-19 pandemic. To expand the Group's business scope and overall revenue stream, the Group plans to diversify into lithium resources, lithium battery technology and smart car garage business.

FINANCIAL REVIEW

For the year ended 31 December 2020, the Group's revenue was approximately MOP506.3 million (2019: approximately MOP359.8 million). For the year ended 31 December 2020, the Group recorded profit for the year of approximately MOP45.7 million (2019: approximately MOP37.9 million). Excluding the one-off listing expenses recognised, for the year ended 31 December 2020, the Group recorded profit for the year of approximately MOP45.7 million (2019: approximately MOP45.3 million). During the year ended 31 December 2020, the Group completed 60 fitting-out projects and was awarded with 39 fitting-out projects.

Revenue

The revenue increased by approximately MOP146.5 million or 40.7% from approximately MOP359.8 million for the year ended 31 December 2019 to approximately MOP506.3 million for the year ended 31 December 2020. Such increase was mainly attributable to the increase in the revenue derived from its hotel areas fitting-out projects due to the commencement of a casino fitting-out contract with one customer's integrated resort in June 2020, with an original contract sum of approximately MOP209.4 million.

Direct costs

The total amount of subcontract costs increased by approximately MOP142.2 million or 50.1% from approximately MOP283.7 million for the year ended 31 December 2019 to approximately MOP425.9 million for the year ended 31 December 2020, which generally reflected the increase in costs associated with the increase in revenue.

Gross profit

The gross profit increased from approximately MOP76.0 million for the year ended 31 December 2019 to approximately MOP80.4 million for the year ended 31 December 2020, representing an increase of approximately MOP4.4 million. The Group recorded gross profit margin of approximately 21.1% and 15.9% for the years ended 31 December 2019 and 2020, respectively. The period-to-period decrease in gross profit margin was mainly attributable to the comparatively lower gross profit margin of the sizeable contracts undertaken by the Group during the year ended 31 December 2020 compared to the year ended 31 December 2019, in particular, the restaurants fitting-out contract with one customer with an original contract sum of approximately MOP74.7 million.

Other income

Other income was approximately MOP0.7 million for the year ended 31 December 2019, of which approximately MOP0.5 million was derived from bank interest income. Other income increased to approximately MOP2.2 million mainly as a result of MOP2.0 million of government grants recorded for the year ended 31 December 2020.

Impairment losses

The total amount of impairment losses increased by approximately MOP2.5 million from MOP70,000 for the year ended 31 December 2019 to approximately MOP2.5 million for the year ended 31 December 2020, which generally reflected the increase in impairment loss recognised in respect of trade receivables and impairment loss recognised in respect of contract assets associated with the increase in trade receivables and contract assets.

Administrative expenses

Administrative expenses amounted to approximately MOP22.5 million and MOP25.2 million for the year ended 31 December 2019 and 2020, respectively, which accounted for approximately 6.3% and 5.0% of the total revenue during the respective periods. The largest item under administrative expenses was employee benefit expenses, being staff costs in nature, which amounted to approximately MOP9.2 million and MOP16.4 million for the years ended 31 December 2019 and 2020, respectively, which accounted for approximately 40.9% and 65.1% of the total administrative expenses during the respective periods.

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

Finance costs

For the years ended 31 December 2019 and 2020, finance costs amounted to approximately MOP0.9 million and MOP2.1 million, respectively.

Income tax expense

For the years ended 31 December 2019 and 2020, the Group recorded income tax expenses of approximately MOP7.9 million and MOP7.1 million, representing an effective tax rate of approximately 17.3% and 13.4%, respectively.

Income tax decreased by approximately MOP0.8 million from approximately MOP7.9 million for the year ended 31 December 2019 to approximately MOP7.1 million for the year ended 31 December 2020. Such decrease was mainly attributable to the decrease in the profit before taxation excluding the one-off listing expenses from approximately MOP53.3 million for the year ended 31 December 2019 to approximately MOP52.8 million for year ended 31 December 2020.

Profit for the year

For the year ended 31 December 2020, the profit for the year amounted to approximately MOP45.7 million, representing an increase of approximately MOP7.8 million from approximately MOP37.9 million for the year ended 31 December 2019. However, for illustration purposes only, if the effects of listing expenses of approximately MOP7.4 million were to be excluded, the adjusted profit for the year ended 31 December 2019, being a non-HKFRS measure, would be approximately MOP45.3 million, thus the year-on-year increase would narrow to approximately MOP0.4 million or 0.9%.

CORPORATE FINANCE AND RISK MANAGEMENT

Liquidity, Financial and Capital Resources

Cash position

As at 31 December 2020, the Group had an aggregate of pledged bank deposits and bank balances and cash of approximately MOP87.8 million (2019: approximately MOP41.7 million), representing an increase of approximately 110.6% as compared to that as at 31 December 2019. As at 31 December 2020, pledged bank deposits of approximately MOP33.0 million (2019: MOP12.4 million) are pledged to secure banking facilities.

Borrowings and charges on the Group's assets

As at 31 December 2020, the Group had an aggregate of bank borrowings and bank overdrafts of approximately MOP84.1 million (2019: approximately MOP10.5 million). The bank borrowings and bank overdrafts will be repayable within one year.

Bank borrowings and other bank facilities including performance guarantee by the Group were secured by the pledged bank deposits of approximately MOP12.4 million and approximately MOP33.0 million and as at 31 December 2019 and 2020, respectively.

Gearing ratio

As at 31 December 2020, the gearing ratio (calculated by dividing total debts which include payables incurred not in the ordinary course of business excluding amounts are due to related parties with total equity as at the end of the respective year) was approximately 27.5% (2019: approximately 4.0%).

Such increase was primarily attributable to the total equity of the Group increased from approximately MOP260.5 million as at 31 December 2019 to approximately MOP306.2 million as at 31 December 2020, while bank borrowings of the Group were approximately MOP10.5 million and MOP84.1 million as at 31 December 2019 and 31 December 2020, respectively.

Treasury policies

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

Currency risk

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

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

Capital structure

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

Capital commitments

As at 31 December 2020, the Group had no capital commitments (2019: MOP1.2 million).

Contingent liabilities

As at 31 December 2020, the Group had no significant contingent liabilities or outstanding litigation.

Material acquisitions and disposals

During the year ended 31 December 2020, the Group did not conduct any material acquisitions or disposals of subsidiaries and affiliated companies.

Significant investments held

As at 31 December 2020, the Group had no significant investments.

Future plans for material investments

Save as disclosed in the prospectus of the Company in relation to the Share Offer dated 29 March 2019 (the "**Prospectus**"), the Group did not have other plans for material investments and capital assets as at 31 December 2020.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2020, the Group had 110 employees (2019: 104 employees). Total staff costs (including Directors emoluments) were approximately MOP49.7 million for the year ended 31 December 2020, as compared with approximately MOP36.1 million for the year ended 31 December 2019. Such increase was mainly attributable to the increase in average number of working days for day-work workers.

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

SHARE OPTION SCHEME

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

USE OF PROCEEDS FROM SHARE OFFER

The Shares were listed on the Main Board of the Stock Exchange on 23 April 2019 with net proceeds received by the Company from the Share Offer in the amount of approximately HK$141.2 million after deducting related expenses. The net proceeds received from the Share Offer are intended to be used in the manner consistent with that mentioned in the section headed "Future Plans and Use of Proceeds" of the Prospectus.

As at 31 December 2020, approximately MOP144.0 million (equivalent to approximately HK$139.8 million) of the net proceeds received from the Share Offer had been utilized and the remaining of the net proceeds were deposited in the bank accounts of the Group with licensed banks in Hong Kong and Macau. Details of the use of proceeds from the Share Offer are set out in the section headed "Report of the Directors" of this annual report.

EVENTS AFTER THE REPORTING PERIOD

On 23 October 2020 and 5 March 2021, the Group entered into a framework cooperation agreement and a supplemental agreement, respectively, with Guangdong Huihuilong Investment Co., Ltd. (廣東匯徽隆投資有限公司) ("**Huihuilong**") in respect of the cooperation with and possible acquisition of Huihuilong by the Group. The Group agreed to pay a refundable deposit of RMB16,750,000 to Huihuilong in this regard. No definitive agreement in relation to the possible acquisition has been entered into by the Group and Huihuilong as at the date of this annual report.

On 6 November 2020, the Group entered into a conditional subscription agreement with Guangzhou Pinyuan Technology Co., Ltd. (廣州品源科技有限公司) (the "**Subscriber**") in relation to the issue of 8% interest bearing convertible bonds in an aggregate principal amount of RMB200,000,000. On 5 March 2021, the Group entered into a supplemental agreement with the Subscriber to extend the long stop date to 31 March 2021. As the relevant conditions precedent have yet to be fulfilled, completion of the subscription agreement has not taken place as at the date of this annual report.

DIVIDEND

The Board did not recommend the payment of a final dividend by the Company for the year ended 31 December 2020.

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

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

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

CORPORATE GOVERNANCE

The Company is committed to maintain high standards of corporate governance to protect the interests of its Shareholders and to enhance corporate value and accountability. The Company has adopted the code provisions and, where applicable, the recommended best practices set out in the Corporate Governance Code ("**CG Code**") set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

BOARD OF DIRECTORS

Composition

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

Executive Directors

Mr. Li Kam Hung *(Chairman and Chief Executive Officer)*
Mr. Yu Ming Ho
Mr. Yau Yan Ming Raymond (appointed on 17 April 2020)

Non-executive Directors

Mr. Li Chun Ho
Mr. Zhu Jun (appointed on 15 July 2020)

Independent Non-executive Directors

Ms. Rita Botelho dos Santos
Mr. Lam Chi Wing
Mr. Wu Chou Kit

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

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

Role and Function

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

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

Chairman and Chief Executive Officer

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

Independence of Independent Non-Executive Directors

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

Directors' and Officers' Liabilities Insurance

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

Board Meeting

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

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

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

During the year ended 31 December 2020, the attendance of the individual Directors at the meetings is set out below:

	Number of meetings attended/ eligible to attend during the Reporting Period			
	Board	Audit Committee	Remuneration Committee	Nomination Committee
Executive Directors				
Mr. Li Kam Hung	27/27	–/–	–/–	7/7
Mr. Yu Ming Ho	27/27	–/–	7/7	–/–
Mr. Yau Yan Ming Raymond (appointed on 17 April 2020)	24/27	–/–	–/–	–/–
Mr. Cen Guangming (appointed on 23 July 2020 and resigned on 2 September 2020)	4/27	–/–	–/–	–/–
Mr. Ge Lintao (appointed on 2 September 2020 and resigned on 4 March 2021)	9/27	–/–	–/–	–/–
Non-Executive Directors				
Mr. Li Chun Ho	22/27	–/–	–/–	–/–
Mr. Zhu Jun (appointed on 15 July 2020)	18/27	–/–	–/–	–/–
Independent Non-Executive Directors				
Ms. Rita Botelho dos Santos	27/27	2/2	–/–	–/–
Mr. Lam Chi Wing	27/27	2/2	7/7	7/7
Mr. Wu Chou Kit	27/27	2/2	7/7	7/7

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

DIRECTORS' TERMS OF APPOINTMENT

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

Pursuant to article 83(3) of the Articles of Association, any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. Pursuant to article 84 of the Articles of Association, at each annual general meeting, 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. Any Director appointed by the Board pursuant to article 83(3) of the Articles of Association shall not be taken into account in determining which particular Directors or the number of Directors who are to retire by rotation.

DIRECTORS' TRAINING

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

All Directors are encouraged to participate in continuous professional development activities by ways of attending training and/or reading materials relevant to the Company's business or to the Directors' duties and responsibilities. A summary of professional training received by Directors for the year ended 31 December 2020 according to the records provided by the Directors is as follows:

	Attending seminar(s)/ programme(s)/conference(s) and/or reading materials relevant to the business or directors' duties
Mr. Li Kam Hung	✓
Mr. Yu Ming Ho	✓
Mr. Yau Yan Ming Raymond (appointed on 17 April 2020)	✓
Mr. Cen Guangming (appointed on 23 July 2020 and resigned on 2 September 2020)	✓
Mr. Ge Lintao (appointed on 2 September 2020 and resigned on 4 March 2021)	✓
Mr. Li Chun Ho	✓
Mr. Zhu Jun (appointed on 15 July 2020)	✓
Ms. Rita Botelho dos Santos	✓
Mr. Lam Chi Wing	✓
Mr. Wu Chou Kit	✓

BOARD DIVERSITY POLICY

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

BOARD NOMINATION POLICY

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

BOARD COMMITTEES

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

Audit Committee

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

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

During the Reporting Period, the Audit Committee held two meetings.

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

Remuneration Committee

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

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

During the Reporting Period, the Remuneration Committee held seven meetings. During the Reporting Period, the Remuneration Committee recommended to the Board on the remuneration package regarding the newly appointed Directors and considered and reviewed the existing Directors' remuneration. The remuneration for the Directors and senior management comprises basic salary, retirement benefits and discretionary bonus. Details of the amount of emoluments of Directors paid for the Reporting Period are set out in note 6 to the financial statements.

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

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

Nomination Committee

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

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

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

During the Reporting Period, the Nomination Committee held seven meetings. During the Reporting Period, the Nomination Committee reviewed the existing structure, size, composition and diversity of the Board; assessed the independence of the independent non-executive Directors and reviewing the independent non-executive Directors' annual confirmations on their independence; and made recommendation to the Board on the re-election of Directors at the annual general meeting.

CORPORATE GOVERNANCE FUNCTIONS

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

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

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

RISK MANAGEMENT AND INTERNAL CONTROL

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

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

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

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

The Group strictly follows the requirements of the Securities and Futures Ordinance of Hong Kong (Cap.571 of the Laws of Hong Kong, the "**SFO**") and the Listing Rules and ensures that inside information is disclosed to the public as soon as reasonably practicable unless the information falls within any of the safe harbours of the SFO. Before inside information is fully disclosed to the public, such information is kept strictly confidential. In addition, the Group adopted the policy of disclosing relevant information only to appropriate staff within the Group.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

The statement of the external auditor of the Company with regard to their reporting responsibilities on the Company's consolidated financial statements, is set out in the Independent Auditor's Report on pages 34 to 37 of this annual report.

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

AUDITOR'S REMUNERATION

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

	2020 MOP'000
Audit services	1,030

SHAREHOLDERS' RIGHTS

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

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

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

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

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

PROCEDURES FOR PUTTING FORWARD PROPOSALS AT GENERAL MEETINGS BY SHAREHOLDERS

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

INVESTOR RELATIONS AND COMMUNICATION WITH SHAREHOLDERS

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

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

The AGM also provides an important opportunity for constructive communication between the Board and Shareholders. The Chairman, members of the Board and external auditor attended the AGM on 3 June 2021 to answer questions raised by the Shareholders.

CONSTITUTIONAL DOCUMENTS

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

BOARD OF DIRECTORS

Executive Directors

Mr. Li Kam Hung (李錦鴻先生), aged 66, founded the Group in August 1996. He was appointed as our Director on 9 April 2018, and was re-designated as our executive Director, chairman of the Board and chief executive officer on 15 June 2018. He also serves as a director of various subsidiaries of the Company. Mr. Li is responsible for the overall strategic planning, project management and business direction of the Group. Mr. Li Kam Hung is the father of Mr. Li Chun Ho (a non-executive Director).

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

Mr. Yu Ming Ho (余銘濠先生), aged 43, was appointed as our Director on 9 April 2018, and was re-designated as an executive Director on 15 June 2018. Mr. Yu is responsible for the overall management, administrative matters and daily operations of the Group. He also serves as a director of various subsidiaries of the Company.

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

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

Mr. Yau Yan Ming Raymond (邱恩明先生), aged 52, joined the Group as an executive Director on 17 April 2020. He is responsible for overall management and strategic planning of the Group.

Mr. Yau obtained a bachelor's degree in Business Administration (Accounting) from the University of Hawaii at Manoa and a master's degree of science in Japanese Business Studies from the Chaminade University of Honolulu. Mr. Yau has over 22 years' experience in auditing, accounting, taxation, company secretarial, corporate finance, IPO and financial management. Mr. Yau is an associate member of the Hong Kong Institute of Certified Public Accountants, a member of the American Institute of Certified Public Accountants and a fellow member and certified tax adviser of the Taxation Institute of Hong Kong. Mr. Yau is currently an independent non-executive director of Unitas Holdings Limited (stock code: 8020), a company listed on GEM of the Stock Exchange.

Mr. Yau has been an executive director of TC Orient Lighting Holdings Limited (stock code: 515), a company listed on the Main Board of the Stock Exchange from 18 November 2019 to 9 April 2020 and an independent non-executive director of each of Life Healthcare Group Limited (stock code: 928) and Enterprise Development Holdings Limited (stock code: 1808), both listed on the Main Board of the Stock Exchange from August 2011 to August 2016 and from October 2014 to January 2017 respectively. Mr. Yau has also been a chairman and an executive director of Chinese Energy Holdings Limited (stock code: 8009), a company listed on GEM of the Stock Exchange from June 2008 to November 2015 and an executive director of Capital VC Limited (stock code: 2324), a company listed on the Main Board of the Stock Exchange from March 2012 to May 2012. In addition, he has been an independent non-executive director of Birmingham Sports Holdings Limited (stock code: 2309) ("**BSHL**") from October 2007 to May 2013 and Mason Group Holdings Limited (stock code: 273) from October 2006 to August 2015, both listed on the Main Board of the Stock Exchange.

Non-Executive Directors

Mr. Li Chun Ho (李俊豪先生), aged 30, joined the Group as a non-executive Director on 15 June 2018. He is responsible for providing management and marketing advice to the Group.

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

Mr. Zhu Jun (朱軍先生), aged 71, joined the Group as a non-executive Director on 15 July 2020. He is responsible for providing technical advice to the Group.

Mr. Zhu obtained a master's degree from the faculty of automatic control of the Beihang University in 1993. Mr. Zhu has long been engaged in scientific research projects and research and design of large-scaled equipment and construction, and specializes in the fields of sensors, instrumentation, measurement and control systems and remote networked monitoring. He is currently focusing on scientific research projects for lithium battery applications.

In 1984, 1990 and 1996, Mr. Zhu was awarded the Science and Technology Advancement Award by the China National Aviation Industry Corporation for a digital standard dynamometer project, a standard analog variable calibration device project and a dynamic strain gauge calibration device project, respectively. In 2003 and 2004, Mr. Zhu won first prize at the Shandong Science and Technology Advancement Awards of Shandong Technology Awards Committee and first prize at the National Science and Technology Advancement Awards of the State Council of the People's Republic of China, respectively, for the 100MN hydraulic double-acting aluminum extrusion technology and equipment development project. In 2011, Mr. Zhu won the first prize at the 5th Session of Work Safety Scientific and Technological Achievement Awards of the State Administration of Work Safety of the PRC for the research and experimental project of movable rescue capsules for mines.

Mr. Zhu currently serves as the technical director of Jiangxi Ning Yu Lithium Battery Manufacturing Company Limited* (江西寧宇鋰電製造有限公司) and works in a long-life lithium battery production plant in Pingxiang City, the PRC, where he is engaged in the scientific research and development of lithium battery applications. From 1977 to 2011, Mr. Zhu worked at AVIC Beijing Great Wall Metrology and Testing Technology Institute* (中航工業北京長城計量測試技術研究所) and served as the deputy director. In 2007, Mr. Zhu was engaged as an expert advisor for the implementation and management of projects and tasks related to the scientific research conditions of the National Science and Technology Support Plan of the "11th Five-Year Plan". From 2008 to 2011, Mr. Zhu served as an adjunct professor at the school of engineering of the Beijing University of Posts and Telecommunications. From 2011 to 2019, Mr. Zhu served as the chairman of Beijing Sita Energy Technology Co., Ltd.* (北京斯塔能源科技有限公司).

Independent Non-Executive Directors

Ms. Rita Botelho dos Santos (姍桃絲女士), aged 60, joined the Group and was appointed as an independent non-executive Director on 15 March 2019. Ms. Santos is primarily responsible for overseeing the Group with an independent perspective and judgment.

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

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

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

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

Mr. Wu Chou Kit (胡祖杰先生), aged 52, joined the Group and was appointed as an independent non-executive Director on 15 March 2019. Mr. Wu is primarily responsible for overseeing the Group with an independent perspective and judgment.

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

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

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

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

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

Mr. Lam Chi Wing (林至頴先生), aged 44, joined the Group and was appointed as an independent non-executive Director on 15 March 2019. Mr. Lam is primarily responsible for overseeing the Group with an independent perspective and judgment.

Mr. Lam obtained a Bachelor of Business Administration degree in Accounting and Finance at The University of Hong Kong in December 2003, a Master of Science degree in Knowledge Management at The Hong Kong Polytechnic University in December 2006 and a Master of Business Administration degree at The Chinese University of Hong Kong in December 2010. Mr. Lam joined Li & Fung Group in September 2003, where he served as the Group Chief Representative and General Manager, Southern China of Li & Fung Development (China) Limited prior to his departure in July 2015. Since June 2020, he has been a brand and new retail strategic officer at Bonjour Holdings Limited.

Mr. Lam is a member of the Twelfth Guangdong Committee of the Chinese People's Political Consultative Conference* (中國人民政治協商會議第十二屆廣東省委員) and the vice chairman of the Hong Kong Guangdong Youth Association (香港廣東青年總會). Mr. Lam served as a part-time member of the Central Policy Unit of the HK Government in 2012, and currently serves as a member of the advisory committee of the Sustainable Agricultural Development Fund of the HK Government, a committee member of the Appeal Panel (Housing) of the HK Government, and a committee member of the Mainland Business Advisory Committee of the Hong Kong Trade Development Council.

Mr. Lam is currently the vice chairman of the eighth council of the Guangdong Society of Commercial Economy* (廣東省商業經濟學會第八屆理事會副會長) and an adjunct associate professor of information systems, business statistics and operations management of The Hong Kong University of Science and Technology.

Mr. Lam has served as an independent non-executive director as well as a member of the audit committee, remuneration committee and nomination committee of Common Splendor International Health Industry Group Limited (currently known as Aidigong Maternal & Child Health Limited), a company whose shares are currently listed on the Main Board of the Stock Exchange (stock code: 286), since March 2016. He has also served as an independent non-executive director as well as a member of the audit committee, nomination committee and the chairman of the remuneration committee of Wai Hung Group Holdings Limited, a company whose shares are currently listed on the Main Board of the Stock Exchange (stock code: 3321), since March 2019. From July 2020 to December 2020, Mr. Lam served as an executive director of Bonjour Holdings Limited, a company whose shares are currently listed on the Main Board of the Stock Exchange (stock code: 653).

Senior Management

Mr. Yau Yan Yuen (邱欣源先生), aged 33, joined the Group as the chief financial officer on 21 February 2018 and was appointed as the company secretary of the Company on 15 June 2018. Mr. Yau is primarily responsible for the overall financial management of the Group. Mr. Yau obtained a degree of Bachelor of Business Administration in Accountancy from the Hong Kong Polytechnic University in October 2011. He has been a certified public accountant of the Hong Kong Institute of Certified Public Accountants since January 2018. Prior to joining our Group, Mr. Yau had worked in audit and assurance of Deloitte Touche Tohmatsu since September 2011, and served as a manager before his departure in February 2018.

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

Mr. Tong Bing Kuen (唐炳權先生), aged 68, joined the Group in January 2013 and was appointed as the senior project director of the Group in March 2018. Mr. Tong is primarily responsible for the overall management of the Group's fitting-out projects in Macau. He also serves as a director of various subsidiaries of the Group. Prior to joining the Group, Mr. Tong served as a director of Lead Rise Engineering Limited (領昇工程有限公司) from 2005 to 2010, and Loyal Harvest Engineering Limited (鴻豐工程有限公司) from 2003 to 2015, mainly responsible for the project management. Mr. Tong obtained a Higher Certificate in Civil Engineering at the Hong Kong Polytechnic (currently known as Hong Kong Polytechnic University) in 1977.

* *For identification purposes only*

REPORT OF THE DIRECTORS

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

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Particulars of the Company's principal subsidiaries are set out in note 31 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results for the Reporting Period are set out in the consolidated statement of profit or loss and other comprehensive income on page 38 of this annual report.

DIVIDENDS

The Board did not recommend the payment of a final dividend by the Company for the Reporting Period.

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

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

BUSINESS REVIEW

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

The above discussions form part of this directors' report.

PRINCIPAL RISKS AND UNCERTAINTY

(i) Risk associated with financial instruments of the group

The financial risk management objectives and policies of the Group are set out in note 28 to the consolidated financial statements.

(ii) Key sources of estimation uncertainty

Details of the key sources of estimation uncertainty as at 31 December 2020 are set out in note 4 to the consolidated financial statements.

(iii) Outbreak of COVID-19

During the Reporting Period, the outbreak of COVID-19 pandemic (the "**Pandemic**") in the PRC including Hong Kong and Macau has affected many businesses to different extents. During the assessment of the impact, for the fitting-out services provided by the Group, although there were certain delays in the resumption of work in certain on-going projects, the works for all those projects have been resumed and there was no material delay in the timing of completion during the Reporting Period. Therefore, the Pandemic had no material impact to the Group's operation and the Group's liquidity positions and working capital sufficiency maintain in a sufficient level during the Reporting Period.

Based on the currently available information, barring unforeseen circumstances, the Directors consider the Pandemic would not have a prolonged material impact to the Group's operation given that the full resumption of the works for on-going projects. However, given the unpredictability associated with the Pandemic and any further contingency measures that may be implemented by the relevant governments and corporate entities, the impact of the Pandemic, if any, on the Group's 2021 operations could be significantly different from the aforesaid expectation depending on how the situation evolves. The Group will closely monitor in this regard. To minimize the impact of Pandemic on the uncertainties, the Group will continue to reinforce cost control and monitor its cash flow, as well as further diversify the Group's business scope and source of income as a whole.

COMPLIANCE WITH LAWS AND REGULATIONS

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

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

At the corporate level, the Group complies with the requirements under the Listing Rules and the SFO for, among other things, the disclosure of information and corporate governance, and the Group has adopted the Model Code set out in Appendix 10 to the Listing Rules.

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

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

Employees

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

Customers

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

Suppliers and Subcontractors

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

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

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

ENVIRONMENTAL POLICIES AND PERFORMANCE

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

RESERVES

Details of movements in the reserves of the Group during the Reporting Period are set out in the consolidated statement of changes in equity on page 40.

DISTRIBUTABLE RESERVES

The Company's reserve available for distribution as at 31 December 2020 was approximately MOP233.6 million (2019: approximately MOP235.6 million).

MATERIAL INVESTMENT AND ACQUISITION

During the Reporting Period, the Group did not have any material acquisitions and disposals of subsidiaries and affiliated companies.

BANK BORROWINGS

Details of the bank borrowings of the Group as at 31 December 2020 are set out in note 21 to the consolidated financial statements.

PROPERTY AND EQUIPMENT

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

INVESTMENT PROPERTIES

As at 31 December 2020, the Group did not hold any investment property.

SHARE CAPITAL

Details of movements during the year in the share capital of the Company are set out in note 23 to the consolidated financial statements.

EQUITY-LINKED AGREEMENTS

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

PERMITTED INDEMNITY PROVISION

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

DIRECTORS

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

Executive Directors

Mr. Li Kam Hung *(Chairman and Chief Executive Officer)*
Mr. Yu Ming Ho
Mr. Yau Yan Ming Raymond (appointed on 17 April 2020)

Non-executive Directors

Mr. Li Chun Ho
Mr. Zhu Jun (appointed on 15 July 2020)

Independent Non-executive Directors

Ms. Rita Botelho dos Santos
Mr. Lam Chi Wing
Mr. Wu Chou Kit

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

DIRECTORS' SERVICE CONTRACTS AND LETTERS OF APPOINTMENT

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

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

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

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

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

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

The Company

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

Notes:

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

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

Associated corporation

Name of Director	Name of associated corporation	Capacity	Name of Shares held/ interested[(1)]	Percentage of shareholding in the associated corporation
Mr. Li	Copious Astute	Beneficial owner	1 share (L)	100%

Note:

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

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

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

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

SHARE OPTION SCHEME

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

Subject to the terms of the Share Option Scheme, the Board may, at its discretion, invite any "Eligible Persons" to take up option(s) ("**Option(s)**") to subscribe for Shares granted pursuant to the Share Option Scheme at a price calculated as discussed below. Upon acceptance of the Option, the Eligible Person shall pay HK$1.00 to the Company by way of consideration for the grant. The Option will be offered for acceptance for a period of 28 days from the date on which the Option is granted. "Eligible Persons" means any full-time or part-time employee of the Company or any member of the Group, including any executive Directors, non-executive Directors and independent non-executive Directors, suppliers, customers, agents, advisors and consultants of the Group who, in the sole opinion of the Board, will contribute or have contributed to the Group.

Any grant of Options must not be made after inside information has come to our knowledge until such inside information has been announced in accordance with the requirements of the Listing Rules. In particular, during the period commencing one month immediately preceding the earlier of (i) the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of the Company's results for any year, half-year, quarter-year period or any other interim period (whether or not required under the Listing Rules), and (ii) the deadline for the Company to publish an announcement of its results for any year, half-year, quarter-year period or any interim period (whether or not required under the Listing Rules), and ending on the date of the results announcement, no Option may be granted. The period during which no Option may be granted will cover any period of delay in the publication of results announcement. Our Directors may not grant any Option to an Eligible Person who is our Director during the periods or times in which directors of the listed issuer are prohibited from dealing in shares pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules or any corresponding code or securities dealing restrictions adopted by the Company.

The total number of Shares issued and to be issued upon exercise of the Options granted to a Participant under the Share Option Scheme and any other share option schemes of the Company (including both exercised and outstanding Options) in any 12-month period must not exceed 1% of the Shares in issue from time to time. Any further grant of options in excess of this 1% limit shall be subject to issuance of a circular by the Company and approved by the Shareholders in accordance with the Listing Rules.

The subscription price for the Shares subject to Options will be a price determined by the Board and notified to each Participant and shall be the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the Options, which must be a trading day; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of grant of the Options; and (iii) the nominal value of a Share.

The total number of Shares which may be issued upon the exercise of all Options to be granted under the Share Option Scheme and any other share option schemes of the Company must not, in aggregate, exceed 50,000,000 Shares, which represents 10% of the Shares in issue as at the date of this annual report (the "**Scheme Mandate Limit**") provided that the Options lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of the Company will not be counted for the purpose of calculating the Scheme Mandate Limit.

Subject to the approval of Shareholders in general meeting, the Company may refresh the Scheme Mandate Limit to the extent that the total number of Shares which may be issued upon exercise of all Options to be granted under the Share Option Scheme and any other share option schemes of the Company under the Scheme Mandate Limit as refreshed must not exceed 10% of the Shares in issue as at the date of such Shareholders' approval provided that Options previously granted under the Share Option Scheme and any other share option schemes of the Company (including those outstanding, cancelled, exercised or lapsed in accordance with the terms thereof) will not be counted for the purpose of calculating the Scheme Mandate Limit as refreshed. In relation to the Shareholders' approval referred to in this paragraph, the Company shall send a circular to our Shareholders containing our information required by the Listing Rules.

Subject to the approval of Shareholders in general meeting, the Company may also grant Options beyond the Scheme Mandate Limit provided that Options in excess of the Scheme Mandate Limit are granted only to the Eligible Persons specifically identified by the Company before such Shareholders' approval is sought. In relation to the Shareholders' approval referred to in this paragraph, the Company shall send a circular to its Shareholders containing a generic description of the identified Eligible Persons, the number and terms of the Options to be granted, the purpose of granting Options to the identified Eligible Persons, an explanation as to how the terms of such Options serve the intended purpose and such other information required by the Listing Rules.

Notwithstanding the foregoing, the Company may not grant any Options if the number of Shares which may be issued upon exercise of all outstanding Options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company exceeds 30% of the Shares in issue from time to time.

The Share Option Scheme will be valid and effective for a period of 10 years commencing on 23 April 2019 and remains in force until 22 April 2029, after which period no further Options may be granted but the provisions of the Share Option Scheme shall remain in full force and effect in all other respects and Options granted during the life of the Share Option Scheme may continue to be exercisable in accordance with their terms of issue.

An Option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined and notified by the Board to each Participant provided that the period within which the Option must be exercised shall not be more than 10 years from the date of the grant of Option. The exercise of an Option may be subject to the administration of the Board whose decision as to all matters arising from or in relation to the Share Option Scheme as its interpretation or effect shall be final and binding on all parties to the Share Option Scheme.

During the Reporting Period, no share options were granted, exercised, lapsed or cancelled in accordance with the terms of the Share Option Scheme. There were no outstanding share options under the Share Option Scheme at the beginning and at the end of the Reporting Period.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

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

Name of Shareholder	Capacity	Number of Shares held/ interested(1)	Total interests(1)	Approximate percentage of the total issued Shares
Copious Astute Limited	Beneficial owner(2)	337,500,000 Shares (L)	337,500,000 Shares (L)	67.5%
Ms. Ng Suk Fun	Interest of spouse(3)	337,500,000 Shares (L)	337,500,000 Shares (L)	67.5%
Fresh Phoenix Limited	Beneficial owner(4)	39,885,000 Shares (L)	39,885,000 Shares (L)	8.0%
Mr. Leong Lap Kun ("**Mr. Leong**")	Interest of controlled corporation(4)(5)	39,940,000 Shares (L)	39,940,000 Shares (L)	8.0%
Mr. Hung Sai Yeung	Beneficial owner(6)	30,000 Shares (L)	25,715,000 Shares (L)	5.1%
	Interest of controlled corporation(6)	22,512,500 Shares (L)		
	Interest of spouse(6)	3,172,500 Shares (L)		
Ms. Yiu Li Ngor	Beneficial owner(7)	3,172,500 Shares (L)	25,715,000 Shares (L)	5.1%
	Interest of spouse(7)	22,542,500 Shares (L)		

Notes:

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

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

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

(4) Our Company is owned as to approximately 8.0% by Fresh Phoenix Limited, which is in turn wholly owned by Mr. Leong. Under the SFO, Mr. Leong is deemed to be interested in all the Shares which are registered in the name of Fresh Phoenix Limited.

(5) Our Company is owned as to approximately 0.01% by Shining Holding Limited, which is in turn wholly owned by Mr. Leong. Under the SFO, Mr. Leong is deemed to be interested in all the Shares which are registered in the name of Shining Holding Limited.

(6) Based on the information as set out in the disclosure of interest filed by the subject Shareholder dated 3 September 2020, Mr. Hung Sai Yeung ("**Mr. Hung**") was deemed to be interested in 25,715,000 Shares, of which (i) 30,000 Shares were held by himself; (ii) 22,512,000 Shares were registered in the name of Greenfield Resources Group Limited ("**Greenfield Resources**"), a corporation controlled as to 50% by Mr. Hung; and (iii) 3,172,500 Shares were held by his spouse, Ms. Yiu Li Ngor, as at 26 June 2020.

(7) Based on the information as set out in the disclosure of interest filed by the subject Shareholder dated 3 September 2020, Ms. Yiu Li Ngor ("**Ms. Yiu**") was deemed to be interested in 25,715,000 Shares, of which (i) 3,172,500 Shares were held by herself; (ii) 22,512,000 Shares were held by Greenfield Resources (a corporation controlled as to 50% by her spouse, Mr. Hung); and (iii) 30,000 Shares were held by Mr. Hung, as at 26 June 2020.

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

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as the related party transactions as disclosed in note 30 to the consolidated financial statements, there were no other transactions, arrangements or contracts that are significant in relation to the business of the Group to which the Company or any of its subsidiary was a party and in which a Director or his/her connected entity had a material interest, whether directly or indirectly, subsisted at any time during the Reporting Period.

MANAGEMENT CONTRACTS

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

RELATED PARTY TRANSACTIONS

The significant related party transactions that did not constitute connected transaction which is required to be disclosed under Chapter 14A of the Listing Rules made during the Reporting Period were disclosed in note 30 to the consolidated financial statements.

COMPETING INTEREST

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

DEED OF NON-COMPETITION

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

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

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

REMUNERATION POLICY

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

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

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

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

PRE-EMPTIVE RIGHTS

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

TAX RELIEF AND EXEMPTION

The Directors are not aware of any tax relief and exemption available to shareholders of the Company by reason of their holding of the Company's securities.

CONNECTED TRANSACTION

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

CORPORATE GOVERNANCE REPORT

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

MAJOR CUSTOMERS, SUPPLIERS AND SUBCONTRACTORS

During the Reporting Period, sales to the Group's five largest customers accounted for approximately 84.8% of the Group's sales for the year and sales to the Group's largest customer included therein accounted for approximately 31.0%.

During the Reporting Period, purchase from the Group's five largest suppliers accounted for approximately 62.3% of the Group's total purchases for the year and purchase from the Group's largest supplier included therein accounted for approximately 34.7%.

During the Reporting Period, subcontracting fees paid/payable to the Group's five largest subcontractors accounted for approximately 59.7% of the Group's total subcontracting fees and subcontracting fees paid/payable to the Group's largest subcontractor accounted for approximately 19.2%.

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

USE OF PROCEEDS FROM SHARE OFFER

The Shares of the Company were listed on the Main Board of the Stock Exchange on 23 April 2019 with net proceeds received by the Company from the Share Offer in the amount of approximately HK$141.2 million after deducting underwriting commissions and all related expenses. The net proceeds received from the Share Offer are intended to be used in the manner consistent with that mentioned in the section headed "Future Plans and Use of Proceeds" of the Prospectus.

From the Listing Date to 31 December 2020, the net proceeds had been applied as follows:

	Net proceeds (HK$ million)			Expected timeline of full utilisation of the remaining net proceeds from the Share Offer as at 31 December 2020
	Available	Utilised	Unutilised	
Upfront costs	82.2	82.2	–	N/A
Acquiring performance bonds	31.1	29.7	1.4	By the end of 2021 (Note)
Strengthening manpower	13.8	13.8	–	N/A
General working capital	14.1	14.1	–	N/A
Total	141.2	139.8	1.4	

Note: Original timeline of expected full utilisation of net proceeds was on or before 31 December 2020.

As at 31 December 2020, approximately HK$139.8 million (equivalent to approximately MOP144.0 million) of the net proceeds received from the Share Offer had been utilized and the remaining of the net proceeds were deposited in the bank accounts of the Group with licensed banks in Hong Kong and Macau.

ISSUE OF CONVERTIBLE BONDS UNDER GENERAL MANDATE

On 6 November 2020, the Company entered into a conditional subscription agreement with Guangzhou Pinyuan Technology Co., Ltd. (廣州品源科技有限公司) (the "**Subscriber**") in relation to the issue of 8% interest bearing convertible bonds in an aggregate principal amount of RMB200,000,000 (equivalent to approximately HK$233,923,601). The net proceeds from the issue of the convertible bonds will be approximately RMB199,529,761 (equivalent to approximately HK$233,373,601). The Company intends to use the net proceeds for (i) future business expansion of the Group; (ii) settling the upfront cost of certain projects awarded to the Group and projects which the Group targets to secure; and (iii) general working capital to strengthen the financial position of the Group.

Assuming all the conversion rights attaching to the convertible bonds in the principal amount of RMB200,000,000 (equivalent to approximately HK$233,923,601) are exercised by the Subscriber in full at the conversion price of HK$5.04 per conversion share, the Subscriber will be interested in 46,413,412 Shares, representing approximately 9.28% of the issued share capital of the Company as at the date of this annual report, and approximately 8.49% of the issued share capital of the Company as enlarged by the allotment and issue of the conversion shares upon full exercise of the conversion rights under the convertible bonds pursuant to the subscription agreement. For details of the issue of the convertible bonds, please refer to the announcements of the Company dated 8 November 2020 and 5 March 2021, respectively.

IMPORTANT EVENTS AFTER THE REPORTING PERIOD

On 23 October 2020 and 5 March 2021, the Group entered into a framework cooperation agreement and a supplemental agreement, respectively, with Guangdong Huihuilong Investment Co., Ltd. (廣東匯徽隆投資有限公司) ("**Huihuilong**") in respect of the cooperation with and possible acquisition of Huihuilong by the Group. The Group agreed to pay a refundable deposit of RMB16,750,000 to Huihuilong in this regard. No definitive agreement in relation to the possible acquisition has been entered into by the Group and Huihuilong as at the date of this annual report.

On 6 November 2020, the Group entered into a conditional subscription agreement with the subscriber in relation to the issue of 8% interest bearing convertible bonds in an aggregate principal amount of RMB200,000,000. On 5 March 2021, the Group entered into a supplemental agreement with the Subscriber to extend the long stop date to 31 March 2021. As the relevant conditions precedent have yet to be fulfilled, completion of the subscription agreement has not taken place as at the date of this annual report.

Save as disclosed in this annual report, there was no important event affecting the Group that had occurred since the end of 31 December 2020.

PUBLIC FLOAT

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

FINANCIAL SUMMARY

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

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining shareholders who are entitled to attend and vote at the AGM, the register of members of the Company will be closed from Monday, 31 May 2021 to Thursday, 3 June 2021, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for attending and voting at the AGM, all transfer documents accompanied by the relevant share certificates should be lodged for registration with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Friday, Friday, 28 May 2021.

AUDITOR

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

On behalf of the Board
Li Kam Hung
Chairman

Hong Kong, 25 March 2021

Deloitte. 德勤

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

OPINION

We have audited the consolidated financial statements of Wai Hung Group Holdings limited (the "**Company**") and its subsidiaries (collectively referred to as "**the Group**") set out on pages 38 to 91, which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

Key audit matter	How our audit addressed the key audit matter
Revenue and costs from fitting-out contracts	

We identified the recognition of revenue and costs from fitting-out contracts as a key audit matter due to the use of estimates by management in determining the contract revenue and contract costs prepared for each fitting-out contract in progress.
 	
During the year ended 31 December 2020, the Group generated revenue of MOP505,731,000 and recognised direct cost of MOP425,464,000 from fitting-out contracts.
 	
The Group recognised contract revenue and direct costs of fitting-out contracts by reference to the stage of completion of the contract activity at the end of the reporting period, as set out in note 4 to the consolidated financial statements. The recognition of revenue, direct costs therefore relies on the management's estimation of the contract's outcome and stage of completion, which involves the exercise of significant management estimation, particularly in estimating the budgeted costs, which are prepared by the management of the Group on the basis of the agreements, quotations or other correspondences from time to time provided by the subcontractors, suppliers or vendors involved and the experience of the management of the Group. In order to keep the budget accurate and up-to-date, the management of the Group conducts periodic reviews of the budgets of contracts by comparing the budgeted amounts to the actual amounts incurred. This includes the assessment of the profitability of on-going fitting-out contracts.
	Our procedures in relation to recognition of revenue and costs from fitting-out contracts included:
	
	• Understanding the internal control over the management's process in estimation of the contract revenue, budget cost and determination of completion status of the fitting-out contracts;
	
	• Agreeing the total contract value to the contracts, on a sample basis;
	
	• Discussing with the management of the Group to evaluate the reasonableness of their estimated total contract costs, taking into account of factors including the complexity and duration of the projects and profit margin of similar completed projects, on a sample basis;
	
	• Evaluating the reasonableness of estimated total contract costs to be incurred by checking against the agreements, quotations or other correspondences from time to time provided by subcontractors, suppliers or vendors involved, on a sample basis;
	
	• Evaluating the reasonableness of costs from fitting-out contracts recognised to date by:
	
	  • Checking to the supporting documents including the certificates and invoices issued by the subcontractors/suppliers/vendors and their correspondences issued to evaluate progress of respective projects, on a sample basis;
	
	  • Discussing with the management of the Group to understand the status of respective fitting-out contracts, and to evaluate the reasonableness of contract costs recognised based on the size and duration of the projects, on a sample basis; and
	
	• Evaluating the reasonableness of stage of completion of fitting-out contracts by comparing the proportion of costs incurred against the value of work certified by external surveyors of main constructors at the end of the reporting period, and investigating any significant differences identified, on a sample basis.

OTHER INFORMATION

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in the independent auditor's report is Ng Kin Fai.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
25 March 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

	Notes	2020 MOP'000	2019 MOP'000
Revenue	5	**506,266**	359,767
Direct costs		**(425,897)**	(283,729)
Gross profit		**80,369**	76,038
Other income	7	**2,241**	717
Impairment loss recognised in respect of trade receivables		**(1,205)**	(31)
Impairment loss recognised in respect of contract assets		**(1,319)**	(39)
Administrative expenses		**(25,211)**	(22,504)
Finance costs	8	**(2,071)**	(914)
Listing expenses		**–**	(7,411)
Profit before taxation	9	**52,804**	45,856
Income tax expense	10	**(7,076)**	(7,931)
Profit for the year		**45,728**	37,925
Other comprehensive expense			
Item that may be subsequently reclassified to profit and loss:			
Exchange differences arising on translation of foreign operation		**22**	(18)
Profit and total comprehensive income for the year		**45,750**	37,907
Earnings per share			
Basic (MOP cents)	12	**9.1**	8.2

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2020

	Notes	2020 MOP'000	2019 MOP'000
Non-current assets			
Property and equipment	13	**2,832**	1,921
Right-of-use assets	14	**787**	448
Deposits	16	**317**	351
		3,936	2,720
Current assets			
Trade receivables	15	**165,517**	95,543
Other receivables, deposits and prepayments	16	**96,970**	84,579
Contract assets	17	**144,740**	103,089
Amount due from a related party	20	**23**	23
Pledged bank deposits	18	**33,012**	12,370
Bank balances and cash	18	**54,744**	29,314
		495,006	324,918
Current liabilities			
Trade and other payables and accruals	19	**84,985**	39,377
Contract liabilities	17	**174**	1,109
Tax payable		**22,705**	15,780
Bank borrowings	21	**70,375**	8,017
Bank overdrafts	18	**13,702**	2,440
Lease liabilities	22	**672**	365
		192,613	67,088
Net current assets		**302,393**	257,830
Total assets less current liabilities		**306,329**	260,550
Non-current liabilities			
Lease liabilities	22	**128**	99
NET ASSETS		**306,201**	260,451
CAPITAL AND RESERVES			
Share capital	23	**5,150**	5,150
Reserves		**301,051**	255,301
TOTAL EQUITY		**306,201**	260,451

The consolidated financial statements on pages 38 to 91 were approved and authorised for issue by the Board of Directors on 25 March 2021 and are signed on its behalf by:

LI KAM HUNG	**YU MING HO**
DIRECTOR	*DIRECTOR*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

	Attributable to owners of the Company							
	Share capital MOP'000	Share premium MOP'000	Legal reserve MOP'000 (Note (i))	Other reserve MOP'000 (Note (ii))	Statutory surplus reserve MOP'000 (Note (iii))	Translation reserve MOP'000	Accumulated profits MOP'000	Total MOP'000
1 January 2019	–	95,685	500	(75,121)	120	(284)	35,652	56,552
Profit for the year	–	–	–	–	–	–	37,925	37,925
Other comprehensive expense for the year	–	–	–	–	–	(18)	–	(18)
Total profit and other comprehensive (expense) income for the year	–	–	–	–	–	(18)	37,925	37,907
Issue of shares upon share offer	1,288	178,963	–	–	–	–	–	180,251
Transaction costs incurred in connection with issue of shares	–	(14,259)	–	–	–	–	–	(14,259)
Issue of shares upon Capitalisation Issue (as defined in note 23)	3,862	(3,862)	–	–	–	–	–	–
Transfer	–	–	–	–	23	–	(23)	–
At 31 December 2019	5,150	256,527	500	(75,121)	143	(302)	73,554	260,451
Profit for the year	–	–	–	–	–	–	45,728	45,728
Other comprehensive income for the year	–	–	–	–	–	22	–	22
At 31 December 2020	5,150	256,527	500	(75,121)	143	(280)	119,282	306,201

Notes:

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

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

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

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

	2020 MOP'000	2019 MOP'000
OPERATING ACTIVITIES		
Profit before taxation	52,804	45,856
Adjustments for:		
Depreciation on property and equipment	799	641
Depreciation of right-of-use assets	898	519
Finance costs	2,071	914
Impairment loss allowance of trade receivables	1,205	31
Impairment loss allowance of contract assets	1,319	39
Interest income	(121)	(542)
Operating cash flows before movements in working capital	58,975	47,458
Increase in trade receivables	(71,179)	(55,705)
Increase in other receivables, deposits and prepayments	(12,485)	(65,529)
Increase in contract assets/liabilities, net	(43,905)	(69,888)
Increase in trade and other payables and accruals	45,608	3,239
Cash used in operations	(22,986)	(140,425)
Income tax paid	(151)	(223)
NET CASH USED IN OPERATING ACTIVITIES	(23,137)	(140,648)
INVESTING ACTIVITIES		
Purchases of property and equipment	(1,576)	(445)
Deposit paid for acquisition of property and equipment	–	(134)
Bank interest received	115	539
Placement of pledged bank deposits	(20,642)	(10,031)
NET CASH USED IN INVESTING ACTIVITIES	(22,103)	(10,071)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

	2020 MOP'000	2019 MOP'000
FINANCING ACTIVITIES		
Dividends paid	–	(6,342)
Proceed from issue of shares of the Company	–	180,251
Share issue costs paid	–	(11,540)
Repayment of bank borrowings	(74,109)	(22,124)
Repayment of lease liabilities	(901)	(497)
New bank borrowings raised	136,467	27,566
Interests paid	(2,071)	(914)
NET CASH FROM FINANCING ACTIVITIES	59,386	166,400
NET INCREASE IN CASH AND CASH EQUIVALENTS	14,146	15,681
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	26,874	11,211
EFFECT OF FOREIGN EXCHANGE RATE CHANGE	22	(18)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		
represented by		
Bank balances and cash	54,744	29,314
Bank overdrafts	(13,702)	(2,440)
	41,042	26,874

1. GENERAL INFORMATION

Wai Hung Group Holdings Limited (the "**Company**") is a public limited company incorporated in the Cayman Islands as an exempted company and its shares are listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). The Company's immediate and ultimate holding company is Copious Astute Limited ("**Copious Astute**"), a limited company incorporated in the British Virgin Islands ("**BVI**") with limited liability, and wholly-owned by Mr. Li. The address of the registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and the principal places of business of the Company in Hong Kong and Macau are Unit 13, 24th Floor, Honour Industrial Centre, 6 Sun Yip Street, Chai Wan, Hong Kong and Alameda Dr. Carlos d'Assumpcao, No. 258 Praca Kin Heng Long, 16 Andar G–H, Macau, respectively.

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

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

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the *Amendments to References to the Conceptual Framework in HKFRS Standards* and the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the consolidated financial statements:

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

Except as described below, the application of the *Amendments to References to the Conceptual Framework in HKFRS Standards* and the amendments to HKFRSs in the current year had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Impacts on application of Amendments to HKAS 1 and HKAS 8 Definition of Material

The Group has applied the Amendments to HKAS 1 and HKAS 8 for the first time in the current year. The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments in the current year had no impact on the consolidated financial statements.

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs and interpretation that have been issued but are not yet effective:

HKFRS 17	Insurance Contracts and the related Amendments[1]
Amendment to HKFRS 16	COVID-19-Related Rent Concessions[4]
Amendments to HKFRS 3	Reference to the Conceptual Framework[2]
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2[5]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[1]
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use[2]
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020[2]

1 Effective for annual periods beginning on or after 1 January 2023
2 Effective for annual periods beginning on or after 1 January 2022
3 Effective for annual periods beginning on or after a date to be determined
4 Effective for annual periods beginning on or after 1 June 2020
5 Effective for annual periods beginning on or after 1 January 2021

Except for the new and amendments to HKFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

Amendment to HKFRS 16 COVID-19-Related Rent Concessions

The amendment is effective for annual reporting periods beginning on or after 1 June 2020.

The amendment introduces a new practical expedient for lessees to elect not to assess whether a COVID-19-related rent concession is a lease modification. The practical expedient only applies to rent concessions occurring as a direct consequence of the COVID-19 that meets all of the following conditions:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- there is no substantive change to other terms and conditions of the lease.

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

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

Amendment to HKFRS 16 COVID-19-Related Rent Concessions (continued)

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying HKFRS 16 "Leases" if the changes are not a lease modification. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs.

The application is not expected to have impact on the Group's financial position and performance as the Group does not intend to apply the practical expedient.

Amendments to HKAS 1 Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)

The amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that:

  (i) the classification should not be affected by management intentions or expectations to settle the liability within 12 months; and

  (ii) if the right is conditional on the compliance with covenants, the right exists if the conditions are met at the end of the reporting period, even if the lender does not test compliance until a later date; and

- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying HKAS 32 *Financial Instruments: Presentation*.

In addition, Hong Kong Interpretation 5 was revised as a consequence of the Amendments to HKAS 1 to align the corresponding wordings with no change in conclusion.

Based on the Group's outstanding liabilities as at 31 December 2020, the application of the amendments will not result in reclassification of the Group's liabilities.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis at the end of each reporting period, 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 these asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 "Share-based Payment", leasing transactions that are accounted for in accordance with HKFRS 16, 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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies

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.

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

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

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Revenue from contracts with customer

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

A performance obligation represents a good or service (or a bundle of goods services) that is distinct or a series of distinct goods or services that are substantially the same. Control is transferred over time and revenue is recognised overtime by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or 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.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

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

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

Provision of fitting-out services and repair and maintenance services

Recognition

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Revenue from contracts with customer (continued)

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

Contract assets/liabilities

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

Existence of significant financing component

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

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

Property and equipment

Property and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes. Property and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Leases

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Non-lease components are separated from lease component and are accounted for by applying other applicable standards.

Short-term leases

The Group applies the short-term lease recognition exemption to leases of offices, staff quarters and carpark lots that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognised as expense on a straight-line basis or another systematic basis over the lease term.

Right-of-use assets

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 are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Leases (continued)

The Group as a lessee (continued)

Refundable rental deposits

Refundable rental deposits paid are accounted 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.

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.

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 renewal of leases in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

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, less any lease incentives receivable, 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.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Impairment loss on property and equipment and right-of-use assets

At the end of the reporting period, the Group reviews the carrying amounts of its property and equipment and right-of-use assets to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of property and equipment and right-of-use assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

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

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on 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 arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve.

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Such grants are presented under "other income".

Equity-settled share-based payment transactions

Share options granted to employee

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (other reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the other reserve.

When share options are exercised, the amount previously recognised in other reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in other reserve will continue to be held in other reserve.

When shares granted are vested, the amount previously recognised in other reserve will be transferred to share premium.

Retirement benefits costs

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Short-term employee benefits

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

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

Taxation

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

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

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 profit. 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.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments 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 each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset 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 rate (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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Taxation (continued)

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 "Income Taxes" requirements to right-of-use assets and lease liabilities separately. Temporary differences on initial recognition of the relevant right-of-use assets and lease liabilities are not recognised due to application of the initial recognition exemption. Temporary differences arising from subsequent revision to the carrying amounts of right-of-use assets and lease liabilities, resulting from remeasurement of lease liabilities and lease modifications, that are not subject to initial recognition exemption are recognised on the date of remeasurement or modification.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15 "Revenue from Contracts with Customers" ("**HKFRS 15**"). Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and 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 asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets 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 (see below). 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 from the next reporting period. If 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 from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

Impairment of financial assets and contract assets subject to impairment assessment under HKFRS 9

The Group performs impairment assessment under expected credit loss ("**ECL**") model on financial assets (including trade receivables, other receivables, deposits, amount due from a related party, pledged bank deposits and bank balances and cash) and contract assets which are subject to impairment assessment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

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

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

For all other financial instruments, the Group measures the loss allowance equal to 12-month ECL, unless when there has a significant increase in credit risk since initial recognition, in which case 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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 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;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; and
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

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

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

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 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).

Irrespective of the above, the Group considers that default has occurred when the financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

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

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

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 are recognised in profit or loss.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 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 and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is 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.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortised cost of the financial asset.

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

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

Equity instruments

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

Financial liabilities at amortised cost

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 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 measured at amortised cost, 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 have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

Fitting-out contracts

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

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

During the year ended 31 December 2020, the Group generated revenue of MOP505,731,000 (2019: MOP358,970,000) and recognised direct cost of MOP425,464,000 (2019: MOP283,298,000) from fitting-out contracts.

5. REVENUE AND SEGMENT INFORMATION

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

Revenue

Timing of revenue recognition and category of revenue

	2020 **MOP'000**	2019 MOP'000
Recognised over time and short-term contracts:		
– provision of fitting-out services	**505,731**	358,970
Recognised over time and long-term contracts:		
– provision of repair and maintenance services	**535**	797
	506,266	359,767

Geographical information

	2020 **MOP'000**	2019 MOP'000
Macau	**431,014**	359,767
Hong Kong	**75,252**	–
	506,266	359,767

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

The Group provides fitting-out and repair and maintenance services to customers. Such services are recognised as a performance obligation satisfied over time as the Group creates or enhances an asset that the customer controls as the asset is created or enhanced. Revenue is recognised for these fitting-out and repair and maintenance services based on the stage of completion of the contract using input method.

The Group's fitting-out and repair and maintenance contracts include payment schedules which require stage payments over the construction period once certain specified milestones are reached. The Group requires certain customers to provide upfront deposits up to 10% of total contract sum, when the Group receives a deposit before fitting-out and repair and maintenance service commences, this will give rise to contract liabilities at the start of a contract, until the revenue recognised on the specific contract exceeds the amount of the deposit.

5. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Revenue (continued)

Timing of revenue recognition and category of revenue (continued)

A contract asset, net of contract liability related to the same contract, is recognised over the period in which the services are performed representing the Group's right to consideration for the services performed because the rights are conditioned on the Group's future performance in achieving specified milestones. The contract assets are transferred to trade receivables when the rights become unconditional.

Retention receivables, prior to expiration of defect liability period, are classified as contract assets, which is usually about one year from the date of the practical completion of the fitting-out and repair and maintenance service. The relevant amount of contract asset is reclassified to trade receivables when the defect liability period expires. The defect liability period serves as an assurance that the construction services performed comply with agreed-upon specifications and such assurance cannot be purchased separately.

Transaction price allocated to the remaining performance obligations

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

	2020 **MOP'000**	2019 MOP'000
Provision of fitting-out services	**251,533**	210,848

Based on the information available to the Group at the end of each reporting period, the directors of the Company expect the transaction price allocated to the above unsatisfied (or partially unsatisfied) contracts in respect of provision of fitting-out and repair and maintenance services as of 31 December 2020 will be recognised as revenue during the year ending 31 December 2021 (2019: was recognised as revenue during the year ended 31 December 2020).

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:

- fitting-out services; and
- repair and maintenance services.

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

5. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Segment information (continued)

Segment revenue and results

Year ended 31 December 2020

	Fitting-out services MOP'000	Repair and maintenance services MOP'000	Total MOP'000
Segment revenue	**505,731**	**535**	**506,266**
Segment results	**77,743**	**102**	**77,845**
Other income			**2,241**
Administrative expenses			**(25,211)**
Finance costs			**(2,071)**
Profit before taxation			**52,804**

Year ended 31 December 2019

	Fitting-out services MOP'000	Repair and maintenance services MOP'000	Total MOP'000
Segment revenue	358,970	797	359,767
Segment results	75,602	366	75,968
Other income			717
Administrative expenses			(22,504)
Finance costs			(914)
Listing expenses			(7,411)
Profit before taxation			45,856

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

5. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Segment information (continued)

Geographical information

The Group's operations are mainly carried out in Macau and Hong Kong.

The Group's revenue from external customers based on the location of projects are set out below:

	2020 MOP'000	2019 MOP'000
Macau	431,014	359,767
Hong Kong	75,252	–
	506,266	359,767

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

	2020 MOP'000	2019 MOP'000
Macau	1,555	1,267
Hong Kong	2,064	1,236
	3,619	2,503

Information about major customers

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

	2020 MOP'000	2019 MOP'000
Revenue from fitting-out services		
Customer A	66,320	121,900
Customer B	N/A*	115,111
Customer C	N/A*	96,028
Customer D	156,973	N/A*
Customer E	75,252	–
Customer F	70,430	N/A*
Customer G	60,180	–
Customer H	54,932	–

* Revenue from relevant customer was less than 10% of the Group's total revenue for the respective year.

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

(a) Directors' and chief executive's emoluments

Mr. Li and Mr. Yu are executive directors of the Company. Mr. Li Chun Ho, the son of Mr. Li is non-executive director of the Company. The emoluments paid or payable to the directors and chief executive of the Company (including the emoluments for services as directors of the group entities prior to becoming the directors of the Company) by entities comprising the Group during the year as follows:

	Mr. Li MOP'000 (Note i)	Mr. Yu Ming Ho MOP'000 (Note i)	Mr. Li Chun Ho MOP'000 (Note ii)	Ms. Rita Botelho dos Santos MOP'000 (Note iii)	Mr. Lam Chi Wing MOP'000 (Note iii)	Mr. Wu Chou Kit MOP'000 (Note iii)	Mr. Yau Yan Ming Raymond MOP'000 (Note iv)	Mr. Zhu Jun MOP'000 (Note v)	Mr. Ge Lintao MOP'000 (Note vi)	Total MOP'000
Year ended 31 December 2020										
Fees	**–**	**–**	**124**	**124**	**124**	**124**	**–**	**–**	**–**	**496**
Other emoluments										
Salaries and other benefits	**536**	**1,695**	**–**	**–**	**–**	**–**	**349**	**114**	**206**	**2,900**
Retirement benefits schemes contributions	**–**	**19**	**–**	**–**	**–**	**–**	**13**	**–**	**6**	**38**
Total emoluments	**536**	**1,714**	**124**	**124**	**124**	**124**	**362**	**114**	**212**	**3,434**
Year ended 31 December 2019										
Fees	–	–	98	98	98	98	–	–	–	392
Other emoluments										
Salaries and other benefits	536	1,665	–	–	–	–	–	–	–	2,201
Retirement benefits schemes contributions	12	19	–	–	–	–	–	–	–	31
Total emoluments	548	1,684	98	98	98	98	–	–	–	2,624

Notes:

(i) Mr. Li is executive director and chief executive of the Group. Mr. Yu Ming Ho is executive of the Group.

(ii) Mr. Li Chun Ho is non-executive director of the Group.

(iii) Ms. Rita Botelho dos Sautos, Mr. Lam Chi Wing and Mr. Wu Chou Kit are independent non-executive directors of the Company.

(iv) Mr. Yau Yan Ming Raymond was appointed as executive director of the Group on 17 April 2020.

(v) Mr. Zhu Jun was appointed as non-executive director of the Group on 15 July 2020.

(vi) Mr. Ge Lintao was appointed as executive director of the Group on 2 September 2020 and resigned on 4 March 2021.

The executive directors' emoluments are for their services in connection with the management of the affairs of the Group. The emoluments of non-executive director and the independent non-executive directors are for their services as directors of the Company.

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

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

(b) Employees' emoluments

Of the five individuals with the highest emoluments in the Group, one (2019: one) was the director of the Company for the year ended 31 December 2020. His emoluments are included in note 6(a) above. The emoluments of the remaining four (2019: four) non-director individuals for the year ended 31 December 2020 are as follows:

	2020 **MOP'000**	2019 MOP'000
Salaries and other benefits	**5,114**	4,946
Retirement benefits schemes contributions	**50**	50
	5,164	4,996

	2020 **Number of** **employee**	2019 Number of employee
HK$1,000,001 to HK$1,500,000	**3**	3
HK$1,500,001 to HK$2,000,000	**1**	1
	4	4

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

7. OTHER INCOME

	2020 MOP'000	2019 MOP'000
Other income		
Bank interest income	115	539
Interest income from rental deposits	6	3
Sponsorship income	–	72
Government grants (Note)	2,035	–
Others	85	103
	2,241	717

Note: During the current year, the Group recognised government grants of MOP2,035,000 in respect of COVID-19-related subsidies relates to Employment Support Scheme provided by the Hong Kong Government and the Government of Macau.

8. FINANCE COSTS

	2020 MOP'000	2019 MOP'000
Interests on bank borrowings	1,681	888
Interest on bank overdraft	360	–
Interest on lease liabilities	30	26
	2,071	914

9. PROFIT BEFORE TAXATION

	2020 MOP'000	2019 MOP'000
Profit before taxation has been arrived at after charging:		
Auditor's remuneration	1,030	1,133
Depreciation on property and equipment	799	641
Depreciation of right-of-use assets	898	519
Staff costs (including directors' emoluments):		
Salaries and other benefits	49,028	35,367
Retirement benefits schemes contributions	705	725
	49,733	36,092
Less: staff costs included in direct costs	(33,292)	(26,921)
	16,441	9,171

10. INCOME TAX EXPENSE

	2020 MOP'000	2019 MOP'000
Current Tax:		
Macau Complementary Income Tax	7,076	7,923
PRC Enterprise Income Tax	–	8
	7,076	7,931

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

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

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "**Bill**") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

The directors of the Company considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the consolidated financial statements. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

Under the PRC law, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to retained earnings of the PRC subsidiary amounting to approximately MOP1,448,000 (2019: MOP1,515,000) as at 31 December 2020, as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

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

	2020 MOP'000	2019 MOP'000
Profit before taxation	52,804	45,856
Tax at the Macau Complementary Income Tax rate of 12%	6,336	5,502
Tax effect of expense not deductible for tax purpose	1,084	2,691
Tax effect of tax exemption under Macau Complementary Income Tax	(360)	(304)
Effect of different tax rates of subsidiaries operating in other jurisdiction	16	42
Income tax expense	7,076	7,931

11. DIVIDENDS

No dividend was proposed for ordinary shareholders of the Company during the year ended 31 December 2020, nor has any dividend been proposed since the end of the reporting period (2019: nil).

12. EARNINGS PER SHARE

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

	2020 **MOP'000**	2019 MOP'000
Earnings:		
Earnings for the purpose of calculating basic earnings per share (profit for the year attributable to owners of the Company)	**45,728**	37,925

	2020 **'000**	2019 '000
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**500,000**	461,644

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

13. PROPERTY AND EQUIPMENT

	Leasehold improvements MOP'000	Furniture and fixtures MOP'000	Office equipment MOP'000	Motor vehicles MOP'000	Total MOP'000
COST					
At 1 January 2019	1,017	715	2,012	1,323	5,067
Additions	–	6	462	–	468
Write-off	–	(2)	–	–	(2)
At 31 December 2019	1,017	719	2,474	1,323	5,533
Additions	–	42	374	1,294	1,710
At 31 December 2020	1,017	761	2,848	2,617	7,243
DEPRECIATION					
At 1 January 2019	342	319	1,268	1,044	2,973
Provided for the year	191	106	330	14	641
Write-off	–	(2)	–	–	(2)
At 31 December 2019	533	423	1,598	1,058	3,612
Provided for the year	124	101	439	135	799
At 31 December 2020	657	524	2,037	1,193	4,411
CARRYING AMOUNTS					
At 31 December 2020	360	237	811	1,424	2,832
At 31 December 2019	484	296	876	265	1,921

The above items of property and equipment after taking into account the residual values, are depreciated on a straight-line basis at the following rates per annum:

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

14. RIGHT-OF-USE ASSETS

	Leased properties MOP'000
As at 31 December 2020	
Carrying amount	787
As at 31 December 2019	
Carrying amount	448
For the year ended 31 December 2020	
Depreciation charge	898
For the year ended 31 December 2019	
Depreciation charge	519

	Year ended 31 December	
	2020 MOP'000	2019 MOP'000
Expense relating to short-term leases	**550**	1,938
Total cash outflow for leases	**1,481**	2,461
Additions to right-of-use assets	**1,237**	27

For both years, the Group leases various offices, staff quarters and parking lots for its operations. Lease contracts are entered into for fixed term of 1 to 2 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

The Group regularly entered into short-term leases for offices, staff quarters and carpark lots. As at 31 December 2020 and 2019, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed above.

15. TRADE RECEIVABLES

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

	2020	2019
	MOP'000	MOP'000
0–30 days	**67,777**	53,838
31–60 days	**24,476**	32,843
61–90 days	**28,061**	4,087
91–365 days	**46,479**	4,846
	166,793	95,614
Less: Impairment loss allowance	**(1,276)**	(71)
	165,517	95,543

As at 1 January 2019, trade receivables from contract with customers amounted to MOP39,869,000.

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. Credit limits attributable to customers are reviewed regularly.

Included in the Group's trade receivables are debtors with aggregate gross carrying amount of MOP99,016,000 (2019: MOP41,776,000) which are past due at 31 December 2020, out of the past due balances, MOP46,479,000 (2019: MOP4,846,000) has been past due 90 days or more and is not considered as in default because there was no historical default of payments by the respective customers. The Group does not hold any collateral over these balances.

The Group applies simplified approach to provide for ECL prescribed by HKFRS 9. To measure the ECL of trade receivables, trade receivables have been assessed on individual basis.

15. TRADE RECEIVABLES (CONTINUED)

Impairment assessment on trade receivables subject to ECL model

As part of the Group's credit risk management, the Group applies internal credit rating for its customers. The debtors are classified into three internal credit rating buckets (namely: low risk, medium risk and high risk) by reference to past default of the debtor, and an analysis of the debtor's current financial position. The following table provides information about the exposure to credit risk and ECL for trade receivables which are assessed at the end of the reporting period.

2020

Internal credit rating	**Average loss rate**	**Gross carrying amount MOP'000**	**Impairment loss allowance MOP'000**
Low risk	**0.32%**	**122,670**	**394**
Medium risk	**2.00%**	**44,123**	**882**
		166,793	**1,276**

2019

Internal credit rating	Average loss rate	Gross carrying amount MOP'000	Impairment loss allowance MOP'000
Low risk	0.07%	95,588	70
Medium risk	2.01%	26	1
		95,614	71

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and study of other corporates' default and recovery data from international credit-rating agencies, and are adjusted for forward-looking information that is available without undue cost or effort. Such forward-looking information is used by the management of the Group to assess both the current as well as the forecast direction of conditions at the reporting date. Due to greater financial uncertainty triggered by the COVID-19 pandemic, the Group has increased the expected loss rates in the current year as there is higher risk that a prolonged pandemic could led to increased credit default rates. The internal credit rating is regularly reviewed by the management of the Group to ensure relevant information about specific debtors is updated.

There has been no change in the estimation techniques or significant assumptions made during both years.

During the year ended 31 December 2020, the Group provided impairment losses allowance of MOP1,205,000 (2019: MOP31,000).

15. TRADE RECEIVABLES (CONTINUED)

Impairment assessment on trade receivables subject to ECL model (continued)

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

	Not credit-impaired MOP'000
Balance at 1 January 2019	40
Impairment losses allowance recognised	31
Balance at 1 January 2020	71
Impairment losses allowance recognised	1,205
Balance at 31 December 2020	1,276

16. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2020 MOP'000	2019 MOP'000
Rental deposits	440	342
Deposit paid for acquisition of property and equipment	–	134
Deposits paid for tenders	46,535	38,894
Prepayments to subcontractors	49,690	45,385
Other receivables and prepayments	622	175
Total	97,287	84,930
Presented as non-current assets	317	351
Presented as current assets	96,970	84,579
Total	97,287	84,930

17. CONTRACT ASSETS AND CONTRACT LIABILITIES

	As at 31 December	
	2020	2019
	MOP'000	MOP'000
Contract assets		
Fitting-out services	**146,177**	103,207
	146,177	103,207
Less: Impairment loss allowance	**(1,437)**	(118)
	144,740	103,089
Contract liabilities		
Fitting-out services	**(174)**	(1,109)

As at 1 January 2019, contract assets and contract liabilities amounted to MOP33,124,000 and MOP993,000, respectively.

For the contract liabilities as at 1 January 2019 and 31 December 2019, the entire balances are recognised as revenue to profit or loss during the years ended 31 December 2019 and 2020, respectively.

The significant increase of contract assets during both years is the result of the increase in completion of certain projects with significant contract sum for fitting-out services and the respective retention money withheld by the customers of contract works under the defects liability period.

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

The Group also requires certain customers to provide upfront deposits up to 10% of total contract sum, when the Group receives a deposit before fitting-out service commences, this will give rise to contract liabilities at the start of a contract, until the revenue recognised on the specific contract exceeds the amount of the deposit.

Impairment assessment on contract assets subject to ECL model

The Group applies simplified approach to provide for ECL prescribed by HKFRS 9. To measure the ECL of contract assets, contract assets have been assessed on individual basis.

17. CONTRACT ASSETS AND CONTRACT LIABILITIES (CONTINUED)

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

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

2020

Internal credit rating	**Average loss rate**	**Gross carrying amount MOP'000**	**Impairment loss allowance MOP'000**
Low risk	**0.36%**	**99,443**	**362**
Medium risk	**2.30%**	**46,734**	**1,075**
		146,177	**1,437**

2019

Internal credit rating	Average loss rate	Gross carrying amount MOP'000	Impairment loss allowance MOP'000
Low risk	0.10%	102,953	113
Medium risk	2.01%	254	5
		103,207	118

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and study of other corporates' default and recovery data from international credit-rating agencies, and are adjusted for forward-looking information that is available without undue cost or effort. Such forward-looking information is used by the management of the Group to assess both the current as well as the forecast direction of conditions at the reporting date. Due to greater financial uncertainty triggered by the COVID-19 pandemic, the Group has increased the expected loss rates in the current year as there is higher risk that a prolonged pandemic could led to increased credit default rates. The internal credit rating is regularly reviewed by the management of the Group to ensure relevant information about specific debtors is updated.

There has been no change in the estimation techniques or significant assumptions made during both years.

During the year ended 31 December 2020, the Group provided impairment losses allowance of MOP1,319,000 (2019: MOP39,000).

17. CONTRACT ASSETS AND CONTRACT LIABILITIES (CONTINUED)

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

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

	Not credit-impaired MOP'000
Balance at 1 January 2019	79
Impairment loss allowance recognised	39
Balance at 1 January 2020	118
Impairment loss allowance recognised	1,319
Balance at 31 December 2020	1,437

Included in carrying amounts of contract assets/contract liabilities as stated above comprises retention money of MOP46,533,000 (2019: MOP28,802,000) as at 31 December 2020.

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

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

	2020 MOP'000	2019 MOP'000
On demand or within one year	45,820	26,865
After one year	713	1,937
	46,533	28,802

18. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH/BANK OVERDRAFTS

Pledged bank deposits as at 31 December 2020 are pledged to secure the bank overdrafts and bank borrowings of the Group which carry interest at prevailing market rate of 0.01% (2019: 0.01%) per annum.

As at 31 December 2020, bank balances and cash comprise of cash held and short term bank deposits with an original maturity of three months or less which carry interest at prevailing market rate of 0.01% (2019: 0.01%) per annum.

As at 31 December 2020, bank overdrafts carry interest at market rate of 5% (2019: 6%) per annum.

Details of impairment assessment of pledged bank deposits and bank balances and cash are set out in note 28.

19. TRADE AND OTHER PAYABLES AND ACCRUALS

	2020 **MOP'000**	2019 MOP'000
Trade payables	**12,168**	14,003
Retention payables	**20,648**	10,516
Accruals for subcontracting costs (Note)	**48,359**	9,631
Accrued listing expenses and issue costs	**–**	2,019
Accruals and other payables	**3,810**	3,208
	84,985	39,377

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

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

	2020 **MOP'000**	2019 MOP'000
0–30 days	**4,132**	5,988
Over 90 days	**8,036**	8,015
	12,168	14,003

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

20. AMOUNTS DUE FROM RELATED PARTIES

Amount due from a related party

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

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

	As at 31 December		As at 1 January	Maximum amount outstanding during the year ended 31 December	
	2020	2019	2019	**2020**	2019
	MOP'000	MOP'000	MOP'000	**MOP'000**	MOP'000
Ms. Ng Suk Fun ("**Ms. Ng**") (Note)	**23**	23	23	**23**	23

Note: The balance represents the rental deposit for the Hong Kong office which is wholly owned by Ms. Ng, who is the spouse of Mr. Li.

21. BANK BORROWINGS

	2020	2019
	MOP'000	MOP'000
Secured bank borrowings repayable within one year	**70,375**	8,017

The bank borrowings are at floating rate which carry interest at MOP prime lending rate plus/minus a spread. The effective interest rate on the Group's bank borrowings was 5% (2019: 6%) per annum as at 31 December 2020.

The bank borrowings and other bank facilities including performance guarantee by the Group are secured by the pledged bank deposits of HK$32,051,000 (approximately equivalent to MOP33,012,000) (2019: HK$12,301,000 (approximately equivalent to MOP12,370,000)) as at 31 December 2020.

22. LEASE LIABILITIES

	2020 MOP'000	2019 MOP'000
Lease liabilities payable:		
Within one year	**672**	365
Within a period of more than one year but not more than two years	**128**	99
	800	464
Less: Amount due for settlement with 12 months shown under current liabilities	**(672)**	(365)
Amount due for settlement after 12 months shown under non-current liabilities	**128**	99

The weighted average incremental borrowing rates applied to lease liabilities at 4% (2019: 4%).

Lease obligations that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	HK$ MOP'000
As at 31 December 2020	321
As at 31 December 2019	94

23. SHARE CAPITAL

Details of the Company's shares are disclosed as follows:

	Number of shares	Amount	
		MOP	MOP'000
Ordinary shares of HK$0.01 each			
Authorised:			
At 1 January 2019	38,000,000	391,400	391
Increase on 18 March 2019	962,000,000	9,908,600	9,909
At 31 December 2019 and 31 December 2020	1,000,000,000	10,300,000	10,300
Issued and fully paid:			
At 1 January 2019	1,000	10.27	–
Issuance of shares upon Capitalisation Issue (as defined below)	374,999,000	3,862,490	3,862
Issuance of shares upon share offer	125,000,000	1,287,500	1,288
At 31 December 2019 and 31 December 2020	500,000,000	5,150,000	5,150

On 18 March 2019, the authorised share capital of the Company increased to HK$10,000,000 divided into 1,000,000,000 shares of the Company of HK$0.01 each by creation of an additional 962,000,000 shares of the Company.

On 23 April 2019, the shares of the Company have been listed on the Stock Exchange by way of share offer. 125,000,000 shares of the Company of HK$0.01 each were issued at a price of HK$1.4 per share. On the same date, 374,999,000 shares of the Company were issued through capitalisation of HK$3,749,990 standing to the credit of the share premium account of the Company ("**Capitalisation Issue**").

24. CAPITAL COMMITMENTS

	2020 MOP'000	2019 MOP'000
Capital expenditure in respect of the acquisition of property and equipment contracted for but not provided in the consolidated financial statements	**–**	1,170

25. RETIREMENT BENEFITS SCHEMES

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

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

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

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

26. SHARE-BASED PAYMENT TRANSACTIONS

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

No share option has been granted by the Company under the Share Option Scheme since its adoption up to 31 December 2020. 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, without prior 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, without prior approval from the Company's shareholders. Options granted to substantial shareholders or independent non-executive directors in excess of 0.1% of the Company's share capital or with a value in excess of HK$5,000,000 must be approved in advance by the Company's shareholders.

Options granted must be taken up within 28 days of the date of grant, upon payment of HK$1 per option. Options may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined and notified by the board of directors of the Company to each participant provided that the period within which the option must be exercised shall not be more than 10 years from the date of the grant. The exercise price is determined by the directors of the Company, and will not be less than the higher of (i) the closing price of the Company's shares on the date of grant; (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share.

27. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of debt, which includes bank borrowings as disclosed in respective note, and equity of the Group, comprising share capital and reserves.

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

28. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2020 MOP'000	2019 MOP'000
Financial assets		
Financial assets at amortised cost	300,312	176,661
Financial liabilities		
Amortised cost	167,252	48,731

(b) Financial risk management objectives and policies

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

Currency risk

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

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

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

	2020 MOP'000	2019 MOP'000
Monetary assets		
HK$	22,586	20,787
RMB	1,086	2,402
Monetary liabilities		
HK$	6,194	20,130

28. FINANCIAL INSTRUMENTS (CONTINUED)

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

Currency risk (continued)

Sensitivity analysis

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

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

	2020 **MOP'000**	2019 MOP'000
Decrease in post-tax profit for the year		
RMB	**(49)**	(106)

Interest rate risk

The Group is also exposed to cash flow interest rate risk in relation to variable-rate pledged bank deposits, bank balances and bank overdrafts (see note 18) and bank borrowings (see note 21).

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

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

Sensitivity analysis

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

If interest rates have been 50 basis points higher/lower for variable-rate bank borrowings and bank overdrafts and all other variables were held constant, the Group's post-tax profit for the year ended 31 December 2020 would decrease/increase by MOP370,000 (2019: MOP46,000).

28. FINANCIAL INSTRUMENTS (CONTINUED)

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

Credit risk and impairment assessment

The Group's credit risk is primarily attributable to trade receivables, other receivables, deposits, amount due from a related party, pledged bank deposits and bank balances.

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

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

The Group has concentration of credit risks with exposure limited to certain customers. The top three debtors comprised 57% (2019: 93%) of the Group's trade receivables and 65% (2019: 77%) of retention money as stated in note 17 as at 31 December 2020. The management of the Group closely monitors the subsequent settlement of the debtors. In this regard, the management of the Group considers that the Group's credit risk is significantly reduced.

In order to minimise the credit risk on trade receivables and contract assets, the management of the Group has delegated a team responsible for monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the management of the Group reviews the recoverable amount of each individual debt at the end of each reporting period to ensure that adequate provisions for impairment losses are made for irrecoverable amounts on trade receivable and contract assets. The Group applies simplified approach on trade receivables and contract assets to provide for ECL prescribed by HKFRS 9. To measure the ECL of trade receivables and contract assets, trade receivables and contract assets have been grouped based on shared credit risk characteristics with details disclosed in notes 15 and 17, respectively. In this regard, the management of the Group considers that the credit risk on trade receivables and contract assets is significantly reduced.

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

The credit risk on pledged bank deposits and bank balances and cash of the Group is limited because the counterparties are banks with good reputation, no history of default in the past and high credit ratings assigned by credit agencies and therefore no loss allowance provision for pledged bank deposits and bank balances was recognised. The Group has limited exposure to any single financial institution.

28. FINANCIAL INSTRUMENTS (CONTINUED)

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

Liquidity risk

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

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

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

	Weighted average effective interest rate	On demand	Within 1 year	1–2 years	Total undiscounted cash flows	Total carrying amount
	%	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000
As at 31 December 2020						
Trade and other payables and accruals	N/A	–	83,175	–	83,175	83,175
Bank borrowings	5%	–	70,659	–	70,659	70,375
Bank overdrafts	5%	13,758	–	–	13,758	13,702
Lease liabilities	4%	–	680	127	807	800
		13,758	154,514	127	168,399	168,052
As at 31 December 2019						
Trade and other payables and accruals	N/A	–	38,274	–	38,274	38,274
Bank borrowings	6%	–	8,055	–	8,055	8,017
Bank overdrafts	6%	2,440	–	–	2,440	2,440
Lease liabilities	4%	–	373	107	480	464
		2,440	46,702	107	49,249	49,195

(c) Fair value

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

29. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	Accrued issue costs MOP'000	Interest payable MOP'000	Non-trade amounts due to related parties MOP'000	Bank borrowings MOP'000	Lease liabilities MOP'000	Total MOP'000
As at 1 January 2019	1,160	–	6,342	2,575	934	11,011
Additions to right-of-use assets	–	–	–	–	27	27
Financing cash flows (note (i))	(11,540)	–	(6,342)	4,554	(523)	(13,851)
Finance costs recognised	–	–	–	888	26	914
Accrual of issue costs	10,380	–	–	–	–	10,380
At 31 December 2019	–	–	–	8,017	464	8,481
Additions to right-of-use assets	–	–	–	–	1,237	1,237
Financing cash flows (note (i))	–	(360)	–	60,677	(931)	59,386
Finance costs recognised	–	360	–	1,681	30	2,071
At 31 December 2020	–	–	–	70,375	800	71,175

Note:

(i) The financing cash flows represented the net amount of new bank borrowings raised and repaid, dividend paid, payment of finance costs, payment of direct transaction cost attributable to issue of shares and payment of lease liabilities.

30. RELATED PARTY TRANSACTIONS

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

	2020 MOP'000	2019 MOP'000
Rental expense of office to Ms. Ng under short-term lease	**272**	272

Details of the balance with related party at the end of each reporting periods are disclosed in the consolidated statement of financial position and note 20.

Compensation of key management personnel

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

31. PARTICULARS OF SUBSIDIARIES

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

Name of subsidiary	Place of incorporation/ establishment	Place of operation	Issued and full paid share capital	Attributable equity interest of the Company as at 31 December 2020	2019	Principal activities
Keng Chuan Limited	Macau	Macau	MOP25,000	100%	100%	Administrative support for the Group
Loyal Auspicious Limited ("**Loyal Auspicious**")	BVI	Macau/BVI	United States dollars ("**USD**") 1	100%	100%	Investment holding
New Wai Hung Construction (Macau) Co. Ltd	Macau	Macau	MOP500,000	100%	100%	Inactive
Splendor Haze Limited ("**Splendor Haze**")	BVI	Macau/BVI	USD1	100%	100%	Investment holding
WHHE (Macau)	Macau	Macau	MOP500,000	100%	100%	Fitting-out and repair and maintenance
WHHDD	Macau	Macau	MOP500,000	100%	100%	Fitting-out and repair and maintenance
Wai Hung Hong Construction Engineering Limited ("**WHHCE**")	Hong Kong	Hong Kong	HK$20,000	100%	100%	Inactive
Wai Hung Hong Construction Company Limited ("**WHHC**")	Hong Kong	Hong Kong	HK$2,000,000	100%	100%	Inactive
Wai Hung Hong Engineering Company Limited ("**WHHE (HK)**")	Hong Kong	Hong Kong	HK$20,000	100%	100%	Administrative support for the Group
Yiu Kwong Decoration Engineering (Macau) Company Limited ("**YKDE**")	Macau	Macau	MOP300,000	100%	100%	Fitting-out
Zhuhai Hengqin Zhongxin Construction Materials Limited	The PRC	The PRC	RMB3,500,000	100%	100%	Design support for the fitting-out services

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

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

None of the subsidiaries had issued any debt securities at the end of the year.

32. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

Statement of financial position of the Companies

	2020 MOP'000	2019 MOP'000
Non-current asset		
Investments in subsidiaries	239,061	239,061
Current assets		
Amounts due from subsidiaries	–	3,715
Bank balances and cash	32	111
	32	3,826
Current liabilities		
Accruals	124	2,142
Amounts due to subsidiaries	182	–
	306	2,142
Net current (liabilities) assets	(274)	1,684
Net assets	238,787	240,745
Capital and reserves		
Share capital	5,150	5,150
Reserves	233,637	235,595
Total equity	238,787	240,745

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

Reserves

	Share premium MOP'000	Accumulated losses MOP'000	Total MOP'000
At 31 December 2018	95,685	(12,267)	83,418
Loss and total comprehensive expense for the year	–	(8,665)	(8,665)
Issue of shares upon share offer	178,963	–	178,963
Transaction costs incurred in connection with issue of shares	(14,259)	–	(14,259)
Issue of shares upon Capitalisation Issue	(3,862)	–	(3,862)
At 31 December 2019	256,527	(20,932)	235,595
Loss and total comprehensive expense for the year	–	(1,958)	(1,958)
At 31 December 2020	256,527	(22,890)	233,637

33. EVENT AFTER THE REPORTING PERIOD

(i) On 23 October 2020 and 5 March 2021, the Group entered into a framework cooperation agreement and a supplemental agreement, respectively, with Guangdong Huihuilong Investment Co., Ltd. (廣東匯徽隆投資有限公司) ("**Huihuilong**") in respect of the cooperation with and possible acquisition of Huihuilong by the Group. The Group agreed to paid a refundable deposit of RMB16,750,000 to Huihuilong in this regard. No definitive agreement in relation to the possible acquisition has been entered into by the Group and Huihuilong as at the date of this report.

(ii) On 6 November 2020, the Group entered into a conditional subscription agreement with Guangzhou Pinyuan Technology Co., Ltd. (廣州品源科技有限公司) (the "**Subscriber**") in relation to the issue of 8% interest bearing convertible bond in an aggregate principal amount of RMB200,000,000. On 5 March 2021, the Group entered into a supplemental agreement with the Subscriber to extend the long stop date to 31 March 2021. As the relevant conditions precedent have yet been satisfied completion of the subscription agreement has not taken place as at the date of this report.

FINANCIAL SUMMARY

The consolidated results of Wai Hung Group Holdings Limited (the "**Company**") and its subsidiaries (collectively the "**Group**") for the Reporting Period and the consolidated assets and liabilities of the Group as at 31 December 2019 are those set out in the audited financial statements.

The summary of the consolidated results of the Group for each of the years ended 31 December 2016, 2017 and 2018 and of the consolidated assets and liabilities of the Group as at 31 December 2016, 2017 and 2018 has been extracted from the prospectus issued on 29 March 2019 in connection with the listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited on 23 April 2019.

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

	Year ended 31 December				
	2020	2019	2018	2017	2016
	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000
RESULTS					
Revenue	**506,266**	359,767	326,774	189,111	114,676
Gross profit	**80,369**	76,038	67,909	45,187	29,816
Profit before tax	**52,804**	45,856	39,174	29,729	20,835
Income tax expenses	**(7,076)**	(7,931)	(7,322)	(4,572)	(2,844)
Profit for the year	**45,728**	37,925	31,852	25,157	17,991

	As at 31 December				
	2020	2019	2018	2017	2016
	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000
ASSETS AND LIABILITIES					
Total assets	**498,942**	327,638	111,832	139,404	79,114
Total liabilities	**192,741**	67,187	55,280	64,892	34,442