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

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 3321)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2022

HIGHLIGHTS

- For the year ended 31 December 2022, the revenue of the Group amounted to approximately MOP54.6 million, representing a decrease of approximately 79.0% as compared to the revenue of last year (2021: MOP260.4 million), and the loss for the year ended 31 December 2022 was approximately MOP70.6 million, while loss for the year ended 31 December 2021 was approximately MOP231.4 million, representing a decrease of approximately 69.5%.

- The Company's basic loss per share for the year ended 31 December 2022 was approximately MOP13.98 cents (2021: MOP46.3 cents). Such decrease was in line with the decrease of the loss for the year when compared to the year ended 31 December 2021.

- The Board does not recommend the payment of final dividend for the year ended 31 December 2022.

The board (the "**Board**") of directors (the "**Directors**") of Wai Hung Group Holdings Limited (the "**Company**") is pleased to announce the consolidated financial results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2022 together with the comparative figures for the year ended 31 December 2021.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022
(Expressed in Macau Pataca)

	Notes	2022 *MOP'000*	2021 *MOP'000*
Revenue	4	**54,594**	260,444
Direct costs		**(89,543)**	(357,951)
Gross loss		**(34,949)**	(97,507)
Other income and other losses	5	**985**	(185)
Impairment loss recognised in respect of trade receivables, net		**(480)**	(31,953)
Reversal of impairment loss (impairment loss) recognised in respect of other receivables, deposits and prepayments, net		**2,551**	(16,487)
Impairment loss recognised in respect of contract assets, net		**(1,520)**	(48,471)
Administrative expenses		**(31,656)**	(30,874)
Finance costs	6	**(5,359)**	(4,903)
Loss before taxation	7	**(70,428)**	(230,380)
Income tax expense	8	**(127)**	(1,010)
Loss for the year		**(70,555)**	(231,390)
Other comprehensive income (expense)			
Item that may be subsequently reclassified to profit and loss:			
Exchange differences arising on translation of foreign operation		**446**	(303)
Loss and total comprehensive expense for the year		**(70,109)**	(231,693)
Loss per share			
Basic *(MOP cents)*	10	**(14.0)**	(46.3)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

(Expressed in Macau Pataca)

	Notes	2022 MOP'000	2021 MOP'000
Non-current assets			
Property and equipment		**1,774**	2,303
Right-of-use assets		**484**	673
Deposits		**172**	172
		2,430	3,148
Current assets			
Trade receivables	11	**69,024**	77,963
Other receivables, deposits and prepayments	12	**36,396**	41,883
Contract assets	13	**74,749**	91,557
Amount due from a related party		**23**	23
Pledged bank deposits		**29,425**	34,282
Bank balances and cash		**4,739**	5,180
		214,356	250,888
Current liabilities			
Trade and other payables and accruals	14	**88,157**	70,581
Contract liabilities	13	**10,824**	4,064
Tax payable		**23,574**	23,715
Bank borrowings		**67,280**	67,348
Bank overdrafts		**13,908**	13,140
Lease liabilities		**392**	496
		204,135	179,344
Net current assets		**10,221**	71,544
Total assets less current liabilities		**12,651**	74,692
Non-current liabilities			
Lease liabilities		**97**	184
NET ASSETS		**12,554**	74,508
CAPITAL AND RESERVES			
Share capital		**5,198**	5,150
Reserves		**7,356**	69,358
TOTAL EQUITY		**12,554**	74,508

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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 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 periods beginning on or after 1 January 2022 for the preparation of the consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020

The application of the amendments to HKFRSs in the current year has 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.

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts[1]
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 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[1]
Amendments to HKAS 8	Definition of Accounting Estimates[1]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[1]
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback[2]

[1] Effective for annual periods beginning on or after 1 January 2023.
[2] Effective for annual periods beginning on or after 1 January 2024.
[3] Effective for annual periods beginning on or after a date to be determined.

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

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 2022, the application of the amendments will not result in reclassification of the Group's liabilities.

Amendments to HKAS 1 and HKFRS Practice Statement 2 Disclosure of Accounting Policies

HKAS 1 is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

HKFRS Practice Statement 2 *Making Materiality Judgements* (the "**Practice Statement**") is also amended to illustrate how an entity applies the "four-step materiality process" to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments is not expected to have significant impact on the financial position or performance of the Group but may affect the disclosures of the Group's significant accounting policies. The impacts of application, if any, will be disclosed in the Group's future consolidated financial statements.

Amendments to HKAS 8 Definition of Accounting Estimates

The amendments define accounting estimates as "monetary amounts in financial statements that are subject to measurement uncertainty". An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty – that is, the accounting policy may require such items to be measured at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. Developing accounting estimates involves the use of judgements or assumptions based on the latest available, reliable information.

In addition, the concept of changes in accounting estimates in HKAS 8 is retained with additional clarifications.

The application of the amendments is not expected to have significant impact on the Group's consolidated financial statements.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

Going concern basis

As at 31 December 2022, the Group had accumulated losses of approximately MOP182,663,000 (2021: MOP112,108,000), the Group's total borrowings amounted to approximately MOP81,188,000 (2021: MOP80,488,000) while its cash and cash equivalents amounted to approximately MOP4,739,000 (2021: MOP5,180,000) and pledged bank deposits amounted to approximately MOP29,425,000 (2021: MOP34,282,000). As at 31 December 2022, the Group has overdue trade receivables amounted to MOP57,806,000 and long aged other receivables, deposits and prepayments and contract assets amounted to MOP33,993,000 and MOP48,876,000, respectively. The above conditions indicate the existence of material uncertainties which may cast significant doubt about the Group's ability to continue as a going concern.

In view of such circumstances, the directors of the Company have given careful consideration to the future liquidity and performance of the Group and its available sources of financing in assessing whether the Group will have sufficient financial resources to continue as a going concern. Certain measures have been taken to mitigate the liquidity pressure and to improve its financial position which include, but are not limited to, the following:

(i) The Group is negotiating with several financial institutions and seeking for renewal of the existing bank facilities to finance the Group's working capital and commitments in the foreseeable future;

(ii) The Group will continue to take active measures to control administrative costs through various channels including human resources optimization and capital expenditure control. This measure may reduce the cash outflows of the Group; and

(iii) With the release of pandemic control policy by the government during the fourth quarter in 2022, the business environment and construction activities in Macau, especially for the casinos operation in Macau, gradually returned to normal, and now the pandemic basically imposes no impacts on the economic activities in Macau. The Group seized the opportunity to actively place tendering for potential projects to increase the Group's revenue for the coming years.

The directors of the Company have reviewed the Group's cash flow projections prepared by the management. The cash flow projections cover a period of twelve months of twelve months from the date of this announcement. They are of the opinion that, taking into account the above-mentioned plans and measures, the Group will have sufficient working capital to finance its operations. Accordingly, the directors of the Company are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Should the Group failed to achieve the above-mentioned plans and measures, it might not be able to continue to operate as a going concern, and adjustments would have to be made to write down the carrying values of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in these consolidated financial statements.

4. REVENUE AND SEGMENT INFORMATION

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

Revenue

Timing of revenue recognition and category of revenue

	2022	2021
	MOP'000	*MOP'000*
Recognised over time and short-term contracts:		
– provision of fitting-out services	**54,212**	260,119
Recognised over time and long-term contracts:		
– provision of repair and maintenance services	**382**	325
	54,594	260,444

Geographical information

	2022	2021
	MOP'000	*MOP'000*
Macau	**54,594**	260,444

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

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.

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.

	2022	2021
	MOP'000	*MOP'000*
Provision of fitting-out services	**20,500**	52,719

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 2022 will be recognised as revenue during the year ending 31 December 2023 (2021: was recognised as revenue during the year ended 31 December 2022).

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.

Segment revenue and results

Year ended 31 December 2022

	Fitting-out services	**Repair and maintenance services**	**Total**
	MOP'000	***MOP'000***	***MOP'000***
Segment revenue	**54,212**	**382**	**54,594**
Segment results	**(34,476)**	**78**	**(34,398)**
Other income and other losses			**985**
Administrative expenses			**(31,656)**
Finance costs			**(5,359)**
Loss before taxation			**(70,428)**

Year ended 31 December 2021

	Fitting-out services *MOP'000*	Repair and maintenance services *MOP'000*	Total *MOP'000*
Segment revenue	260,119	325	260,444
Segment results	(194,485)	67	(194,418)
Other income and other losses			(185)
Administrative expenses			(30,874)
Finance costs			(4,903)
Loss before taxation			(230,380)

Segment results mainly represented profit earned by each segment, excluding other income, other losses, administrative expenses and finance costs.

Geographical information

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

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

	2022 ***MOP'000***	2021 *MOP'000*
Macau	**54,594**	260,444

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

	2022 ***MOP'000***	2021 *MOP'000*
Macau	**930**	1,337
Hong Kong	**1,328**	1,639
	2,258	2,976

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:

	2022 *MOP'000*	2021 *MOP'000*
Revenue from fitting-out services		
Customer A	**7,696**	75,184
Customer B	**12,105**	96,670
Customer C	**16,527**	38,887
Customer D	**10,956**	N/A*

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

5. OTHER INCOME AND OTHER LOSSES

	2022 *MOP'000*	2021 *MOP'000*
Other income		
Bank interest income	**223**	310
Interest income from rental deposits	**6**	6
Others	**880**	42
	1,109	358
Other losses		
Exchange losses	**(124)**	(543)
	985	(185)

6. FINANCE COSTS

	2022 *MOP'000*	2021 *MOP'000*
Interests on bank borrowings and bank overdraft	**5,337**	4,873
Interest on lease liabilities	**22**	30
	5,359	4,903

7. LOSS BEFORE TAXATION

	2022 *MOP'000*	2021 *MOP'000*
Loss before taxation has been arrived at after charging:		
Auditor's remuneration	**1,200**	2,500
Depreciation on property and equipment	**540**	689
Depreciation of right-of-use assets	**644**	890
Staff costs (including directors' emoluments):		
Salaries and other benefits	**40,989**	48,872
Retirement benefits schemes contributions	**693**	975
	41,682	49,847
Less: staff costs included in direct costs	**(31,667)**	(39,170)
	10,015	10,677

8. INCOME TAX EXPENSE

	2022 *MOP'000*	2021 *MOP'000*
Current Tax:		
Enterprise Income Tax	**(127)**	(127)
Other tax	**–**	(883)
	(127)	(1,010)

No provision for Macau Complementary Tax is provided for both years as the Company and its subsidiaries do not have assessable profits for the year ended. Macau Complementary Tax is calculated at 12% of the estimated assessable profits exceeding MOP600,000.

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.

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 MOP2,009,000 (2021: MOP3,520,000) as at 31 December 2022, 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.

9. DIVIDENDS

No dividend was proposed for ordinary shareholders of the Company during the year ended 31 December 2022, nor has any dividend been proposed since the end of the reporting period (2021: nil).

10. LOSS PER SHARE

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

	2022	2021
	MOP'000	*MOP'000*
Loss:		
Loss for the purpose of calculating basic loss per share (loss for the year attributable to owners of the Company)	**(70,555)**	(231,390)

	2022	2021
	'000	*'000*
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	**504,586**	500,000

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

11. 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:

	2022	2021
	MOP'000	*MOP'000*
0–30 days	**11,240**	15,834
31–60 days	**89**	2,963
61–90 days	**2**	4,044
91–365 days	**3,192**	–
Over 365 days	**88,210**	88,351
	102,733	111,192
Less: Impairment loss allowance	**(33,709)**	(33,229)
	69,024	77,963

As at 1 January 2021, trade receivables from contract with customers amounted to MOP165,517,000.

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.

12. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2022	2021
	MOP'000	*MOP'000*
Rental deposits	**560**	565
Deposits paid for tenders	**46,947**	46,535
Prepayments to sub-contractors	**930**	10,019
Other receivables and prepayments	**2,067**	1,423
	50,504	58,542
Less: Impairment losses allowance	**(13,936)**	(16,487)
Total	**36,568**	42,055
Presented as non-current assets	**172**	172
Presented as current assets	**36,396**	41,883
Total	**36,568**	42,055

13. CONTRACT ASSETS AND CONTRACT LIABILITIES

	As at 31 December	
	2022	2021
	MOP'000	*MOP'000*
Contract assets		
Fitting-out services	**126,177**	141,465
	126,177	141,465
Less: Impairment loss allowance	**(51,428)**	(49,908)
	74,749	91,557
Contract liabilities		
Fitting-out services	**10,824**	(4,064)

As at 1 January 2021, contract assets and contract liabilities amounted to MOP144,740,000 and MOP174,000, respectively.

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.

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 uncompleted 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.

14. TRADE AND OTHER PAYABLES AND ACCRUALS

	2022	2021
	MOP'000	*MOP'000*
Trade payables	**23,810**	27,080
Retention payables	**36,166**	36,988
Accruals and other payables	**11,692**	6,353
Amount due to a director *(Note)*	**16,489**	160
	88,157	70,581

Note: Amount represented the amount due to Mr. Li, which was unsecured, interest-free and repayable on demand.

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:

	2022	2021
	MOP'000	*MOP'000*
0–30 days	**2,218**	15,321
31–60 days	**786**	3,590
61–90 days	**102**	133
Over 90 days	**20,704**	8,036
	23,810	27,080

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.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The following is the extract of the independent auditor's report from the external auditor of the Company:

DISCLAIMER OF OPINION

We were engaged to audit the consolidated financial statements of Wai Hung Group Holdings Limited (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**"), which comprise the consolidated statement of financial position as at 31 December 2022, 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.

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matters described in the "Basis for Disclaimer of Opinion" section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements. In all other respects, in our opinion, the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR DISCLAIMER OF OPINION

Multiple Uncertainties Relating to Going Concern

As described in the consolidated financial statements, the Group had a net loss of approximately MOP70,555,000 for the year ended 31 December 2022 and as at 31 December 2022, the Group's total borrowings amounted to approximately MOP81,188,000, of which current borrowings amounted to approximately MOP81,188,000, while its cash and cash equivalents amounted to approximately MOP4,739,000 and pledged bank deposits amounted to approximately MOP29,425,000. As at the date of this report, the Group defaulted on payment of certain bank borrowings, which also triggered cross-default of other bank borrowings, such that they will become due for immediate repayment. These conditions, together with other matters described in the consolidated financial statements, indicate the existence of material uncertainties which may cast significant doubt about the Group's ability to continue as a going concern.

The directors of the Company have been undertaking a number of measures to improve the Group's liquidity pressure and the financial position of the Group which are set out in the consolidated financial statements. The consolidated financial statements had been prepared by the directors of the Company on a going concern basis, the validity of which depends on the outcome of those plans and measures, which are subject to multiple uncertainties, including (i) the successful negotiations with the lenders for the renewal of extension for repayment of outstanding bank borrowings; (ii) the collection of outstanding trade receivables, other receivables, deposits and prepayments and contract assets balances; (iii) successfully managing the impact of the COVID-19 outbreak on the Group's operations from time to time and generate sufficient cash flows from its operations. We are unable to determine whether the use of the going concern assumption in the preparation of the consolidated financial statements is appropriate.

Should the Group fail to achieve the abovementioned measures, it might not be able to continue to operate as a going concern, and adjustments would have to be made to write down the carrying values of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities. The effects of these adjustments have not been reflected in these consolidated financial statements.

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 2021 and 2022, total revenue amounted to approximately MOP260.4 million and MOP54.6 million, of which revenue generated from providing fitting-out services constituted approximately 99.9% and 99.3% of total revenue, respectively.

PROSPECTS

Since December 2022, the Government of the Macau Special Administrative Region starts easing the COVID-19 policy. Customs clearance measures were introduced globally, which showed hope for an economy clouded by the pandemic for the previous three years. There has been an influx of visitors to Macau after its border opened. Moreover, since the large-scale gaming companies' gaming license renewal have been settled, they will be able to invest more resources in construction and fitting-out projects. The Group thus believe that there would be a significant increase in hotel and gaming projects which can improve the financial performance of the Group.

FINANCIAL REVIEW

For the year ended 31 December 2022, the Group's revenue was approximately MOP54.6 million (2021: approximately MOP260.4 million). For the year ended 31 December 2022, the Group recorded loss for the year of approximately MOP70.6 million (2021: approximately MOP231.4 million). During the year ended 31 December 2022, the Group completed 53 fitting-out projects and was awarded with 39 fitting-out projects.

Revenue

The revenue decreased by approximately MOP205.8 million or 79.0% from approximately MOP260.4 million for the year ended 31 December 2021 to approximately MOP54.6 million for the year ended 31 December 2022. Such decrease was attributable to the decrease in number of sizable projects for the year ended 31 December 2022 when compared to 31 December 2021.

Direct costs

The total amount of subcontract costs decreased by approximately MOP268.5 million or 75.0% from approximately MOP358.0 million for the year ended 31 December 2021 to approximately MOP89.5 million for the year ended 31 December 2022, which generally reflected the decrease in costs associated with the decrease in revenue.

Gross loss

The gross loss decreased from approximately MOP97.5 million for the year ended 31 December 2021 to approximately MOP34.9 million for the year ended 31 December 2022 representing a decrease of approximately MOP62.6 million. The Group recorded gross loss margin of approximately 37.4% and 64.0% for the years ended 31 December 2021 and 2022, respectively. The period-to-period increase 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 2022 compared to the year ended 31 December 2021.

Other income and other losses

Other losses were approximately MOP0.2 million for the year ended 31 December 2021, of which was mainly exchange loss. Other income were approximately MOP1.0 million for the year ended 31 December 2022 was mainly exchange loss, of which approximately MOP0.6 million was derived from government grant.

Impairment losses

The total amount of impairment losses decreased by approximately MOP96.3 million from MOP96.9 million for the year ended 31 December 2021 to approximately MOP0.6 million for the year ended 31 December 2022, which generally reflected the decrease in impairment loss recognised in respect of trade receivables, other receivables, deposits and prepayment and contract assets associated with the decrease in trade receivables other receivables, deposits and prepayments and contract assets.

Administrative expenses

Administrative expenses amounted to approximately MOP30.9 million and MOP31.7 million for the year ended 31 December 2021 and 2022, respectively, which accounted for approximately 11.9% and 58.0% 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 MOP10.7 million and MOP10.0 million for the years ended 31 December 2021 and 2022, respectively, which accounted for approximately 34.6% and 31.6% 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 2021 and 2022, finance costs amounted to approximately MOP4.9 million and MOP5.4 million, respectively.

Income tax expense

For the years ended 31 December 2021 and 2022, the Group recorded income tax expenses of approximately MOP1.0 million and MOP0.1 million, representing an effective tax rate of approximately -0.4% and -0.2%, respectively.

Income tax decreased by approximately MOP0.9 million from approximately MOP1 million for the year ended 31 December 2021 to approximately MOP0.1 million for the year ended 31 December 2022. Such decrease was mainly attributable to the decrease in profit before tax of subsidiaries in Macau for the year ended 31 December 2022 compared with 31 December 2021.

Loss for the year

For the year ended 31 December 2022, the loss for the year amounted to approximately MOP70.6 million, representing a decrease of loss approximately MOP160.8 million from approximately MOP231.4 million for the year ended 31 December 2021.

CORPORATE FINANCE AND RISK MANAGEMENT

Liquidity, Financial and Capital Resources

Cash position

As at 31 December 2022, the Group had an aggregate of pledged bank deposits and bank balances and cash of approximately MOP34.2 million (2021: approximately MOP39.5 million), representing a decrease of approximately 13.4% as compared to that as at 31 December 2021. As at 31 December 2022, pledged bank deposits of approximately MOP29.4 million (2021: MOP34.3 million) are pledged to secure banking facilities.

Borrowings and charges on the Group's assets

As at 31 December 2022, the Group had an aggregate of bank borrowings and bank overdrafts of approximately MOP81.2 million (2021: approximately MOP80.5 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 MOP34.3 million and approximately MOP29.4 million and as at 31 December 2021 and 2022, respectively.

Gearing ratio

As at 31 December 2022, 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 646.7% (2021: approximately 108.0%).

Such increase was primarily attributable to the total equity of the Group decreased from approximately MOP74.5 million as at 31 December 2021 to approximately MOP12.6 million as at 31 December 2022, while bank borrowings of the Group were approximately MOP80.5 million and MOP81.2 million as at 31 December 2021 and 31 December 2022, 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.

Use of proceeds

On 6 January 2022, the Company completed the placing of 4,650,000 Placing Shares under the General Mandate. The net proceeds from the Placing, after deduction of the commission payable to the Placing Agent, professional fee and other related costs and expenses incurred in the Placing, amounted to approximately HK$7.9 million.

As at 31 December 2022, the Group applied all net proceeds of the Placing of approximately HK$7.9 million for replenishment of working capital and general business operation.

Capital structure

Authorised share capital

As at 31 December 2022, the authorised share capital of the Company was HK$10,000,000 divided into 1,000,000,000 shares (the "**Shares**") of HK$0.01 each.

Issued share capital

As at 31 December 2022, the number of Shares in issue was 504,650,000 Shares of HK$0.01 each (31 December 2021: 500,000,000 Shares). The Company had completed the placing of 4,650,000 new Shares on 6 January 2022 pursuant to a placing agreement entered into between the Company and CNI Securities Group Limited (as placing agent) dated 15 December 2021. The net proceeds from the issue of new Shares under the said placing were approximately MOP8,238,000, which were intended to be used for repayment of loans, replenishment of working capital and general business operation. For further details of the placing, please refer to the Company's announcements dated 15 December 2021, 4 January 2022 and 6 January 2022 respectively.

Capital commitments

As at 31 December 2022, the Group had no capital commitments (2021: Nil).

Contingent liabilities

As at 31 December 2022, the Group had no significant contingent liabilities or outstanding litigation.

Material acquisitions and disposals

During the year ended 31 December 2022, the Group did not conduct any material acquisitions or disposals of subsidiaries and affiliated companies.

Significant investments held

As at 31 December 2022, the Group had no significant investments.

Future plans for material investments

During the year ended 31 December 2022, the Group did not have other plans for material investments and capital assets.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2022, the Group had 64 employees (2021: 90 employees). Total staff costs (including Directors emoluments) were approximately MOP41.7 million for the year ended 31 December 2022, as compared with approximately MOP49.8 million for the year ended 31 December 2021. Such decrease was mainly attributable to the decrease 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 announcement. 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 announcement, no option has been granted, exercised, cancelled or lapsed under the Share Option Scheme.

EVENTS AFTER THE REPORTING PERIOD

(a) On 22 September 2023, the Company and the subscriber, a company incorporated in the British Virgin Islands with limited liability, entered into the subscription agreement, pursuant to which the subscriber has conditionally agreed to subscribe for, and the Company has conditionally agreed to issue, the convertible bond in the principal amount of HK$52,000,000 due three years from the date of issue at the initial conversion price of HK$0.02 per conversion share upon completion. Assuming full conversion of the convertible bond at the conversion price, a maximum number of 2,600,000,000 conversion shares will be allotted and issued. Subject to the completion, the net proceeds after deducting all the relevant costs and expenses from the issue of the convertible bond will be approximately HK$51,500,000. The transaction was not completed up to the date of this announcement.

(b) As at the date of this announcement, the Group defaulted on payment of certain bank borrowings amounting to approximately MOP47.1 million, of which the repayment date was 30 June 2023. It also triggered cross-default of the Group's remaining bank borrowings, such that they will become due for immediate repayment. The Company is currently under discussion with bank for the renewal of banking facility.

DIVIDEND

The Board did not recommend the payment of a final dividend by the Company for the year ended 31 December 2022.

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 C.2.1, which requires the roles of chairman and chief executive be different individuals. Pursuant to code provision C.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 announcement.

SCOPE OF WORK OF CL PARTNERS CPA LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2022 as set out in the preliminary announcement have been agreed by the Group's auditor, CL Partners CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by CL Partners CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by CL Partners CPA Limited on the preliminary announcement.

AUDIT COMMITTEE

The audit committee of the Company, comprising three independent non-executive Directors, namely Ms. Rita Botelho dos Santos, Mr. Lam Chi Wing and Mr. Wu Chou Kit, has reviewed with the management the audited annual results for the year ended 31 December 2022, accounting principles and practices adopted by the Group and discussed internal controls, risk management and financial reporting matters including a review of the audited annual financial information.

PUBLICATION OF THE ANNUAL RESULTS AND ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2022 ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This announcement is published on the website of the Stock Exchange (www.hkexnews.hk) and the Company's website (www.whh.com.hk). The annual report for the year ended 31 December 2022 containing all the information required by the Listing Rules will be despatched to the shareholders and published on the respective websites of the Stock Exchange and the Company in due course.

By order of the Board
Wai Hung Group Holdings Limited
Mr. Li Kam Hung
Chairman

Hong Kong, 10 November 2023

As at the date of this announcement, the Board comprises Mr. Li Kam Hung, Mr. Yu Ming Ho and Mr. Yau Yan Ming Raymond as executive Directors; Mr. Li Chun Ho as non-executive Director; and Ms. Rita Botelho dos Santos, Mr. Wu Chou Kit and Mr. Lam Chi Wing as independent non-executive Directors.