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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 2019

HIGHLIGHTS

- For the year ended 31 December 2019, the revenue of the Group amounted to approximately MOP359.8 million, representing an increase of approximately 10.1% as compared to the revenue of last year (2018: MOP326.8 million), and the profit for the year ended 31 December 2019 was approximately MOP37.9 million, while profit for the year ended 31 December 2018 was approximately MOP31.9 million, representing an increase of approximately 18.8%.

- The Company's basic earnings per share for the year ended 31 December 2019 was approximately MOP8.2 cents (2018: MOP8.8 cents). Such decrease was primarily due to the increase in number of ordinary shares in issue pursuant to Share Offer which took effect in April 2019.

- The Board does not recommend the payment of final dividend for the year ended 31 December 2019.

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 2019 together with the comparative figures for the year ended 31 December 2018.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019
(Expressed in Macau Pataca)

	Notes	2019 MOP'000	2018 MOP'000
Revenue	3	**359,767**	326,774
Direct costs		**(283,729)**	(258,865)
Gross profit		**76,038**	67,909
Other income	4	**717**	694
Other losses	4	**(70)**	(79)
Administrative expenses		**(22,504)**	(16,673)
Finance costs	5	**(914)**	(416)
Listing expenses		**(7,411)**	(12,261)
Profit before taxation	6	**45,856**	39,174
Income tax expense	7	**(7,931)**	(7,322)
Profit for the year		**37,925**	31,852
Other comprehensive expense			
Item that may be subsequently reclassified to profit and loss:			
Exchange differences arising on translation of foreign operation		**(18)**	(284)
		37,907	31,568
Profit for the year attributable to:			
– Owners of the Company		**37,925**	31,831
– Non-controlling interests		**–**	21
		37,925	31,852
Profit and total comprehensive income for the year attributable to:			
– Owners of the company		**37,907**	31,547
– Non-controlling interests		**–**	21
		37,907	31,568
			(restated)
Earnings per share			
Basic *(MOP cents)*	9	**8.2**	8.8

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2019

(Expressed in Macau Pataca)

	Notes	2019 MOP'000	2018 MOP'000
Non-current assets			
Property and equipment		**1,921**	2,094
Right-of-use assets		**448**	–
Deposits		**351**	240
		2,720	2,334
Current assets			
Trade receivables	10	**95,543**	39,869
Other receivables, deposits and prepayments	11	**84,579**	22,932
Contract assets	12	**103,089**	33,124
Amount due from a related party		**23**	23
Pledged bank deposits		**12,370**	2,339
Bank balances and cash		**29,314**	11,211
		324,918	109,498
Current liabilities			
Trade and other payables and accruals	13	**39,377**	37,298
Contract liabilities	12	**1,109**	993
Amounts due to related parties		**–**	6,342
Tax payable		**15,780**	8,072
Bank borrowings		**8,017**	2,575
Bank overdrafts		**2,440**	–
Lease liabilities		**365**	–
		67,088	55,280
Net current assets		**257,830**	54,218
Total assets less current liabilities		**260,550**	56,552
Non-current liabilities			
Lease liabilities		**99**	–
NET ASSETS		**260,451**	56,552
CAPITAL AND RESERVES			
Share capital		**5,150**	–
Reserves		**255,301**	56,552
TOTAL EQUITY		**260,451**	56,552

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

1. GENERAL, GROUP REORGANISATION AND BASIS OF PREPARATION AND PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

Wai Hung Group Holdings Limited (the "**Company**") was incorporated as an exempted company in the Cayman Islands on 9 April 2018. The addresses of the registered office and the principal place of business of the Company are Room 502, 5/F, Honour Industrial Centre, 6 Sun Yip Street, Chai Wan, Hong Kong. The 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 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**").

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.

Historically, prior to and after the completion of the reorganisation as detailed below, all the companies comprising the Group were controlled by Mr. Li and he exercises his control over the companies now comprising the Group in respect of all the relevant business activities of these companies.

The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 23 April 2019 by way of share offer. In preparation of the listing of the Company's shares on the Stock Exchange (the "**Listing**"), the companies comprising the Group underwent the reorganisation as described below.

(i) Copious Astute was incorporated under the laws of the BVI with limited liability on 21 February 2018. On 29 March 2018, 1 share was allotted and issued to Mr. Li for cash consideration at par.

(ii) Loyal Auspicious Limited ("**Loyal Auspicious**") was incorporated under the laws of the BVI with limited liability on 28 February 2018. On 29 March 2018, 1 share was allotted and issued to Mr. Li for cash consideration at par.

Splendor Haze Limited ("**Splendor Haze**") was incorporated under the laws of the BVI with limited liability on 30 January 2018. On 29 March 2018, 1 share was allotted and issued to Mr. Li for cash consideration at par.

(iii) The Company was incorporated as an exempted company in the Cayman Islands on 9 April 2018 with an authorised share capital of Hong Kong Dollar ("**HK$**") 380,000 divided into 38,000,000 shares of HK$0.01 each. Upon incorporation, (i) one nil-paid share of the Company was allotted and issued to the initial subscriber, an independent third party, and was then transferred to Copious Astute; and (ii) 897 nil-paid shares of the Company were further allotted and issued to Copious Astute.

(iv) On 27 February 2018, Mr. Leong Lap Kun ("**Mr. Leong**"), an independent third party not relating to the Group, entered into a subscription agreement with WHHE (Macau) and Mr. Li. Pursuant to the agreement, Mr. Leong agreed to subscribe (through Fresh Phoenix Limited ("**Fresh Phoenix**"), a company incorporated under the laws of BVI with limited liability and wholly-owned by Mr. Leong) for 100 shares of the Company at cash consideration of HK$15,000,000. The subscription was completed and settled on 24 April 2018. Upon completion of the subscription, the Company was owned as to 90% by Copious Astute and 10% by Fresh Phoenix.

(v) On 26 April 2018, Loyal Auspicious acquired 19,999 shares in Wai Hung Hong Engineering Company Limited ("**WHHE (HK)**"), a company incorporated in Hong Kong, from Mr. Li and 1 share of WHHE (HK) from Mr. Yu Ming Ho ("**Mr. Yu**"), the executive director of the Company and director of the group entities before the incorporation of the Company who is held such equity interest in WHHE (HK) on trust in favour of Mr. Li, in consideration of which Loyal Auspicious allotted and issued 2 shares of Loyal Auspicious to Mr. Li.

On 15 May 2018, Loyal Auspicious acquired 1,980,000 shares in Wai Hung Hong Construction Company Limited ("**WHHC**"), a company incorporated in Hong Kong, from Mr. Li and 20,000 shares in WHHC from Mr. Yu, who is held such equity interest in WHHC on trust for Mr. Li, in consideration of which Loyal Auspicious allotted and issued 2 shares of Loyal Auspicious to Mr. Li.

On 15 May 2018, Loyal Auspicious acquired 19,999 shares in Wai Hung Hong Construction Engineering Limited ("**WHHCE**"), a company incorporated in Hong Kong, from Mr. Li and 1 share in WHHCE from Mr. Yu, who held such equity interest in WHHCE on trust for Mr. Li, in consideration of which Loyal Auspicious allotted and issued 2 shares of Loyal Auspicious to Mr. Li.

On 18 May 2018, Loyal Auspicious acquired (i) 99% equity interest in New Wai Hung Construction (Macau) Co., Ltd. ("**NWHC**"), a company incorporated in Macau, from Mr. Li at the cash consideration of MOP495,000; and (ii) 1% equity interest in NWHC from Mr. Yu, who held such equity interest of NWHC for the benefits and under the instruction of Mr. Li, at the cash consideration of MOP5,000.

On 18 May 2018, Loyal Auspicious acquired (i) 99% equity interest in Wai Hung Hong Decoration and Design Company Limited ("**WHHDD**"), a company incorporated in Macau, from WHHE (Macau) at the cash consideration of MOP495,000; and (ii) 1% equity interest in WHHDD from Mr. Li at the cash consideration of MOP5,000.

On 18 May 2018, Loyal Auspicious acquired entire equity interest in Yiu Kwong Decoration Engineering (Macau) Company Limited ("**YKDE**"), a company incorporated in Macau, from Mr. Li at the cash consideration of MOP300,000.

On 18 May 2018, Loyal Auspicious acquired (i) 96% equity interests in Keng Chuan Limited ("**Keng Chuan**"), a company incorporated in Macau, from Mr. Li at the cash consideration of MOP24,000; and (ii) 4% equity interests in Keng Chuan from Mr. Yu, who held such equity interest of Keng Chuan for the benefits and under the instruction of Mr. Li, at the cash consideration of MOP1,000.

Upon the completion of these transactions, WHHE (HK), WHHC, WHHCE, NWHC, WHHDD, YKDE and Keng Chuan became wholly-owned subsidiaries of Loyal Auspicious.

(vi) On 18 May 2018, Splendor Haze acquired 99% equity interests in WHHE (Macau) from Mr. Li for cash consideration of MOP495,000 and 1% equity interests in WHHE (Macau) from Mr. Yu, who is held such equity interest of WHHE (Macau) for the benefits and under the instruction of Mr. Li, for cash consideration of MOP5,000. Upon the completion of this transaction, WHHE (Macau) became a wholly-owned subsidiary of Splendor Haze.

(vii) On 30 May 2018, the Company acquired the entire issued share capital of Loyal Auspicious from Mr. Li, and in consideration of which the Company issued 1 share of the Company to Copious Astute (as directed by Mr. Li).

On 30 May 2018, the Company acquired the entire issued share capital of Splendor Haze from Mr. Li, and in consideration of which the Company issued 1 share of the Company to Copious Astute (as directed by Mr. Li).

Upon completion of these transaction, Loyal Auspicious and Splendor Haze became wholly-owned subsidiaries of the Company.

Pursuant to the reorganisation detailed above, the Company has become the holding company of the companies now comprising the Group on 30 May 2018. The Group comprising the Company and its subsidiaries resulting from the reorganisation have always been under the control of Mr. Li regardless of the actual date when the Company formally becomes the holding company of the Group, therefore, the Group is regarded as a continuing entity and the consolidated financial statements have been prepared as if the Company had always been the holding company of the Group throughout the year ended 31 December 2018.

Consolidated financial statements for the year ended 31 December 2018 had been prepared based on Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and the principles of merger accounting under Accounting Guideline 5 "Merger Accounting for Common Control Combination" issued by the HKICPA.

The consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the year ended 31 December 2018 included the results, changes in equity and cash flows of the companies comprising the Group as if the current group structure had been in existence throughout the year ended 31 December 2018, or since their respective date of incorporation, where there is a shorter period.

2. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs

New and Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to HKFRSs issued by the HKICPA for the first time in the current year:

HKFRS 16	Leases
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycle

Except as described below, the application of the new and 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.

HKFRS 16 "Leases"

The Group has applied HKFRS 16 for the first time in the current year. HKFRS 16 superseded HKAS 17 "Leases" ("**HKAS 17**"), and the related interpretations.

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC) – Int 4 "Determining whether an Arrangement contains a Lease" and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019.

As at 1 January 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities by applying HKFRS 16.C8(b)(ii) transition. Any difference at the date of initial application is recognised in the opening accumulated profits and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedient to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

- elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rates applied by the relevant group entities at 3.63%.

	At 1 January 2019 *MOP'000*
Operating lease commitments disclosed as at 31 December 2018	4,182
Lease liabilities discounted at relevant incremental borrowing rates	4,097
Less: Short-term leases and leases with lease term ending within 12 months from the date of initial application	(3,163)
Lease liabilities relating to operating leases recognised upon application of HKFRS 16 as at 1 January 2019	934
Analysed as	
Current	934

The carrying amount of right-of-use assets for own use as at 1 January 2019 comprises the following:

	Right-of-use assets *MOP'000*
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16	934
Adjustment on rental deposits at 1 January 2019	6
	940

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 December 2018	Adjustments	**Carrying amounts under HKFRS 16 at 1 January 2019**
	MOP'000	*MOP'000*	***MOP'000***
Non-current assets			
Right-of-use assets	–	940	**940**
Current assets			
Other receivables, deposits and prepayments	22,932	(6)	**22,926**
Current liabilities			
Lease liabilities	–	934	**934**

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[1]
Amendments to HKFRS 3	Definition of a Business[2]
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 and HKAS 8	Definition of Material[4]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[4]

[1] Effective for annual periods beginning on or after 1 January 2021

[2] Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020

[3] Effective for annual periods beginning on or after a date to be determined

[4] Effective for annual periods beginning on or after 1 January 2020

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, the "Amendments to References to the Conceptual Framework in HKFRS Standards", will be effective for annual periods beginning on or after 1 January 2020.

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.

Amendments to HKAS 1 and HKAS 8 "Definition of Material"

The amendments provide refinements to the definition of material by including additional guidance and explanations in making materiality judgments. In particular, the amendments:

- include the concept of "obscuring" material information in which the effect is similar to omitting or misstating the information;

- replace threshold for materiality influencing users from "could influence" to "could reasonably be expected to influence"; and

- include the use of the phrase "primary users" rather than simply referring to "users" which was considered too broad when deciding what information to disclose in the financial statements.

The amendments also align the definition across all HKFRSs and will be mandatorily effective for the Group's annual period beginning on 1 January 2020. The application of the amendments is not expected to have significant impact on the financial position and performance of the Group but may affect the presentation and disclosures in the consolidated financial statements.

Conceptual Framework for Financial Reporting 2018 (the "New Framework") and the Amendments to References to the Conceptual Framework in HKFRS Standards

The New Framework:

- reintroduces the terms stewardship and prudence;

- introduces a new asset definition that focuses on rights and a new liability definition that is likely to be broader than the definition it replaces, but does not change the distinction between a liability and an equity instrument;

- discusses historical cost and current value measures, and provides additional guidance on how to select a measurement basis for a particular asset or liability;

- states that the primary measure of financial performance is profit or loss, and that only in exceptional circumstances other comprehensive income will be used and only for income or expenses that arise from a change in the current value of an asset or liability; and

- discusses uncertainty, derecognition, unit of account, the reporting entity and combined financial statements.

Consequential amendments have been made so that references in certain HKFRSs have been updated to the New Framework, whilst some HKFRSs are still referred to the previous versions of the framework. These amendments are effective for annual periods beginning on or after 1 January 2020, with earlier application permitted. Other than specific standards which still refer to the previous versions of the framework, the Group will rely on the New Framework on its effective date in determining the accounting policies especially for transactions, events or conditions that are not otherwise dealt with under the accounting standards.

3. REVENUE AND SEGMENT INFORMATION

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

Revenue

Timing of revenue recognition and category of revenue

	2019	2018
	MOP'000	*MOP'000*
Recognised over time and short-term contracts:		
– provision of fitting-out services	**358,970**	326,272
Recognised over time and long-term contracts:		
– provision of repair and maintenance services	**797**	502
	359,767	326,774

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

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 the remaining performance obligations that are unsatisfied (or partially unsatisfied) as at the end of each reporting period.

	2019	2018
	MOP'000	*MOP'000*
Provision of fitting-out services	**210,848**	162,755

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 2019 will be recognised as revenue during the year ending 31 December 2020 (2018: was recognised as revenue during the year ended 31 December 2019).

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 2019

	Fitting-out services	**Repair and maintenance services**	**Total**
	MOP'000	***MOP'000***	***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**

Year ended 31 December 2018

	Fitting-out services *MOP'000*	Repair and maintenance services *MOP'000*	Total *MOP'000*
Segment revenue	326,272	502	326,774
Segment results	67,723	107	67,830
Other income			694
Administrative expenses			(16,673)
Finance costs			(416)
Listing expenses			(12,261)
Profit before taxation			39,174

The accounting policies of the operating and reportable segments are the same as the Group's accounting policies.

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

Geographical information

No geographical segment information is presented as the Group's revenue is all derived from Macau based on the location of the projects.

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

	2019 ***MOP'000***	2018 *MOP'000*
Macau	**1,267**	1,189
Hong Kong	**1,236**	1,145
	2,503	2,334

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:

	2019 ***MOP'000***	2018 *MOP'000*
Revenue from fitting-out services		
Customer A	**N/A***	263,917
Customer B	**121,900**	N/A*
Customer C	**115,111**	N/A*
Customer D	**96,028**	N/A*

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

4. OTHER INCOME/OTHER LOSSES

	2019 *MOP'000*	2018 *MOP'000*
Other income		
Bank interest income	**539**	126
Interest income from rental deposits	**3**	–
Sponsorship income	**72**	–
Others	**103**	45
Reversal of impairment loss allowance of trade receivables	**–**	523
	717	694
Other losses		
Impairment loss allowance of trade receivables	**(31)**	–
Impairment loss allowance of contract assets	**(39)**	(79)
	(70)	(79)

5. FINANCE COSTS

	2019 *MOP'000*	2018 *MOP'000*
Interests on bank borrowings	**888**	416
Interest on lease liabilities	**26**	–
	914	416

6. PROFIT BEFORE TAXATION

	2019 *MOP'000*	2018 *MOP'000*
Profit before taxation has been arrived at after charging:		
Auditor's remuneration	**1,100**	76
Depreciation on property and equipment	**641**	503
Depreciation of right-of-use assets	**519**	–
Staff costs (including directors' emoluments):		
Salaries and other benefits	**35,367**	30,970
Retirement benefits schemes contributions	**725**	748
	36,092	31,718
Less: staff costs included in direct costs	**(26,921)**	(22,225)
	9,171	9,493

7. INCOME TAX EXPENSE

	2019	2018
	MOP'000	*MOP'000*
Current Tax:		
Macau Complementary Income	**7,923**	7,116
PRC Enterprise Income Tax	**8**	206
	7,931	7,322

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.

No provision for Hong Kong Profits Tax has been made as the Group has no assessable profits arising in Hong Kong 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 subsidiaries amounting to approximately MOP1,515,000 (2018: MOP1,198,000) as at 31 December 2019, 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:

	2019	2018
	MOP'000	*MOP'000*
Profit before taxation	**45,856**	39,174
Tax at the Macau Complementary Income Tax rate of 12%	**5,502**	4,701
Tax effect of expense not deductible for tax purpose	**2,691**	2,770
Tax effect of tax exemption under Macau Complementary Income Tax	**(304)**	(255)
Effect of different tax rates of subsidiaries operating in other jurisdiction	**42**	106
Income tax expense	**7,931**	7,322

8. DIVIDENDS

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

On 19 December 2018, the Company declared dividends of MOP60,000 per each ordinary share to its shareholders with an aggregate amount as MOP60,000,000. An amount of MOP53,658,000 out of the dividends attributable to Copious Astute of MOP54,000,000 was settled through the current account with Mr. Li and the remaining balance of MOP342,000 dividend payable to Copious Astute and MOP6,000,000 dividend payable to Fresh Phoenix have been settled during the year ended 31 December 2019.

9. EARNINGS PER SHARE

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

	2019	2018
	MOP'000	*MOP'000*
Earnings:		
Earnings for the purpose of calculating basic earnings per share (profit for the year attributable to owners of the Company)	**37,925**	31,831
		(restated)
Number of shares *(note)*:		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**461,644**	363,390

Note: For the year ended 31 December 2018, the number of ordinary shares for the purpose of calculating basic earnings per share has been determined on the assumption that the reorganisation as set out in note 1 and the capitalisation issue had been effective on 23 April 2019.

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

10. 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:

	2019	2018
	MOP'000	*MOP'000*
0 – 30 days	**53,838**	14,013
31 – 60 days	**32,843**	14,094
61 – 90 days	**4,087**	10,979
91 – 365 days	**4,846**	823
	95,614	39,909
Less: Impairment loss allowance	**(71)**	(40)
	95,543	39,869

As at 1 January 2018, trade receivables from contract with customers amounted to MOP56,787,000.

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.

11. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2019	2018
	MOP'000	*MOP'000*
Rental deposits	**342**	367
Deposit paid for acquisition of property and equipment	**134**	23
Deposits paid for tenders	**38,894**	–
Prepayments to subcontractors	**45,385**	18,244
Other receivables	**175**	358
Deferred issue costs	**–**	3,879
Prepaid listing expenses	**–**	301
Total	**84,930**	23,172
Presented as non-current assets	**351**	240
Presented as current assets	**84,579**	22,932
Total	**84,930**	23,172

Rental deposits paid were adjusted upon the initial application of HKFRS 16. Details of the adjustments are set out in note 2.

12. CONTRACT ASSETS AND CONTRACT LIABILITIES

	As at 31 December	
	2019	2018
	MOP'000	*MOP'000*
Contract assets		
Fitting-out services	**103,207**	33,193
Repair and maintenance services	**–**	10
	103,207	33,203
Less: Impairment loss allowance	**(118)**	(79)
	103,089	33,124
Contract liabilities		
Fitting-out services	**(1,109)**	(993)

As at 1 January 2018, contract assets and contract liabilities amounted to MOP9,102,000 and MOP7,641,000, respectively.

For the contract liabilities as at 1 January 2018 and 31 December 2018, the entire balances are recognised as revenue to profit or loss during the years ended 31 December 2018 and 2019, 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 repair and maintenance 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 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 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.

Included in carrying amounts of contract assets/contract liabilities as stated above comprises retention money of MOP28,802,000 (2018: MOP10,596,000) as at 31 December 2019.

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 and repair and maintenance 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.

13. TRADE AND OTHER PAYABLES AND ACCRUALS

	2019	2018
	MOP'000	*MOP'000*
Trade payables	**14,003**	8,238
Retention payables	**10,516**	11,065
Accruals for subcontracting costs *(Note)*	**9,631**	11,762
Accrued listing expenses and issue costs	**2,019**	4,640
Accruals and other payables	**3,208**	1,593
	39,377	37,298

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:

	2019	2018
	MOP'000	*MOP'000*
0–30 days	**5,988**	202
Over 90 days	**8,015**	8,036
	14,003	8,238

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The shares of the Company (the "**Shares**") were successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 23 April 2019 (the "**Listing Date**"). The net proceeds from the share offer (the "**Share Offer**") amounted to approximately HK$141.2 million (after deducting underwriting fees and commissions and all related expenses).

The Group is a contractor providing fitting-out services and repair and maintenance services in Macau. The Group's fitting-out services primarily cover refitting works for existing buildings and extend to casinos, retail areas, hotels, restaurants, commercial properties and residential properties. 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 six 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 2018 and 2019, total revenue amounted to approximately MOP326.8 million and MOP359.8 million, of which revenue generated from providing fitting-out services constituted approximately 99.8% and 99.8% of total revenue, respectively.

PROSPECTS

Despite the slowdown in the gaming industry, the overall economy of Macau has displayed a steady to good growth trend. The opening of the Hong Kong-Zhuhai-Macau Bridge is expected to play a critical link to the implementation of the strategy of the Greater Bay Area of Guangdong, Hong Kong, and Macau. It will facilitate Hong Kong and Macau to integrate into the overall development of the country, deepen the cooperation between the Mainland, Hong Kong and Macau, and further promote the tourism industry by upgrading regional transport development.

By upgrading the accommodation options, cultural facilities, retail shops, and various events, supported by the promotional campaigns in attracting visitors from new target segments and regions, as well as the enhancement in transportation networks, fitting-out works would be required in the construction and renovation of social amenities, transportation facilities, tourism spots, entertainment facilities and building derived from new tourism model. Therefore, the diversified economic development of new kinetic energy will promote and facilitate the fitting-out and construction industries in Macau.

For the assessment of the outbreak of a respiratory illness caused by Novel Coronavirus (COVID-19), please refer to the section headed 'Events after the Reporting Date' in this announcement.

FINANCIAL REVIEW

For the year ended 31 December 2019, the Group's revenue was approximately MOP359.8 million (2018: approximately MOP326.8 million). For the year ended 31 December 2019, the Group recorded profit for the year of approximately MOP37.9 million (2018: approximately MOP31.9 million). Excluding the one-off listing expenses recognised, for the year ended 31 December 2019, the Group recorded profit for the year of approximately MOP45.3 million (2018: approximately MOP44.1 million). During the year ended 31 December 2019, the Group completed 93 fitting-out projects and was awarded with 101 fitting-out projects.

Revenue

Revenue of the Group increased by approximately MOP33.0 million or 10.1% from approximately MOP326.8 million for the year ended 31 December 2018 to approximately MOP359.8 million for the year ended 31 December 2019. Such increase was mainly attributable to the increase in the revenue derived from its retail areas fitting-out projects due to the commencement of a casino fitting-out contract with one customer's integrated resort in August 2019, with an original contract sum of approximately MOP68.1 million.

Direct costs

The total amount of subcontracting fees, material costs and direct labour costs increased by approximately MOP24.8 million or 9.6% from approximately MOP258.9 million for the year ended 31 December 2018 to approximately MOP283.7 million for the year ended 31 December 2019, which generally reflected the increase in costs associated with the increase in revenue.

Gross profit

The gross profit increased from approximately MOP67.9 million for the year ended 31 December 2018 to approximately MOP76.0 million for the year ended 31 December 2019, representing an increase of approximately MOP8.1 million. The Group recorded gross profit margin of approximately 20.8% and 21.1% for the years ended 31 December 2018 and 2019, respectively. The period-to-period increase in gross profit margin was mainly attributable to the comparatively higher gross profit margin of the sizeable contracts undertaken by the Group during the year ended 31 December 2019 compared to the year ended 31 December 2018, in particular, the retail areas fitting-out contract with one customer with an original contract sum of approximately MOP68.1 million.

Other income and losses

Other income was approximately MOP694,000 for the year ended 31 December 2018, of which approximately MOP126,000 and approximately MOP523,000 were derived from bank interest income and reversal of impairment loss allowance of trade receivables, respectively. Other income increased to approximately MOP717,000 mainly as a result of approximately MOP539,000 of bank interest income for the year ended 31 December 2019.

Other losses remained largely insignificant at approximately MOP79,000 and MOP70,000 for the year ended 31 December 2018 and 2019, respectively.

Administrative expenses

Administrative expenses of the Group were approximately MOP16.7 million and MOP22.5 million for the years ended 31 December 2018 and 2019, respectively, which accounted for approximately 5.1% and 6.3% of the total revenue during the respective periods, respectively. The largest item under administrative expenses was employee benefit expenses, being staff costs in nature, which amounted to approximately MOP9.5 million and MOP9.2 million for the years ended 31 December 2018 and 2019, respectively, which accounted for approximately 56.9% and 40.8% of the total administrative expenses during the respective periods.

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

Finance costs

For the years ended 31 December 2018 and 2019, finance costs amounted to approximately MOP416,000 and MOP914,000, respectively.

Income tax expense

For the years ended 31 December 2018 and 2019, the Group recorded income tax expenses of approximately MOP7.3 million and MOP7.9 million, representing an effective tax rate of approximately 18.7% and 17.3%, respectively.

Income tax of the Group increased by approximately MOP0.6 million from approximately MOP7.3 million for the year ended 31 December 2018 to approximately MOP7.9 million for the year ended 31 December 2019. Such increase was mainly attributable to the increase in the profit before taxation from approximately MOP39.2 million for the year ended 31 December 2018 to approximately MOP45.9 million for year ended 31 December 2019.

Profit for the year

For the year ended 31 December 2019, the profit for the year (inclusive of listing expenses) amounted to approximately MOP37.9 million, representing an increase of approximately MOP6.0 million from approximately MOP31.9 million for the year ended 31 December 2018. However, for illustrative 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, representing an increase of approximately MOP1.2 million or 2.7%.

CORPORATE FINANCE AND RISK MANAGEMENT

Liquidity, Financial and Capital Resources

Cash Position

As at 31 December 2019, the Group had an aggregate of pledged bank deposits and bank and cash equivalents of approximately MOP41.7 million (2018: approximately MOP13.6 million), representing a increase of approximately 206.6% as compared to that as at 31 December 2018. As at 31 December 2019, pledged bank deposits of approximately MOP12.4 million (2018: MOP2.3 million) are pledged to secure banking facilities (including bank loans and overdraft).

Borrowings and Charges on the Group's Assets

As at 31 December 2019, the Group had an aggregate of bank borrowings and bank overdrafts of approximately MOP10.5 million (2018: approximately MOP2.6 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: (i) the pledged bank deposits of HK$2.3 million (approximately equivalent to MOP2.3 million) and HK$12.0 million (approximately equivalent to MOP12.4 million) and as at 31 December 2018 and 2019, respectively; and (ii) unlimited personal guarantee by Mr. Li Kam Hung and Mr. Yu Ming Ho as at 31 December 2018. As represented by the directors of the Company, the personal guarantee by Mr. Li and Mr. Yu have been be released upon the Listing.

Gearing Ratio

As at 31 December 2019, the gearing ratio (calculated by dividing total debts which include payables incurred not in the ordinary course of business excluding amounts are due to related parties with total equity as at the end of the respective year) was approximately 4.0% (2018: approximately 4.6%).

Such decrease was primarily attributable to the total equity of the Group increased from approximately MOP56.6 million as at 31 December 2018 to approximately MOP260.5 million as at 31 December 2019, while bank borrowings of the Group were approximately MOP2.6 million and MOP10.5 million as at 31 December 2018 and 31 December 2019, respectively.

Treasury policies

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

Currency Risk

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

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

Capital structure

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

Capital commitments

As at 31 December 2019, the Group had approximately MOP1.2 million capital commitments (2018: Nil).

Contingent Liabilities

As at 31 December 2019, the Group had no significant contingent liabilities or outstanding litigation.

Material Acquisitions and Disposals

During the year ended 31 December 2019, the Group did not have any material acquisition and disposals of subsidiaries and affiliated companies.

Significant investments held

As at 31 December 2019, the Group had no significant investments.

Future Plans for Material Investments

The Group did not have other plans for material investments and capital assets as at 31 December 2019.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2019, the Group had 104 employees (2018: 80 employees). Total staff costs (including Directors emoluments) were approximately MOP36.1 million for the year ended 31 December 2019, as compared with approximately MOP31.7 million for the year ended 31 December 2018. Such increase was mainly attributable to the increase in average number of working days for day-work workers.

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

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. 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 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. Since the adoption of the Share Option Scheme and up to the date of this announcement, no option was 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 of the Company dated 29 March 2019.

From the Listing Date to 31 December 2019, the net proceeds had been applied as follows:

	Net proceeds *(HK$ million)*		
	Available	**Utilised**	**Unutilised**
Upfront costs	82.2	82.2	–
Acquiring performance bonds	31.1	9.7	21.4
Strengthening manpower	13.8	8.1	5.7
General working capital	14.1	14.1	–
Total	141.2	114.1	27.1

As at 31 December 2019, approximately MOP117.5 million of the net proceeds received from the Share Offer had been utilized and the remaining of the net proceeds were deposited in the bank accounts of the Group with licensed banks in Hong Kong and Macau.

EVENTS AFTER THE REPORTING DATE

The outbreak of a respiratory illness caused by Novel Coronavirus, or known as the COVID-19, in the PRC including Hong Kong and Macau, has affected many businesses to different extent. Although the Group's businesses are all located in Macau, certain supplies and materials are sourced from suppliers in mainland China, which accounted for less than 1% of total supply. During the assessment of the impact, the Group has negotiated with its major suppliers to confirm continuous and adequate supply of goods. For the fitting-out services provided by the Group, although there were certain delays in the resumption of work in certain on-going projects in February 2020, work for all those projects on hand has been resumed since early March 2020 and no material delay in the timing of completion is expected after communication with the both of our customers and sub-contractors. Based on the currently available information, the directors of the Company consider the event would not have a material impact to the Group's operation given that the Group can seek alternative supply if necessary and the full resumption of work for on-going projects. However, given the unpredictability associated with the COVID-19 outbreak and any further contingency measures that may be put in place by the relevant governments and corporate entities, the actual financial impact of the COVID-19 outbreak, if any, on the Group's 2020 financial statements could be significantly different from the estimates disclosed above depending on how the situation evolves, the Group will closely monitor in this regard.

DIVIDEND

The Board did not recommend the payment of a final dividend by the Company for the year ended 31 December 2019.

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 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 of Hong Kong Limited (the "**Listing Rules**").

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

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 2019 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu 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 Messrs. Deloitte Touche Tohmatsu 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 2019, 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.

ANNUAL GENERAL MEETING

The forthcoming annual general meeting of the Company will be held on Thursday, 18 June 2020 ("**AGM**") and the Notice of AGM will be published and despatched in the manner as required by the Listing Rules.

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, 15 June 2020 to Thursday, 18 June 2020, 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, 12 June 2020.

PUBLICATION OF THE ANNUAL RESULTS AND ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2019 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 2019 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, 16 March 2020

As at the date of this announcement, the Board comprises Mr. Li Kam Hung, and Mr. Yu Ming Ho as executive Directors; and 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.