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## HUARCHI GLOBAL GROUP HOLDINGS LIMITED

華記環球集團控股有限公司

*(Incorporated in the Cayman Islands with limited liability)*

**Stock Code: 2296**

### **ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2020**

#### **ANNUAL RESULTS HIGHLIGHTS OF THE YEAR**

- Revenue decreased by approximately 26.6% from approximately MOP467,407,000 for the year ended 31 December 2019 to approximately MOP343,017,000 for the year ended 31 December 2020.
- Profit attributable to owners of the Company decreased by 61.1% from approximately MOP51,474,000 for the year ended 31 December 2019 to approximately MOP20,015,000 for the year ended 31 December 2020.
- Basic earnings per share decreased by 69.8% from MOP3.31 cents for the year ended 31 December 2019 to MOP1.00 cents for the year ended 31 December 2020.
- The Board recommended the payment of a Final Dividend of HK2.5 cents (approximately equivalent to MOP2.6 cents) per ordinary share for the year ended 31 December 2020, which is subject to approval by the shareholders at the forthcoming annual general meeting (2019: Nil).

The board (the “**Board**”) of directors (the “**Directors**”) of Huarchi Global Group Holdings Limited (the “**Company**”) is pleased to announce the audited consolidated annual results of the Company and its subsidiaries (together as the “**Group**”) for the year ended 31 December 2020 (the “**Reporting Period**”), together with the comparative figures for the year ended 31 December 2019.

## Consolidated Statement of Profit or Loss and Other Comprehensive Income

	<i>Notes</i>	<b>Year ended 31 December</b>	
		<b>2020</b> <i>MOP'000</i>	2019 <i>MOP'000</i>
Revenue	4	<b>343,017</b>	467,407
Cost of services	8(c)	<b>(293,970)</b>	(373,389)
Gross profit		<b>49,047</b>	94,018
Other income	6	<b>2,208</b>	1,890
Impairment loss on financial assets	7	<b>(1,617)</b>	—
Administrative and other operating expenses		<b>(25,528)</b>	(19,546)
Finance costs	8(a)	<b>(1,402)</b>	(2,642)
Listing expenses	8(d)	<b>—</b>	(13,206)
Profit before taxation		<b>22,708</b>	60,514
Income tax expense	9	<b>(2,693)</b>	(9,040)
Profit and total comprehensive income for the year attributable to owners of the Company	8	<b><u>20,015</u></b>	<u>51,474</u>
Earnings per share attributable to owners of the Company			
Basic and diluted	11	<b><u>MOP1.00 cents</u></b>	<u>MOP3.31 cents</u>

## Consolidated Statement of Financial Position

	<i>Notes</i>	As at 31 December	
		2020 <i>MOP'000</i>	2019 <i>MOP'000</i>
Non-current assets			
Plant and equipment		279	389
Right-of-use assets		421	32
		<u>700</u>	<u>421</u>
Current assets			
Trade and other receivables	12	259,557	196,892
Amount due from ultimate holding company		—*	—*
Contract assets	14	37,219	56,437
Pledged bank deposits		26,535	32,068
Bank balances and cash		88,834	131,511
		<u>412,145</u>	<u>416,908</u>
Current liabilities			
Trade and other payables	13	(102,789)	(101,883)
Contract liabilities	14	(12,582)	(3,101)
Lease liabilities		(365)	(34)
Tax payable		(3,586)	(9,028)
Bank overdrafts	15	(16,404)	(11,213)
Bank borrowing	15	—	(35,000)
		<u>(135,726)</u>	<u>(160,259)</u>
Net current assets		<u>276,419</u>	<u>256,649</u>
Total assets less current liabilities		<u>277,119</u>	<u>257,070</u>
Non-current liabilities			
Lease liabilities		(34)	—
Net assets		<u>277,085</u>	<u>257,070</u>
Capital and reserves			
Share capital	16	20,630	20,630
Reserves		256,455	236,440
Total equity attributable to owners of the Company		<u>277,085</u>	<u>257,070</u>

\* The balances represent amount less than MOP1,000.

## Notes to the Consolidated Financial Statements

### 1. GENERAL INFORMATION

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

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

The Company is an investment holding company. The subsidiaries and joint operation of the Company are principally engaged in (i) fitting-out works; (ii) construction works; and (iii) repair and maintenance works in Macau from both private and public sector customers.

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

## 2. APPLICATION OF NEW AND AMENDED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

### (a) New and amended standards adopted by the Group

In the current year, the Group has consistently applied all new and amended HKFRSs, Hong Kong Accounting Standards (“HKASs”), amendments and interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time which are mandatorily effective for the annual period beginning on or after 1 January 2020. Of these, the following developments are relevant to the Group’s consolidated financial statements.

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform
Amendments to HKFRS 16	COVID-19-Related Rent Concessions (early applied)

The application of the new and amended HKFRSs in the current year had no material impact on the Group’s financial performance and positions for the current and prior years and/or the disclosures set out in these consolidated financial statements.

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

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

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

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2021

- <sup>2</sup> Effective for annual periods beginning on or after 1 January 2022  
<sup>3</sup> Effective for annual periods beginning on or after 1 January 2023  
<sup>4</sup> Effective for annual periods beginning on or after a date to be determined

The Directors of the Company anticipate that the application of these new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

### 3. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of net debt, which includes bank overdrafts and borrowing disclosed in Note 15, net of cash and cash equivalents and equity attributable to the owners of the Company, comprising issued share capital and reserves.

The Group monitors capital with references to its debt position. The Group's strategy was to maintain the equity and debt in a balanced position and ensure there was adequate working capital to serve its debt obligations. At 31 December 2020, the ratio of the Group's total liabilities over its total assets was 33% (2019: 38%).

### 4. REVENUE

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

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

	<b>Year ended 31 December</b>	
	<b>2020</b>	2019
	<i><b>MOP'000</b></i>	<i>MOP'000</i>
Contract revenue from fitting-out works	<b>296,632</b>	455,864
Contract revenue from construction works	<b>46,066</b>	11,122
Repair and maintenance works	<b>319</b>	421
	<hr/>	<hr/>
Total	<b><u>343,017</u></b>	<u>467,407</u>

## Disaggregation of revenue from contracts with customers

### (a) Revenue breakdown by recognition methods

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

	Year ended 31 December	
	2020	2019
	MOP'000	MOP'000
Revenue recognised over time using:		
Input method	—	596
Output method	<u>342,698</u>	<u>466,390</u>
	<u>342,698</u>	<u>466,986</u>
Repair and maintenance works	<u>319</u>	<u>421</u>
Total	<u><u>343,017</u></u>	<u><u>467,407</u></u>

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

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

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

	Year ended 31 December 2020			
	Fitting-out	Construction	Repair and	Total
	works	works	maintenance	
	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>
<b>Source of contracts</b>				
Public sector	119,292	46,066	231	165,589
Private sector	177,340	—	88	177,428
	<hr/>	<hr/>	<hr/>	<hr/>
Total	<b>296,632</b>	<b>46,066</b>	<b>319</b>	<b>343,017</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
	Year ended 31 December 2019			
	Fitting-out	Construction	Repair and	Total
	works	works	maintenance	
	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>
<b>Source of contracts</b>				
Public sector	167,134	10,327	417	177,878
Private sector	288,730	795	4	289,529
	<hr/>	<hr/>	<hr/>	<hr/>
Total	<b>455,864</b>	<b>11,122</b>	<b>421</b>	<b>467,407</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
	Year ended 31 December 2020			
	Fitting-out	Construction	Repair and	Total
	works	works	maintenance	
	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>
<b>Role of the Group</b>				
Main contractor	48,436	13,390	190	62,016
Subcontractor	248,196	32,676	129	281,001
	<hr/>	<hr/>	<hr/>	<hr/>
Total	<b>296,632</b>	<b>46,066</b>	<b>319</b>	<b>343,017</b>
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	Year ended 31 December 2019			Total <i>MOP'000</i>
	Fitting-out works <i>MOP'000</i>	Construction works <i>MOP'000</i>	Repair and maintenance works <i>MOP'000</i>	
<b>Role of the Group</b>				
Main contractor	88,741	11,122	417	100,280
Subcontractor	367,123	—	4	367,127
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total	<u>455,864</u>	<u>11,122</u>	<u>421</u>	<u>467,407</u>

## 5. SEGMENT INFORMATION

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (the “CODM”), being the executive directors of the Company, in order for the CODM to allocate resources and to assess performance. No operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group.

Specifically, the Group’s reportable and operating segments under HKFRS 8 “Operating Segments” are as follows:

- (a) Fitting-out works;
- (b) Construction works; and
- (c) Repair and maintenance works.

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

**(a) Segment revenue and profit**

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

*For the year ended 31 December 2020*

	Fitting-out works <i>MOP'000</i>	Construction works <i>MOP'000</i>	Repair and maintenance works <i>MOP'000</i>	Total <i>MOP'000</i>
Segment revenue — external	<u>296,632</u>	<u>46,066</u>	<u>319</u>	<u>343,017</u>
Segment results	<u>47,151</u>	<u>1,809</u>	<u>87</u>	<u>49,047</u>
Corporate expenses				(25,528)
Impairment loss on financial assets				(1,617)
Other income				2,208
Finance costs				<u>(1,402)</u>
Profit before taxation				<u>22,708</u>

*For the year ended 31 December 2019*

	Fitting-out works <i>MOP'000</i>	Construction works <i>MOP'000</i>	Repair and maintenance works <i>MOP'000</i>	Total <i>MOP'000</i>
Segment revenue — external	<u>455,864</u>	<u>11,122</u>	<u>421</u>	<u>467,407</u>
Segment results	<u>91,972</u>	<u>1,974</u>	<u>72</u>	<u>94,018</u>
Corporate expenses				(32,752)
Other income				1,890
Finance costs				<u>(2,642)</u>
Profit before taxation				<u>60,514</u>

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment results mainly represented profit earned by each segment, excluding income and expenses of the corporate function, which include certain other income, impairment loss on financial assets, certain administrative and other expenses, listing expenses and finance costs. The operating segments do not derive any revenue from transactions with other operating segments of the Group.

**(b) Geographical information**

The Group's operations are solely located in Macau.

All revenue of the Group was derived from works carried out in Macau and all non-current assets of the Group are physically located in Macau.

**(c) Information about major customers**

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

	<b>Year ended 31 December</b>	
	<b>2020</b>	2019
	<i>MOP'000</i>	<i>MOP'000</i>
Customer A	N/A <sup>(b)</sup>	50,999
Customer B	<b>138,009</b>	73,015
Customer C	N/A <sup>(b)</sup>	48,013
Customer D	<b>70,251</b>	205,553

*Notes:*

- (a) The revenue derived from the above customers was from contract revenue from fitting-out and construction works.
- (b) Revenue from the customers is less than 10% of the total revenue in the respective corresponding year.
- (c) No single customers in respect of repair and maintenance services contributed 10% or more to the Group's revenue for the year.

## 6. OTHER INCOME

	Year ended 31 December	
	2020	2019
	MOP'000	MOP'000
Interest income	1,548	1,225
Insurance compensation	—	657
Government subsidies in relation to the COVID-19 pandemic (“COVID-19”) ( <i>Note</i> )	655	—
Others	5	8
	<u>2,208</u>	<u>1,890</u>

*Note:* Both the Macau government and the Hong Kong government have launched the Employment Support Scheme under the Anti-epidemic Fund to provide time-limited financial support to employers to retain employees who may otherwise be made redundant. During the year ended 31 December 2020, the Group received government subsidies of a total of MOP655,000.

## 7. IMPAIRMENT LOSS ON FINANCIAL ASSETS

	Year ended 31 December	
	2020	2019
	MOP'000	MOP'000
Impairment loss on trade and retention receivables	<u>1,617</u>	<u>—</u>

## 8. PROFIT FOR THE YEAR

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

	<b>Year ended 31 December</b>	
	<b>2020</b>	2019
	<b><i>MOP'000</i></b>	<i>MOP'000</i>
(a) Finance costs		
Interest on lease liabilities	<b>30</b>	25
Interest on bank borrowings	<b>1,045</b>	2,089
Bank overdraft interest	<b>327</b>	528
	<b><u>1,402</u></b>	<u>2,642</u>
(b) Staff costs (including directors' remuneration)		
Contributions to defined contribution retirement plans	<b>107</b>	119
Salaries and wages		
— Directors' remuneration	<b>2,308</b>	1,648
— Salaries recognised as administrative and other operating expenses	<b>13,600</b>	11,691
— Wages recognised as costs of services	<b>2,069</b>	1,022
Other staff costs	<b>17</b>	96
	<b><u>18,101</u></b>	<u>14,576</u>
(c) Cost of services		
Subcontracting fees	<b>257,131</b>	357,229
Staff costs	<b>2,069</b>	1,022
Material costs	<b>28,547</b>	10,415
Others	<b>6,223</b>	4,723
	<b><u>293,970</u></b>	<u>373,389</u>
(d) Other items		
Depreciation for plant and equipment	<b>110</b>	93
Depreciation for right-of-use assets	<b>388</b>	931
Minimum operating lease payments of short term leases	<b>708</b>	—
Net foreign exchange (gain)/losses	<b>(62)</b>	64
Auditor's remuneration	<b>1,238</b>	1,238
Listing expenses	<b>—</b>	13,206
	<b><u>—</u></b>	<u>13,206</u>

## 9. INCOME TAX EXPENSE

### Year ended 31 December

	2020	2019
	<i>MOP'000</i>	<i>MOP'000</i>

The income tax expense comprises:

Macau Complementary Tax

— current year	3,593	9,040
— previous year	(900)	—
	<u>2,693</u>	<u>9,040</u>

The Company is tax exempted under the laws of Cayman Islands and subject to Hong Kong Profits Tax at a tax rate of 16.5% (2019: 16.5%) on the estimated assessable profit arising in Hong Kong.

During the Reporting Period, all of the Group's revenue was derived in Macau. Macau Complementary Tax is calculated at 12% (2019: 12%) of the estimated assessable profits exceeding MOP600,000, during the Reporting Period.

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

### Year ended 31 December

	2020	2019
	<i>MOP'000</i>	<i>MOP'000</i>

Profit before taxation	<u>22,708</u>	<u>60,514</u>
Notional tax on profit before taxation calculated at rates applicable to profits in the tax jurisdictions concerned	2,411	6,807
Tax effect of expenses not deductible for tax purpose	1,192	2,002
Tax effect of tax loss not recognised	231	516
Tax effect of tax exemption under Macau Complementary Income Tax	(240)	(216)
Tax effect of non-taxable income	(9)	(81)
Tax concession ( <i>Note</i> )	(900)	—
Others	8	12
Income tax expense for the year	<u>2,693</u>	<u>9,040</u>

*Note:* Tax concession represents reduction of Macau Complementary tax of certain group subsidiaries in Macau for the year of assessment of 2019. The tax reduction is MOP300,000 per case.

At the end of the Reporting Period, there was no material deferred tax required to be provided nor material deductible temporary differences not recognised (2019: Nil).

## 10. DIVIDEND

A final dividend in respect of the year ended 31 December 2020 of HK2.5 cent (approximately equivalent to MOP2.6 cents) per share, totalling HK\$50,000,000 (approximately equivalent to MOP51,575,000) (2019: Nil) was proposed pursuant to a resolution passed by the Board on 31 March 2021 and subject to the approval of the shareholders at the annual general meeting to be held on 31 May 2021. This proposed dividend has not been recognised as a liability in the consolidated financial statements.

## 11. EARNINGS PER SHARE

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

	2020	2019
Profit attributable to owners of the Company (MOP'000)	<u>20,015</u>	<u>51,474</u>
Weighted average number of ordinary shares in issue (in '000 Number of shares)	<u>2,000,000</u>	<u>1,556,164</u>
Basic and diluted earnings per share (MOP cents)	<u>1.00</u>	<u>3.31</u>

The calculation of the basic earnings per share is based on the profit for the year attributable to owners of the Company and weighted average number of shares in issue. For 2019, the number of shares for the purpose of basic earnings per share has been retrospectively adjusted for the 1,499,987,520 shares which were issued pursuant to the Capitalisation Issue (as defined in Note 16).

Diluted earnings per share for those years were the same as basic earnings per share as there were no potential ordinary shares outstanding during each of the two years ended 31 December 2020.

## 12. TRADE AND OTHER RECEIVABLES

	At 31 December	
	2020	2019
	MOP'000	MOP'000
Trade receivables, net	123,542	113,321
Retention receivables, net	78,000	74,510
	201,542	187,831
Other receivables, prepayments and deposits ( <i>Note</i> )	58,015	9,061
Total trade and other receivables	<u>259,557</u>	<u>196,892</u>

*Note:* Other receivables, prepayments and deposits included prepayments to suppliers and subcontractors of approximately MOP49,477,000 (2019:MOP6,853,000).

### Trade receivables

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

	At 31 December	
	2020	2019
	MOP'000	MOP'000
Within 30 days	88,826	44,618
31–60 days	5,999	51,587
61–90 days	—	466
Over 90 days	28,717	16,650
	<u>123,542</u>	<u>113,321</u>

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

### Retention receivables

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



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

	<b>At 31 December</b>	
	<b>2020</b>	2019
	<b><i>MOP'000</i></b>	<i>MOP'000</i>
On demand or within one year	<b>52,603</b>	25,471
After one year	<b>25,397</b>	49,039
	<b><u>78,000</u></b>	<u>74,510</u>

Included in the Group's retention receivables balances as at 31 December 2020 were receivables with aggregate carrying amount of approximately MOP29,617,000 (2019: MOP8,831,000), which were past due at the end of the reporting period. The Group does not hold any collateral over these balances.

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

The Group followed the guidance of HKFRS 9 Financial Instruments (“**HKFRS 9**”) and applied the simplified approach to measuring lifetime expected credit losses of trade and retention receivables which is based on the Group's historical credit loss experience, adjusted for factors that are specific to debtors, general economic conditions and an assessment of both current conditions at the reporting date as well as the forecast of future conditions and taking into account the uncertainty arising from the outbreak of COVID-19 in January 2020 and its continued impact to the Group as forward-looking information for the calculation of the expected credit losses. Based on the results, trade and retention receivables of approximately MOP1,617,000 (2019: Nil) were impaired.

During the year ended 31 December 2020, none of the trade and retention receivables were written off as uncollectible (2019: Nil). Movements in the provision for impairment of trade and retention receivables are as follows:

	<b>2020</b>	2019
	<i>MOP'000</i>	<i>MOP'000</i>
At 1 January	—	—
Impairment loss on trade and retention receivables	<u>1,617</u>	<u>—</u>
At 31 December	<u><u>1,617</u></u>	<u><u>—</u></u>

### 13. TRADE AND OTHER PAYABLES

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

	<b>At 31 December</b>	
	<b>2020</b>	2019
	<i>MOP'000</i>	<i>MOP'000</i>
Trade payables	<b>15,544</b>	14,118
Retention payables ( <i>Note</i> )	<u>27,419</u>	<u>44,741</u>
	<b>42,963</b>	58,859
Accrued contract costs	<b>55,663</b>	38,758
Accruals and other payables	<u>4,163</u>	<u>4,266</u>
Total trade and other payables	<u><u>102,789</u></u>	<u><u>101,883</u></u>

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

Accrued contract costs as at 31 December 2020 are expected to be settled during the year ending 31 December 2021 (2019: year ended 31 December 2020).

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

	<b>At 31 December</b>	
	<b>2020</b>	2019
	<i><b>MOP'000</b></i>	<i>MOP'000</i>
Within 30 days	<b>7,749</b>	2,522
31–60 days	<b>1,108</b>	6,473
61–90 days	—	791
Over 90 days	<b>6,687</b>	4,332
	<b>15,544</b>	14,118

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

The following is an analysis of retention payables based on the time period when they are to be settled, based on the expiry of the defects liability period, at the end of the Reporting Period.

	<b>At 31 December</b>	
	<b>2020</b>	2019
	<i><b>MOP'000</b></i>	<i>MOP'000</i>
On demand or within one year	<b>23,003</b>	24,780
After one year	<b>4,416</b>	19,961
	<b>27,419</b>	44,741

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

## 14. CONTRACT ASSETS AND CONTRACT LIABILITIES

Disclosures of revenue-related items:

	At 31 December	
	2020	2019
	MOP'000	MOP'000
Contract assets		
Provision of fitting-out works	27,377	56,437
Provision of construction works	9,842	—
	<u>37,219</u>	<u>56,437</u>
Contract liabilities		
Provision of fitting-out works	1,807	3,101
Provision of construction works	10,775	—
	<u>12,582</u>	<u>3,101</u>

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

Contract assets as at 31 December 2020 are expected to be recovered and settled during the year ending 31 December 2021 (2019: year ended 31 December 2020).

Contract liabilities as at 31 December 2020 are expected to be recognised as revenue during the year ending 31 December 2021 (2019: year ended 31 December 2020).

As at 31 December 2020, contract liabilities included receipt in advance from customers amounting to approximately MOP12,582,000 (2019: MOP3,101,000).

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

The Group applies simplified approach to provide for ECL prescribed by HKFRS 9. The Group assessed the ECL for contract assets individually as at 31 December 2020 and 2019. No impairment allowance for contract assets were provided since the loss given default and exposure at default are low based on historical credit loss experience. The management of the Group has also assessed all available forward looking information, including but not limited to expected growth rate of the industry and expected subsequent settlement, and concluded that there is no significant increase in credit risk.

### **Transaction price allocated to the remaining performance obligations**

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

	<b>As at 31 December</b>	
	<b>2020</b>	2019
	<b><i>MOP'000</i></b>	<i>MOP'000</i>
Provision of fitting-out works	<b>30,918</b>	173,376
Provision of construction works	<b>299,727</b>	28,859
	<b><u>330,645</u></b>	<u>202,235</u>

Based on the information available to the Group at the end of the reporting period, the management of the Group expects the transaction price allocated to the above unsatisfied (or partially unsatisfied) contracts in respect of provision of fitting-out works and construction works services as of 31 December 2020 will be substantially recognised as revenue during the year ending 31 December 2021.

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

	<b>Year ended 31 December</b>	
	<b>2020</b>	2019
	<b><i>MOP'000</i></b>	<i>MOP'000</i>
Revenue recognised in the year that was included in contract liabilities at beginning of the year	<b><u>3,056</u></b>	<u>3,296</u>

## 15. BANK BORROWING AND BANK OVERDRAFTS

	At 31 December	
	2020	2019
	<i>MOP'000</i>	<i>MOP'000</i>
Bank borrowing ( <i>Note a</i> )	—	35,000
Bank overdrafts	<b>16,404</b>	11,213
	<hr/>	<hr/>
Total bank borrowing and bank overdrafts	<b>16,404</b>	46,213
	<hr/> <hr/>	<hr/> <hr/>
Carrying amounts of the above bank borrowing and bank overdrafts repayable ( <i>Note b</i> ):		
On demand or within one year	<b>16,404</b>	46,213
More than one year, but not exceeding two years	—	—
More than two years, but not more than five years	—	—
More than five years	—	—
	<hr/>	<hr/>
	<b>16,404</b>	46,213
Less: Amounts shown under current liabilities ( <i>Note c</i> )	<b>(16,404)</b>	(46,213)
	<hr/>	<hr/>
Amounts shown under non-current liabilities	—	—
	<hr/> <hr/>	<hr/> <hr/>

### Notes:

- (a) The bank borrowing amounted to MOP35,000,000 as at 31 December 2019, carry interest at prime rate per annum. During the year ended 31 December 2020, the bank borrowing was fully settled.
- (b) The Group's bank borrowing is denominated in the functional currency. The bank borrowing is under banking facilities for drawing loans and issuing performance bonds. The banking facilities are secured by pledged bank deposits and promissory notes endorsed by certain subsidiaries which were guaranteed by the Company.
- (c) The bank borrowing contains a repayment on demand clause and is shown under current liabilities.

## 16. SHARE CAPITAL

	2020		2019	
	Number of shares	Share capital MOP'000	Number of shares	Share capital MOP'000
Ordinary shares of HK\$0.01 each				
<b>Authorised:</b>				
At 1 January ( <i>Note i</i> )	10,000,000,000	103,150	38,000,000	392
Increase in authorised share capital on 24 October 2019 ( <i>Note ii</i> )	—	—	9,962,000,000	102,758
At 31 December	<u>10,000,000,000</u>	<u>103,150</u>	<u>10,000,000,000</u>	<u>103,150</u>
<b>Issued and fully paid:</b>				
At 1 January ( <i>Note i</i> )	2,000,000,000	20,630	12,480	—*
Issue of shares under the Capitalisation Issue ( <i>Note iii</i> )	—	—	1,499,987,520	15,472
Issue of shares under the Share Offer ( <i>Note iv</i> )	—	—	500,000,000	5,158
At 31 December	<u>2,000,000,000</u>	<u>20,630</u>	<u>2,000,000,000</u>	<u>20,630</u>

\* The balances represent amount less than MOP1,000.

*Notes:*

- (i) The Company was incorporated on 20 June 2017 in the Cayman Islands as an exempted company with limited liability with an authorised share capital of HK\$380,000 divided into 38,000,000 ordinary shares with a par value of HK\$0.01 per share (“**Share**”). The subscriber to the Memorandum and Articles of Association was allotted and issued one fully paid Share. The subscriber Share was subsequently transferred to Seong Wa on the same day. On 20 June 2017, 999 Shares were allotted and issued at par to Seong Wa. Thereafter, Seong Wa owned 1,000 Shares.
- (ii) On 24 October 2019, the authorised share capital of the Company was increased from HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each to HK\$100,000,000 divided into 10,000,000,000 shares of HK\$0.01 each by the creation of an additional of 9,962,000,000 shares of HK\$0.01 each, each ranking pari passu with the shares then in issue in all respects.
- (iii) On 24 October 2019, the Company capitalised the sum of HK\$14,999,875 (equivalent to MOP15,472,000) standing to the credit of the share premium account of the Company (the “**Capitalisation Issue**”) and applied the amount towards paying up in full 1,499,987,520 shares of nominal value of HK\$0.01 each for allotment to the shareholders whose names appear on the register of members of the Company prior to the listing of the Company’s shares on the Stock Exchange pro rata to the then existing shareholders in the Company.
- (iv) On 21 November 2019, 500,000,000 ordinary shares of HK\$0.01 each were issued by way of share offer at a price of HK\$0.25 per share (the “**Share Offer**”) for a total cash consideration of HK\$125,000,000 (equivalent to MOP128,938,000), before issuance cost. The excess of the Share Offer over the par value of the shares issued was credited to the share premium account of the Company.



## **Outlook and Prospects**

Looking ahead, although the outbreak of COVID-19 at the beginning of the year 2020 has exerted certain downward pressure on the overall economy in Macau, the Group, in face of such oppressive challenges, will continue to focus on local residential, office and school premises in Macau, with the expectation that the corresponding impact faced by the Group can be mitigated.

With the outstanding performance of the Macau government in fighting the epidemic, the epidemic was quickly brought under control, and Macau's overall economic activities have resumed normal in the second half of 2020. As a results of the introduction of the new COVID-19 vaccine, it is expected that the global epidemic will be further controlled in 2021, bringing about a global and Macau overall economic recovery, and making Macau's construction and fitting-out market return to its previous level of development.

In the Policy Address of the Government of the Macau Special Administrative Region for the financial year 2020, themed "Forge ahead and create new things together", the overall direction of governance is "Fighting the pandemic, safeguarding employment, stabilising the economy, caring for local people's livelihood, implementing reform, and facilitating development". Given the Macau government's outstanding performance in fighting the epidemic and determination to promote the development of Macau in the past, the Group looks forward to taking advantage of such opportunities to achieve stable development in the future.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS REVIEW**

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

#### **Fitting-out works**

The Group provides fitting-out works for both new buildings and existing buildings in Macau. A fitting-out project involves shop drawing, procurement of materials, execution of fitting-out works, site supervision, management of subcontractors and overall project management. As at 31 December 2019, the Group had 20 fitting-out projects in progress, and for the year ended 31 December 2020, the Group was awarded 66 new fitting-out projects, of which, 58 fitting-out projects have been practically completed, and 28 fitting-out projects are still in progress.

#### **Construction works**

A construction project involves works including foundation works, and buildings services systems installation. The Group is also responsible for structural calculation and shop drawing, procurement of materials, site supervision, management of subcontractors and overall project management. The Group may subcontract site works to other subcontractors, including but not limited to, foundation works and building services systems installation. As at 31 December 2019, the Group had two construction projects in progress, and for the year ended 31 December 2020, the Group was awarded six new construction projects, of which, one construction project has been practically completed, and seven construction projects are still in progress of which one is operated under joint operation.

#### **Repair and maintenance works**

The Group also provides repair and maintenance services for existing properties in Macau on (i) as-needed basis; and (ii) regularly over a fixed period. Repair and maintenance services provided by the Group include repair or replacement of interior decorative parts, as well as other works for building services systems such as installation of CCTV systems and air-conditioning systems. As at 31 December 2019, the Group had two repair and maintenance projects in progress, and for the year ended 31 December 2020, the Group was awarded five new repair and maintenance projects, of which, four repair and maintenance projects have been practically completed, and three repair and maintenance projects are still in progress.

In summary, the Group had 38 projects still in progress for the year ended 31 December 2020, of which, 21 projects were public sector projects and 17 projects were private sector projects in terms of the types of project employers. The Group will continue to strive for balance between the development of public sector projects and private sector projects.

## FINANCIAL REVIEW

### Revenue

The following table sets forth a breakdown of the Group's revenue and the percentage of total revenue by the type of works for the years ended 31 December 2020 and 2019:

	Year ended 31 December			
	2020	2019	2020	2019
	<i>MOP'000</i>	<i>MOP'000</i>	Percentage of total revenue	Percentage of total revenue
Fitting-out works	296,632	455,864	86.5%	97.5%
Construction works	46,066	11,122	13.4%	2.4%
Repair and maintenance works	319	421	0.1%	0.1%
Total	<u>343,017</u>	<u>467,407</u>	<u>100.0%</u>	<u>100.0%</u>

For the year ended 31 December 2020, the revenue of the Group amounted to approximately MOP343,017,000, representing a decrease of approximately 26.6% from approximately MOP467,407,000 for the year ended 31 December 2019 mainly attributable to a decrease of approximately 34.9% in revenue derived from fitting-out works. Such decrease was mainly attributable to (i) delay in the progress of the Group's on-going projects due to delay in construction materials delivery from Mainland China amid the COVID-19 pandemic; and (ii) a decrease in contract amount of new projects awarded to the Group to approximately MOP114,206,000 (2019: MOP 403,141,000) due to the COVID-19 pandemic.

### Cost of services

Cost of services includes subcontracting fees, staff costs, material costs and others. The total cost of services decreased by approximately 21.3% from approximately MOP373,389,000 for the year ended 31 December 2019 to approximately MOP293,970,000 for the year ended 31 December 2020, which was basically in line with the decrease in revenue.

## Gross profit and gross profit margin

The following table sets forth the Group's gross profit and gross profit margin by the type of works for the years ended 31 December 2020 and 2019:

	Year ended 31 December			
	2020		2019	
	Gross profit <i>MOP'000</i>	Gross profit margin %	Gross profit <i>MOP'000</i>	Gross profit margin %
Fitting-out works	47,151	15.9	91,972	20.2
Construction works	1,809	3.9	1,974	17.7
Repair and maintenance works	87	27.4	72	17.1
Total	<u>49,047</u>	14.3	<u>94,018</u>	20.1

The Group's gross profit decreased by approximately 47.8% from approximately MOP94,018,000 for the year ended 31 December 2019 to approximately MOP49,047,000 for the year ended 31 December 2020, which was mainly attributable to the economic downturn during the pandemic in Macau.

The gross profit margin of fitting-out works decreased from approximately 20.2% for the year ended 31 December 2019 to approximately 15.9% for the year ended 31 December 2020, which was mainly attributable to (i) the Group bidding for new projects at relatively competitive prices due to the limited number of new projects available for bidding in light of the stagnation of the construction industry in Macau; and (ii) increased labour cost attributable to the Macau government tightening quotas for hiring foreign labours in light of increasing unemployment and under-employment rates in Macau, leading the Group to hire an unexpected higher number of local labours, whose salaries are normally higher than that of foreign labours.

The gross profit margin of construction works decreased from approximately 17.7% for the year ended 31 December 2019 to approximately 3.9% for the year ended 31 December 2020, mainly due to the recent construction works undertaken by the Group involved larger foundation work and the Group aimed to expand its market share in the construction market in Macau and offered a relatively competitive price.

## **Other income**

The Group's other income for the year was approximately MOP2,208,000 (2019: approximately MOP1,890,000), which included (i) interest income of approximately MOP1,548,000 (2019: approximately MOP1,225,000); and (ii) government grants of approximately MOP655,000 (2019: Nil).

## **Impairment loss on financial assets**

Impairment loss recognised on financial assets for the year ended 31 December 2020 was mainly attributable to impairment on trade and retention receivables from debtors in Macau amounting to a total of approximately MOP1,617,000 (2019: Nil).

## **Administrative and other operating expenses**

The administrative and other operating expenses of the Group for the year amounted to approximately MOP25,528,000 (2019: approximately MOP19,546,000), representing an increase of approximately MOP5,982,000 or approximately 30.6% compared with the same period of last year. This was mainly due to (i) legal and professional fee increased by approximately MOP3,886,000 from approximately MOP768,000 for the year ended 31 December 2019 to approximately MOP4,654,000 for the year ended 31 December 2020. Such increase mainly attributable to the increase of the post-listing fee upon successful listing on 21 November 2019; and (ii) the increase in the total staff costs of approximately MOP3,525,000 mainly due to the salary increment and directors' remuneration during the year of 2020.

## **Finance costs**

The finance costs of the Group decreased from approximately MOP2,642,000 for the year ended 31 December 2019 to approximately MOP1,402,000 for the year ended 31 December 2020. Such decrease was mainly due to the repayment of bank borrowings of approximately MOP7,000,000 and approximately MOP35,000,000 in 2019 and 2020, respectively.

## **Income tax expense**

The income tax expense of the Group decreased from approximately MOP9,040,000 in financial year 2019 to approximately MOP2,693,000 in financial year 2020, the decrease was due to (i) the decrease in revenue and gross profit; and (ii) the increase in administrative and other operating expenses.

## **Profit for the year**

The Group's profit for the year attributable to owners of the Company decreased by approximately MOP31,459,000 from approximately MOP51,474,000 for the year ended 31 December 2019 to approximately MOP20,015,000 for the year ended 31 December 2020. Such decrease was mainly contributed by the decrease in revenue and gross profit and the increase in professional fee upon the successful listing of Shares on the Main Board of The Hong Kong Stock Exchange Limited (“**Listing**”).

## **LIQUIDITY AND FINANCIAL RESOURCES**

As at 31 December 2020, the Group had cash and cash equivalents of approximately MOP88,834,000 (2019: approximately MOP131,511,000), which represented the bank and cash balances of the Group, representing a decrease of approximately MOP42,677,000, mainly related to the usage of the net proceeds of approximately HK\$62,693,000 (approximately equivalent to MOP64,668,000) since the successful Listing. As at 31 December 2020, the Group's pledged bank deposits amounted to approximately MOP26,535,000 (2019: approximately MOP32,068,000).

As at 31 December 2020, no bank borrowing was retained by the Group (2019: approximately MOP35,000,000), and bank overdrafts amounted to approximately MOP16,404,000 (2019: approximately MOP11,213,000).

The Group's current and quick ratio was 3.0 (2019: 2.6). Current ratio is calculated as current assets divided by current liabilities as at the respective year end. Quick ratio is calculated as current assets excluding inventories divided by current liabilities as at the respective year end. As the Group did not have any inventory on the consolidated statement of financial position, the quick ratio was the same as the current ratio. The slight increase in the Group's current and quick ratio was mainly due to the full repayment of the bank borrowing during the year ended 31 December 2020.

The Group's gearing ratio was 6.1% (2019: 18.0%), which was calculated as total debt divided by total equity as at the end of financial year 2020. The decrease in the gearing ratio was mainly due to the full repayment of the bank borrowing during the year ended 31 December 2020.

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

## **DEBTS AND CHARGE ON THE GROUP'S ASSETS**

As at 31 December 2020, the bank overdrafts and unutilised bank facilities of the Group were approximately MOP16,404,000 and MOP142,263,000, respectively, which have been secured by pledged bank deposits and the Company's corporate guarantee.

## **TREASURY POLICY**

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

## **CAPITAL STRUCTURE**

The Shares were listed on the Main Board of the Stock Exchange on 21 November 2019 and the Company's capital structure has not changed since then. The capital structure of the Company consists of issued share capital, share premium, statutory reserve and retained earnings.

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

For the year ended 31 December 2020, the Group did not hold any significant investments, and made no material acquisitions or disposals of its subsidiaries and associates.

## **FUTURE PLANS FOR SIGNIFICANT INVESTMENTS**

Save as disclosed in the section headed "Future Plans and Use of Proceeds" in the prospectus, as at 31 December 2020, the Group did not have any future plans for significant investments.

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

The net proceeds from the share offer were approximately HK\$91,771,000 (approximately equivalent to MOP94,661,000) (after deduction of underwriting fees and related listing expenses), of which approximately HK\$62,693,000 had been utilised as of 31 December 2020 as follows:

<b>Intended use</b>	<b>Actual amount of net proceeds <i>HK\$'000</i></b>	<b>Amount utilised as of 31 December 2020 <i>HK\$'000</i></b>	<b>Remaining balance as at 31 December 2020 <i>HK\$'000</i></b>	<b>Expected timeline of full utilisation of the remaining balance as at 31 December 2020</b>
To finance our fitting-out and construction projects in Macau	62,693	62,693	—	31 December 2021
To increase our workforce	15,967	—	15,967	30 June 2021
To purchase machinery and equipment	13,111	—	13,111	
	<u>91,771</u>	<u>62,693</u>	<u>29,078</u>	

As at 31 December 2020, the unutilised net proceeds from the share offer had been deposited in the bank account(s) of the Group.

## EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2020, the Group had 63 (2019: 56) employees, and most of the employees were stationed in Macau.

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



The Company adopted a share option scheme (“**Scheme**”) on 24 October 2019 which was valid and effective for 10 years from its date of adoption and under which the Company may grant options to, among others, employees of the Group to subscribe for the Shares as a reward for their contribution and to encourage them to work towards enhancing the value of the Company and its Shares for the benefit of the Company and the Shareholders as a whole. During the year ended 31 December 2020, no share option was granted under the Scheme (2019: Nil).

## **CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES**

As at 31 December 2020, the Group had no capital commitment (2019: Nil). As at 31 December 2020, the Group had contingent liabilities of approximately MOP78,792,000 (2019: approximately MOP82,965,000) mainly represent bank guarantees given to potential customers for an invitation to tender and performance bonds given to customers for due and proper performance of projects. The decrease was primarily due to the release of bank guarantee given to potential customers for an invitation to tender.

## **FOREIGN EXCHANGE EXPOSURE**

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

## **RECENT DEVELOPMENT**

### **Rename of subsidiary to Huarchi Global Design Corporation Limited**

The Group’s subsidiary, Huarchi Global Construction Corporation Limited, was renamed to Huarchi Global Design Corporation Limited (“**Huarchi Global Design**”) on 28 December 2020. Huarchi Global Design will be focusing on design business including but not limited to architectural design, interior design, landscape design, graphic design and product design, etc. Mr. Chan Leong (“**Mr. Chan**”) and his team joined Huarchi Global Design on 23 December 2020 and is responsible for daily administrative management, laying a strong foundation for the Group’s anticipated growing design business.

Mr. Chan was previously a director of certain subsidiaries of the Group prior to the Listing and left the Group on 22 January 2016 to focus on his personal career. As the Group is anticipating a growth of design business in the future, we have invited Mr. Chan to join Huarchi Global Design.

## **Incorporation of subsidiaries in Hengqin, Zhuhai**

In order to comply with the national policy of developing the Guangdong-Hong Kong-Macao Greater Bay Area, Zhuhai Hengqin has been built as a demonstration zone for a new model of cooperation between Guangdong, Hong Kong and Macau. In order for Macau to participate in the construction of the Guangdong-Hong Kong-Macao Greater Bay Area and integrate into the country's development, a number of Hengqin-benefit-Macao policies have been introduced, to better position the Group to capture future opportunities in this regard, the Group has established two wholly-owned subsidiaries in Hengqin, Zhuhai of the People's Republic of China ("PRC") in March 2021, namely 華聯創基(珠海橫琴)建築工程有限公司 and 華記環球(珠海橫琴)建築設計顧問有限公司. The intended principal activities of 華聯創基(珠海橫琴)建築工程有限公司 are provision of construction, fitting-out and repair and maintenance works. The intended principal activity of 華記環球(珠海橫琴)建築設計顧問有限公司 is provision of design services. The Group hopes to rely on the development of the country to find new opportunities in the Guangdong-Hong Kong-Macao Greater Bay Area and Mainland China.

## **Awarded contract under joint tender**

The Group has recently been awarded a public sector construction project in late 2020 with contract sum of approximately MOP1,076,000,000 under joint tendering.

The Group is coordinating the working scope and operation model with the joint-tendering party for the said project. Depending on the outcome of the coordination, the operation mode would either be (i) to jointly operate and share the interest in an agreed percentage or (ii) to act as a subcontractor in the construction project.

The Group has recently been actively exploring new opportunities to participate in construction projects in Macau. The said newly awarded construction project, serves as a great stepping stone for the Group to expand and gain more exposure in the Macau construction market.

## **Intention to expand the Group's business scope**

The Group continues to explore business opportunities beyond the Group's current business scope. If the right opportunities arise, the Group is open to invest in any aspect of business in Macau and Mainland China. We hope that the plan could move forward and initiate a new page for the Group.

## **Resignation of an executive director, changes of company secretary, chief financial officer and authorised representatives**

Mr. Leong Ka In ("Mr. Leong") has resigned as an executive Director of the Company due to his desire to devote more time to his personal affairs and other business commitments with effect from 31 December 2020.

Mr. Wong Yat Chung (“**Mr. Wong**”) has tendered his resignation as the company secretary (the “**Company Secretary**”) and the chief financial officer of the Company and ceased to act as an authorised representative of the Company for the purpose of Rule 3.05 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and an authorised representative of the Company for accepting service of process or notice in Hong Kong on its behalf under the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (the “**Companies Ordinance**”) with effect from 1 January 2021.

## **DIRECTORS’ AND CONTROLLING SHAREHOLDERS’ INTERESTS IN COMPETING BUSINESSES**

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

## **ANNUAL GENERAL MEETING**

The annual general meeting of the Company is proposed to be held on Monday, 31 May 2021 (the “**AGM**”). A notice convening the AGM will be published and despatched in the manner as required by the Listing Rules and the articles of association of the Company in due course.

## **DIVIDEND**

At the Board meeting held on Wednesday, 31 March 2021, the Board recommended the payment of a final dividend of HK2.5 cents (approximately equivalent to MOP2.6 cents) per ordinary share (the “**Final Dividend**”) for the year ended 31 December 2020, subject to approval by the shareholders at the AGM.

The Final Dividend (if approved by the shareholders at the AGM) will be paid on or around Tuesday, 22 June 2021 to the shareholders whose names appear on the register of members of the Company on Friday, 4 June 2021.

## **CLOSURE OF REGISTER OF MEMBERS**

### **(a) Attending the AGM**

For the purpose of determining the Shareholders' rights to attend and vote at the AGM, the register of members of the Company will be closed from Wednesday, 26 May 2021 to Monday, 31 May 2021, both days inclusive, during which period no transfer of the Shares will be registered.

In order to be eligible to attend and vote at the AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Tuesday, 25 May 2021.

### **(b) Payment of the proposed Final Dividend**

For the purpose of determining the Shareholders' entitlement to the proposed Final Dividend for the year ended 31 December 2020, the register of members of the Company will be closed on Friday, 4 June 2021 and no transfer of shares of the Company will be registered during that date.

In order to be qualified for the proposed Final Dividend for the year ended 31 December 2020, all transfer documents, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Thursday, 3 June 2021.

## **COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE**

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

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

During the Reporting Period, the Company has not separated the roles of chairman and chief executive officer of the Company. Mr. Lou is acting as the chairman of the Board and our managing director, who in practice operates as the chief executive of our Group. Our Directors are of the view that, Mr. Lou has been a key leadership figure of our Group and engaging with the overall management and in formulating our business plans and

operating strategies, and our Group has benefited from Mr. Lou's extensive business network in the Macau construction industry and his technical expertise in the engineering fields. As such, our Directors are of the view that it would be in our Group's best interest for Mr. Lou to continue performing the two roles in terms of effective management and business development. Our Directors further believe that the balance of power and authority is adequately ensured by the operations of the Board, which comprises experienced and high-calibre individuals, with three of them being independent non-executive directors.

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

The Board will continue to review and consider splitting the roles of chairman of the Board and chief executive officer of the Company at a time when it is appropriate and suitable by taking into account the circumstances of the Group as a whole.

## **DIRECTORS' SECURITIES TRANSACTIONS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its code of conduct regarding securities transactions by the Directors. All Directors have confirmed, following specific enquiry by the Company, that they have complied with the required standard as set out in the Model Code throughout the Reporting Period.

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

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

## **EVENT AFTER THE REPORTING PERIOD**

- (i) On 4 March 2021, the Company has through its wholly owned subsidiaries, AD&C Engineering & Construction Company Limited and Huarchi Global Design incorporated two new wholly owned subsidiaries in the PRC, 華聯創基(珠海橫琴)建築工程有限公司 and 華記環球(珠海橫琴)建築設計顧問有限公司, respectively. The registered share capital of 華聯創基(珠海橫琴)建築工程有限公司 and 華記環球(珠海橫琴)建築設計顧問有限公司 are RMB1,000,000 for each. The intended principal activities of 華聯創基(珠海橫琴)建築工程有限公司 are provision of construction, fitting-out and repair and maintenance works. The intended principal activity of 華記環球(珠海橫琴)建築設計顧問有限公司 is provision of design services.

- (ii) Save for the proposing of the Final Dividend for the year ended 31 December 2020 as disclosed in Note 10, the Board has not identified any important events affecting the Group that have occurred since the end of the Reporting Period.

## **REVIEW OF ACCOUNTS**

The Group's results for the year ended 31 December 2020 have been reviewed by the audit committee of the Board.

## **SCOPE OF WORK OF INDEPENDENT AUDITOR**

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 2020 included in this preliminary results announcement have been agreed by the Group's independent auditor, Wellink CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Wellink 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 Wellink CPA Limited on this preliminary results announcement.

## **PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY**

This annual results announcement is published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.huarchi.com](http://www.huarchi.com)). The annual report of the Company for the year ended 31 December 2020 containing all the information required by the Listing Rules will be dispatched to its shareholders and posted on the above websites in due course.

By order of the Board  
**Huarchi Global Group Holdings Limited**  
**Lou Cheok Meng**  
*Chairman and Managing Director*

Hong Kong, 31 March 2021

*As at the date of this announcement, Mr. Lou Cheok Meng, Mr. Chang Wa Jeong and Mr. Ao Weng Kong are the executive directors of the Company; and Dr. Lam Chi Kit BBS MH JP, Dr. Sin Wai Chiu Joseph and Mr. Lo Chun Chiu Adrian are the independent non-executive directors of the Company.*