

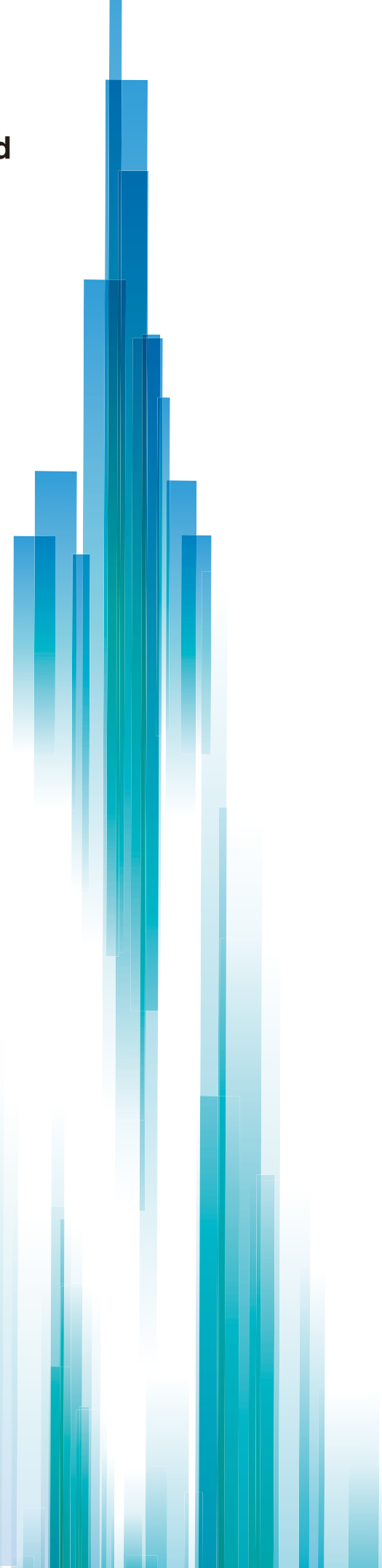


Huarchi Global Group Holdings Limited 華記環球集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock code : 2296

Interim
Report
2021



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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. LOU Cheok Meng
(*Chairman and Managing Director*)
Mr. CHANG Wa leong
Mr. AO Weng Kong

Independent Non-executive Directors

Dr. LAM Chi Kit *BBS MH JP*
Dr. SIN Wai Chiu Joseph
Mr. LO Chun Chiu Adrian

AUDIT COMMITTEE

Dr. SIN Wai Chiu Joseph (*Chairman*)
Dr. LAM Chi Kit *BBS MH JP*
Mr. LO Chun Chiu Adrian

REMUNERATION COMMITTEE

Mr. LO Chun Chiu Adrian (*Chairman*)
Mr. LOU Cheok Meng
Dr. LAM Chi Kit *BBS MH JP*

NOMINATION COMMITTEE

Dr. LAM Chi Kit *BBS MH JP* (*Chairman*)
Dr. SIN Wai Chiu Joseph
Mr. LOU Cheok Meng

COMPANY SECRETARY

Ms. CHEUNG Hoi Fun

AUTHORISED REPRESENTATIVE

Mr. LOU Cheok Meng
Mr. CHAN Wai Lun
(alternate to Mr. Lou)
Ms. CHEUNG Hoi Fun

AUDITOR

Wellink CPA Limited, Certified Public
Accountants

LEGAL ADVISER

As to Macau laws:
Rato, Ling, Lei & Cortés — Advogados
Av. da Amizade, n. 555
Edif. Macau Landmark
Office Tower, 23. andar
Macau

PRINCIPAL BANKERS

Luso International Banking Ltd.
China Guangfa Bank Macau Branch
Bank of China Limited Macau Branch
Macau Chinese Bank

REGISTERED OFFICE

Windward 3, Regatta Office Park
PO Box 1350
Grand Cayman KY1-1108
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

905B, 9/F.
Harbour Crystal Centre
100 Granville Road
Tsim Sha Tsui Kowloon
Hong Kong

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN MACAU

Alameda Dr. Carlos d'Assumpção No. 249
Edif. China Civil Plaza 7 Andar E&F
Macau

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Ocorian Trust (Cayman) Limited
Windward 3, Regatta Office Park
PO Box 1350
Grand Cayman KY1-1108
Cayman Islands

Corporate Information

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG STOCK EXCHANGE STOCK CODE

2296

WEBSITE

www.huarchi.com

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2021

RESULTS

The board of directors (the “**Directors**”) (the “**Board**”) of Huarchi Global Group Holdings Limited (the “**Company**”) presents the unaudited condensed consolidated interim results of the Company and its subsidiaries (together as the “**Group**”) for the six months ended 30 June 2021, together with the relevant comparative figures as follows:

	Notes	Six months ended 30 June	
		2021 MOP'000 (unaudited)	2020 MOP'000 (unaudited)
Revenue	4	189,197	154,906
Cost of services		(150,719)	(120,724)
Gross profit		38,478	34,182
Other income, net		116	1,319
Administrative and other operating expenses		(12,010)	(14,599)
Finance costs		(1,123)	(1,036)
Profit before taxation		25,461	19,866
Income tax expense	6	(4,116)	(2,874)
Profit and total comprehensive income for the period attributable to owners of the Company	7	21,345	16,992
Earnings per share attributable to owners of the Company			
– Basic	9	MOP1.10 cents	MOP0.85 cents
– Diluted	9	MOP1.10 cents	MOP0.85 cents

Condensed Consolidated Statement of Financial Position

At 30 June 2021

	Notes	At 30 June 2021 MOP'000 (unaudited)	At 31 December 2020 MOP'000 (audited)
Non-current assets			
Plant and equipment	10	2,720	279
Right-of-use assets	10	2,352	421
		5,072	700
Current assets			
Trade and other receivables	11	248,219	259,557
Amount due from ultimate holding company		—*	—*
Contract assets	12	111,138	37,219
Pledged bank deposits		45,464	26,535
Bank balances and cash		39,859	88,834
		444,680	412,145
Current liabilities			
Trade and other payables	13	(86,724)	(102,789)
Contract liabilities	12	(9,346)	(12,582)
Lease liabilities		(997)	(365)
Tax payable		(7,701)	(3,586)
Bank overdrafts		(21,782)	(16,404)
Bank borrowings		(75,000)	—
		(201,550)	(135,726)
Net current assets		243,130	276,419
Total assets less current liabilities		248,202	277,119
Non-current liabilities			
Lease liabilities		(1,347)	(34)
Net assets		246,855	277,085
Capital and reserves			
Share capital	14	20,630	20,630
Reserves		226,225	256,455
Total equity attributable to owners of the Company		246,855	277,085

* The balances represent amount less than MOP1,000

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2021

	Share capital MOP'000	Share premium MOP'000	Merger reserve MOP'000 (Note (i))	Legal reserve MOP'000 (Note (ii))	Capital reserve MOP'000	Retained earnings MOP'000	Total MOP'000
At 1 January 2020 (audited)	20,630	117,417	103	395	9,349	109,176	257,070
Profit and total comprehensive income for the period	-	-	-	-	-	16,992	16,992
At 30 June 2020 (unaudited)	20,630	117,417	103	395	9,349	126,168	274,062
At 1 January 2021 (audited)	20,630	117,417	103	395	9,349	129,191	277,085
Profit and total comprehensive income for the period	-	-	-	-	-	21,345	21,345
Dividend recognised as distribution	-	-	-	-	-	(51,575)	(51,575)
At 30 June 2021 (unaudited)	20,630	117,417	103	395	9,349	98,961	246,855

Notes:

(i) **Merger reserve**

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

(ii) **Legal reserve**

In accordance with the Article 377 of the Commercial Code of Macau Special Administrative Region, the subsidiaries registered under private limited liability companies by quotas in Macau are required to transfer part of their profits of each accounting period of not less than 25% to legal reserve, until the amount reaches half of the respective share capital.

In accordance with the Article 432 of the Commercial Code of Macau Special Administrative Region, a subsidiary registered under a public company by shares (in Chinese "股份有限公司") in Macau is required to transfer part of its profits of each accounting period of not less than 10% to legal reserve until the amount reaches a quarter of the respective share capital.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2021

	Six months ended 30 June	
	2021 MOP'000 (unaudited)	2020 MOP'000 (unaudited)
Net cash (used in)/generated from operating activities	(54,857)	3,875
Investing activities		
Purchase of plant and equipment	(2,713)	–
(Increase)/decrease in pledged bank deposits	(18,929)	8,482
Interest received	220	692
Net cash (used in)/generated from investing activities	(21,422)	9,174
Financing activities		
Repayment of lease liabilities	(376)	(189)
Repayment of bank borrowings	–	(5,000)
Bank overdrafts	5,378	(2,057)
Dividend paid	(51,575)	–
Interest paid	(1,123)	(1,036)
New bank borrowings raised	75,000	–
Net cash generated from/(used in) financing activities	27,304	(8,282)
Net (decrease)/increase in cash and cash equivalents	(48,975)	4,767
Cash and cash equivalents at the beginning of the period	88,834	131,511
Cash and cash equivalents at the end of the period	39,859	136,278

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2021

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 Windward 3, Regatta Office Park, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands. The address of its principal place of business in Hong Kong is 905B, 9/F., Harbour Crystal Centre, 100 Granville Road, Tsim Sha Tsui, Kowloon, Hong Kong. The address of its headquarter and principal place of business in Macau is Alameda Dr. Carlos d'Assumpção No. 249 Edif. China Civil Plaza 7 Andar E&F Macau. The issued ordinary shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 21 November 2019. The ultimate holding company of the Company is Seong Wa Holdings Limited ("**Seong Wa**"), which was incorporated in the British Virgin Islands ("**BVI**").

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

These unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2021 (the "**Condensed Consolidated Interim Financial Statements**") are presented in Macau Pataca ("**MOP**") which is same as the functional currency of the Company and all values are rounded to the nearest thousand except otherwise indicated.

2. BASIS OF PREPARATION

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

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

The unaudited Condensed Consolidated Interim Financial Statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the annual report of the Company for the year ended 31 December 2020.

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

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2021

3. PRINCIPAL ACCOUNTING POLICIES

The accounting policies and methods of computation used in the unaudited Condensed Consolidated Interim Financial Statements are the same as those followed in the preparation of the Group's consolidated financial statements for the year ended 31 December 2020.

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards (the "HKFRSs") issued by the HKICPA that are relevant for the preparation of the Condensed Consolidated Interim Financial Statements and mandatorily effective for the current interim period beginning on or after 1 January 2021:

Amendments to HKFRS 9, HKAS 39, Interest Rate Benchmark Reform – Phase 2
HKFRS 7, HKFRS 4 and HKFRS 16

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

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

4. REVENUE

Revenue represents the 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 as follows:

	Six months ended 30 June	
	2021 MOP'000 (unaudited)	2020 MOP'000 (unaudited)
Contract revenue from fitting-out works	65,247	152,326
Contract revenue from construction works	123,901	2,473
Repair and maintenance works	49	107
Total	189,197	154,906

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2021

5. SEGMENT INFORMATION

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

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

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

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

(a) Segment revenue and profit

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

For the six months ended 30 June 2021

	Fitting-out works MOP'000 (unaudited)	Construction works MOP'000 (unaudited)	Repair and maintenance works MOP'000 (unaudited)	Total MOP'000 (unaudited)
Segment revenue – external	65,247	123,901	49	189,197
Segment results	31,904	6,572	2	38,478
Corporate expenses				(12,010)
Other income, net				116
Finance costs				(1,123)
Profit before taxation				25,461

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2021

5. SEGMENT INFORMATION (Continued)

(a) Segment revenue and profit (Continued)

For the six months ended 30 June 2020

	Fitting-out works MOP'000 (unaudited)	Construction works MOP'000 (unaudited)	Repair and maintenance works MOP'000 (unaudited)	Total MOP'000 (unaudited)
Segment revenue – external	152,326	2,473	107	154,906
Segment results	34,055	111	16	34,182
Corporate expenses				(14,599)
Other income, net				1,319
Finance costs				(1,036)
Profit before taxation				19,866

Segment results mainly represented profit earned by each segment, excluding income and expenses of the corporate function, which include certain other income, net, certain administrative and other 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 operation and the locations of the customers are mainly located in Macau.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2021

6. INCOME TAX EXPENSE

	Six months ended 30 June	
	2021 MOP'000 (unaudited)	2020 MOP'000 (unaudited)
Macau Complementary Tax – current period	4,116	2,874

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% (six months ended 30 June 2020: 16.5%) on the estimated assessable profit arising in Hong Kong.

Macau Complementary Tax is calculated at 12% (six months ended 30 June 2020: 12%) of the estimated assessable profits exceeding MOP600,000 for the period.

7. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2021 MOP'000 (unaudited)	2020 MOP'000 (unaudited)
Profit for the period has been arrived at after charging/(crediting):		
Cost of services	150,719	120,724
Other items:		
Depreciation of plant and equipment	272	55
Depreciation of right-of-use assets	389	194
(Reversal of impairment)/impairment of trade receivables, net	(71)	423
Government subsidies in relation to Coronavirus Disease 2019 (“COVID-19”)	–	(600)

8. DIVIDENDS

The Directors do not recommend the payment of any interim dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: Nil).

A final dividend in respect of the year ended 31 December 2020 of HK2.5 cents (approximately equivalent to MOP2.6 cents) per share, in total HK\$50,000,000 (approximately equivalent to MOP51,575,000) (31 December 2019: Nil) was declared pursuant to the resolution passed by the Board on 31 March 2021 and the approval of the shareholders of the Company at the annual general meeting of the Company held on 31 May 2021. This final dividend was paid on 10 June 2021.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2021

9. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2021 MOP'000 (unaudited)	2020 MOP'000 (unaudited)
Earnings		
Earnings for the purpose of basic earnings per share	21,345	16,992
	Six months ended 30 June	
	2021 '000	2020 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	2,000,000	2,000,000

(a) Basic earnings per share

The calculation of the basic earnings per share is based on the profit for the period attributable to owners of the Company and weighted average number of shares in issue.

(b) Diluted earnings per share

The Company's bonus warrants issued during the current interim period could potentially dilute earnings per share in the future, but were not included in the calculation of diluted earnings per share because they are anti-dilutive during the current interim period.

10. MOVEMENTS IN PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

(a) Acquisition of plant and equipment

During the six months ended 30 June 2021, the Group acquired items of plant and equipment with a cost of approximately MOP2,713,000 (six months ended 30 June 2020: Nil).

(b) Right-of-use assets

During the six months ended 30 June 2021, the Group entered into lease agreements for use of offices, and therefore recognised additions to right-of-use assets of approximately MOP2,321,000 (30 June 2020: MOP777,000).

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2021

11. TRADE AND OTHER RECEIVABLES

	At 30 June 2021 MOP'000 (unaudited)	At 31 December 2020 MOP'000 (audited)
Trade receivables, net	111,071	123,542
Retention receivables, net	77,917	78,000
	188,988	201,542
Other receivables, prepayment and deposits (Note)	59,231	58,015
Total trade and other receivables	248,219	259,557

Note: Other receivables, prepayments and deposits included prepayment to suppliers and subcontractors of approximately MOP51,498,000 (31 December 2020: MOP49,477,000).

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

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

	At 30 June 2021 MOP'000 (unaudited)	At 31 December 2020 MOP'000 (audited)
Within 30 days	27,221	88,826
31 – 60 days	17,581	5,999
61 – 90 days	2,989	–
Over 90 days	63,280	28,717
	111,071	123,542

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2021

12. CONTRACT ASSETS AND CONTRACT LIABILITIES

	At 30 June 2021 MOP'000 (unaudited)	At 31 December 2020 MOP'000 (audited)
Disclosure of revenue-related items:		
Contract assets		
Provision of fitting-out works	7,050	27,377
Provision of construction works	104,088	9,842
	111,138	37,219
Contract liabilities		
Provision of fitting-out works	714	1,807
Provision of construction works	8,632	10,775
	9,346	12,582

The changes in contract assets and liabilities are due to i) adjustments arising from changes in the measure of progress of contracting work, or ii) reclassification to trade receivables when the Group has unconditional right to the consideration.

As at 30 June 2021, contract liabilities included receipt in advance from customers amounting to approximately MOP9,346,000 (31 December 2020: MOP12,582,000).

Contract assets as at the end of the reporting period are expected to be recovered after one year is MOP39,782,000 (31 December 2020: Nil), which is within the normal operation cycle and is classified as current.

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

Transaction prices allocated to the remaining performance obligations

The transaction prices allocated to the remaining performance obligations unsatisfied (or partially unsatisfied) as at 30 June 2021 of the amount approximately MOP199,356,000 (31 December 2020: MOP330,645,000) which are expected to be substantially recognised as revenue within 2 years (31 December 2020: within 1 year).

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2021

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.

	At 30 June 2021 MOP'000 (unaudited)	At 31 December 2020 MOP'000 (audited)
Trade payables	3,561	15,544
Retention payables (Note)	42,693	27,419
	46,254	42,963
Accrued contract costs	38,415	55,663
Accruals and other payables	2,055	4,163
	86,724	102,789

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

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

	At 30 June 2021 MOP'000 (unaudited)	At 31 December 2020 MOP'000 (audited)
Within 30 days	800	7,749
31 – 60 days	279	1,108
61 – 90 days	523	–
Over 90 days	1,959	6,687
	3,561	15,544

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

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2021

14. SHARE CAPITAL

(a) Shares

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

	30 June 2021 (unaudited)		31 December 2020 (audited)	
	Number of shares '000	Share capital MOP'000	Number of shares '000	Share capital MOP'000
Ordinary shares of HK\$0.01 each				
Authorised:				
At beginning of period/year and at end of period/ year	10,000,000	103,150	10,000,000	103,150
Issued and fully paid:				
At beginning of period/year and at end of period/ year	2,000,000	20,630	2,000,000	20,630

(b) Bonus warrants issue

On 30 April 2021, the Company had issued a circular relating to the bonus warrants issue (the "**Warrants**"), and obtained approval from the Listing Committee of the Stock Exchange for the listing of and permission to deal in the Warrants and new shares which may fall to be issued upon the exercise of the subscription rights attaching to the Warrants, the stock code of the Warrants is 1642.

The Warrants were issued to the qualifying shareholder on the basis of one Warrant for every five shares held on 14 May 2021 which may fall to be issued upon exercise of the subscription rights attaching to the Warrants. A total of 400,000,000 Warrants were issued by the Company to the shareholders pursuant to the Warrant, represented by the Warrant certificates. The Warrants was issued in registered form and each Warrants will entitle the holder thereof to subscribe in cash for 1 new share at an initial subscription price of HK\$1.50 per share during the subscription period from 27 May 2021 to 26 May 2022. As the date of this report, none of the Warrants were exercised.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2021

15. CONTINGENT LIABILITIES

At 30 June 2021, contingent liabilities not provided for in the period/year were as follows:

	At 30 June 2021 MOP'000 (unaudited)	At 31 December 2020 MOP'000 (audited)
Bank guarantees given to potential customers for an invitation to tender	14,903	18,574
Performance bonds given to customers for due and proper performance of projects undertaken by the Group's subsidiaries	59,309	60,218
	74,212	78,792

16. EVENT AFTER REPORTING PERIOD

There have been no material events occurring after 30 June 2021 and up to the date of this report.

17. APPROVAL OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The unaudited Condensed Consolidated Interim Financial Statements was approved and authorised for issue by the Board on 31 August 2021.

Management Discussion and Analysis

BUSINESS REVIEW AND OUTLOOK

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

The Group's revenue for the six months ended 30 June 2021 increased by approximately 22.1% to approximately MOP189,197,000 (six months ended 30 June 2020: MOP154,906,000).

Meanwhile, since the COVID-19 epidemic continues, there remains a significant degree of uncertainty over the severity and duration of the economic downturn in Macau. As at 30 June 2021, the transaction prices allocated to the remaining performance obligations of the Group amounted to approximately MOP199,356,000 (31 December 2020: MOP330,645,000).

However, along with the implementation of various epidemic prevention measures in Macau, the COVID-19 epidemic situation has remained steady and the overall economic activities in Macau have been recovering gradually, which leads to the Group's results of the current interim period better than the corresponding period of last year. The Group will continue to follow its fundamental development strategies of (i) strengthening the Group's financial capabilities to undertake more new and larger scale fitting-out and construction projects; and (ii) further improving our production capacity, capabilities and cost efficiency.

Fitting-out works

The Group provides fitting-out works for both new and existing buildings in Macau. Fitting-out projects involves shop drawing, interior design, procurement of materials, execution of fitting-out works, site supervision, management of subcontractors and overall project management. As at 31 December 2020, the Group had 28 fitting-out projects in progress, and for the six months ended 30 June 2021, the Group was awarded 16 new fitting-out projects, of which, 14 fitting-out projects have been practically completed, and 30 fitting-out projects are still in progress. During the current interim period, the Group was awarded 41 design projects, of which 27 design projects have been completed, and 14 projects are still in progress.

Management Discussion and Analysis

Construction works

Construction 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 2020, the Group had seven construction projects in progress, and for the six months ended 30 June 2021, four new construction projects were awarded and three construction projects have been practically completed, and eight construction projects are still in progress.

Repair and maintenance works

The Group also provides repair and maintenance services for existing properties in Macau on (i) as-needed basis; and (ii) regularly over a fixed period. Repair and maintenance services provided by the Group include repair or replacement of interior decorative parts, as well as other works for building services systems such as installation of CCTV systems and air-conditioning systems. As at 31 December 2020, the Group had three repair and maintenance projects in progress, and for the six months ended 30 June 2021, the Group was awarded four new repair and maintenance projects, all seven repair and maintenance projects are still in progress.

In summary, the Group had 59 projects still in progress as at 30 June 2021, of which, 30 projects were public sector projects and 29 projects were private sector projects in terms of the types of project employers. The Group will continue to strive to balance the development of public sector projects and private sector projects.

Management Discussion and Analysis

FINANCIAL REVIEW

Revenue

The following table sets forth a breakdown of the Group's revenue and the percentage of total revenue by the type of works for the six months ended 30 June 2021 and 2020:

	For the six months ended 30 June			
	2021 MOP'000	Percentage of total revenue	2020 MOP'000	Percentage of total revenue
Fitting-out works	65,247	34.5%	152,326	98.3%
Construction works	123,901	65.4%	2,473	1.6%
Repair and maintenance works	49	0.1%	107	0.1%
	189,197	100.0%	154,906	100.0%

For the six months ended 30 June 2021, the revenue of the Group amounted to approximately MOP189,197,000, representing an increase of approximately 22.1% from approximately MOP154,906,000 for the six months ended 30 June 2020 mainly attributable to an approximately 49 times more in construction works revenue than the same period of last year. Such increase mainly attributed to approximately MOP132,007,000 of contract sum from construction projects awarded during the current interim period, while approximately MOP299,727,000 unsatisfied performance obligations to be recognised subsequent to the year ended 31 December 2020, among others approximately MOP142,000,000 of a construction project would be cancelled.

Management Discussion and Analysis

Cost of services

Cost of services includes subcontracting fees, staff costs, material costs and others. The total cost of services increased by approximately 24.9% from approximately MOP120,724,000 for the six months ended 30 June 2020 to approximately MOP150,719,000 for the six months ended 30 June 2021, which was basically in line with the increase in revenue.

Gross profit and gross profit margin

The following table sets forth the Group's gross profit and gross profit margin by the type of works for the six months ended 30 June 2021 and 2020:

	For the six months ended 30 June			
	2021		2020	
	Gross profit	Gross profit	Gross profit	Gross profit
	MOP '000	margin	MOP '000	margin
		%		%
Fitting-out works	31,904	48.9%	34,055	22.4%
Construction works	6,572	5.3%	111	4.5%
Repair and maintenance works	2	4.1%	16	15.0%
	38,478	20.3%	34,182	22.1%

The Group's gross profit increased by approximately 12.6% from approximately MOP34,182,000 for the six months ended 30 June 2020 to approximately MOP38,478,000 for the six months ended 30 June 2021, which was mainly attributable to an increase in design projects with aggregate total contract sum of approximately MOP34.2 million awarded during the current interim period.

The gross profit margin of fitting-out works increased from approximately 22.4% for the six months ended 30 June 2020 to approximately 48.9% for the six months ended 30 June 2021, which was mainly attributable to 41 design projects awarded to the Group covering the Guangdong-Macao Greater Bay Area and major cities in the Mainland China with an aggregate total contract sum of approximately MOP34.2 million during the current interim period, most of which are fitting-out related projects such as shop drawings, architectural design etc., as a results of the increase of the design projects which generally has a higher gross profit margin than fitting-out or construction project as compare to the previous record of the Group.

The gross profit margin of construction works recorded a slightly increase from approximately 4.5% for the six months ended 30 June 2020 to approximately 5.3% for the six months ended 30 June 2021.

Management Discussion and Analysis

Other income, net

The Group's other income, net for the six months ended 30 June 2021 was approximately MOP116,000 (six months ended 30 June 2020: MOP1,319,000), which included (i) foreign exchange loss of approximately MOP104,000; and (ii) interest income of approximately MOP220,000.

Administrative and other operating expenses

The administrative and other operating expenses of the Group for the six months ended 30 June 2021 amounted to approximately MOP12,010,000 (six months ended 30 June 2020: MOP14,599,000), representing a decrease of approximately MOP2,589,000 or approximately 17.7% compared with the same period of last year. This was mainly due to the decrease of staff costs by approximately MOP3,498,000, mainly attributed to (i) decreased in the staff head count; and (ii) special bonus paid in the corresponding period of last year.

Finance costs

The finance costs of the Group for the six months ended 30 June 2021 to approximately MOP1,123,000 (six months ended 30 June 2020: MOP1,036,000). Finance costs was mainly attributed to the bank borrowings of approximately MOP75,000,000 for the six months ended 30 June 2021, of which approximately MOP25,000,000 and MOP50,000,000 was received in January 2021 and late May 2021 respectively.

Income tax expense

The income tax expense of the Group increased from approximately MOP2,874,000 for the six months ended 30 June 2020 to approximately MOP4,116,000 for the six months ended 30 June 2021, mainly due to the increase in profit before taxation of the Group.

Profit for the period

The Group's profit for the period attributable to owners of the Company increased by approximately MOP4,353,000 from approximately MOP16,992,000 for the six months ended 30 June 2020 to approximately MOP21,345,000 for the six months ended 30 June 2021. Such increase was the result of the combined effects of the aforementioned items.

Management Discussion and Analysis

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2021, the Group had cash and cash equivalents of approximately MOP39,859,000 (31 December 2020: MOP88,834,000), which represented the bank and cash balances of the Group. As at 30 June 2021, the Group's pledged bank deposits amounted to approximately MOP45,464,000 (31 December 2020: MOP26,535,000).

As at 30 June 2021, bank borrowings amounted to approximately MOP75,000,000 (31 December 2020: Nil), and bank overdrafts amounted to approximately MOP21,782,000 (31 December 2020: MOP16,404,000).

The Group's current and quick ratio was 2.2 (31 December 2020: 3.0). Current ratio is calculated as current assets divided by current liabilities at the end of reporting period. Quick ratio is calculated as current assets excluding inventories divided by current liabilities at the end of reporting period. As the Group did not have any inventory on the condensed consolidated statement of financial position, the quick ratio was the same as the current ratio and the Group maintains sufficient liquid asset and a healthy financial position.

The Group's gearing ratio was 40.2% (31 December 2020: 6.1%), which was calculated as total debt divided by total equity at the end of reporting period. The increase in the gearing ratio was mainly due to the increase in bank borrowings during the six months ended 30 June 2021.

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

DEBTS AND CHARGE ON THE GROUP'S ASSETS

As at 30 June 2021, the outstanding bank borrowings, bank overdrafts and unutilised bank facilities of the Group were approximately MOP75,000,000, MOP21,782,000 and MOP228,234,000, respectively, which were secured by the Group's pledged bank deposits and the Company's corporate guarantee.

TREASURY POLICY

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

Management Discussion and Analysis

CAPITAL STRUCTURE

There has been no change in the capital structure of the Company during the six months ended 30 June 2021. The capital structure of the Company consists of issued share capital, share premium, statutory reserve and retained earnings.

BONUS WARRANTS ISSUE

On 30 April 2021, the Company had issued a circular relating to the Warrants, and obtained approval from the Listing Committee of the Stock Exchange for the listing of and permission to deal in the Warrants and new shares which may fall to be issued upon the exercise of the subscription rights attaching to the Warrants, the stock code of the Warrants is 1642.

The Warrants were issued to the qualifying shareholder on the basis of one Warrant for every five shares held on 14 May 2021 which may fall to be issued upon exercise of the subscription rights attaching to the Warrants. A total of 400,000,000 Warrants were issued by the Company to the shareholders pursuant to the Warrant, represented by the Warrant certificates. The Warrants were issued in registered form and each Warrant will entitle the holder thereof to subscribe in cash for 1 new share at an initial subscription price of HK\$1.50 per share during the subscription period from 27 May 2021 to 26 May 2022. As at the date of this report, none of the Warrants were exercised.

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

For the six months ended 30 June 2021, the Group did not hold any significant investments, and made no material acquisitions or disposals of its subsidiaries and associates.

FUTURE PLANS FOR SIGNIFICANT INVESTMENTS

Save as disclosed in the section headed “Future Plans and Use of Proceeds” in the Prospectus, as at 30 June 2021, the Group did not have any other future plans for significant investments.

Management Discussion and Analysis

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS AND CHANGE IN 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 30 June 2021 as follows:

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

CHANGE IN USE OF PROCEEDS

As at 30 June 2021, the unutilised net proceeds amounted to approximately HK\$29.1 million (the "Unutilised Net Proceeds"). The Board having considered the business environment and recent development of the Group, resolved to change the use of the Unutilised Net Proceeds. Set out below is the utilisation of the net proceeds as at 30 June 2021 and the proposed change of use of the Unutilised Net Proceeds:

Intended use of Net Proceeds	Original approximate percentage of net proceeds as stated in the Prospectus	Revised approximate percentage of net proceeds	Unutilised amount of net proceeds up to 30 June 2021 (HK\$'000)	Revised allocation of Unutilised Net Proceeds (HK\$'000)	Expected timeline for fully utilising the remaining net proceeds
To finance the Group's fitting-out and construction projects in Macau	68.3%	100%	–	29,078	On or before 30 June 2022
To increase the Group's workforce	17.4%	–	15,967	–	Not Applicable
To purchase machinery and equipment	14.3%	–	13,111	–	Not Applicable
	100%	100%	29,078	29,078	

Management Discussion and Analysis

REASONS FOR THE CHANGE IN USE OF PROCEEDS

In order to facilitate the Group to undertake additional projects in the future, the Board has resolved to change the use of the net proceeds. The Unutilised Net Proceeds allocated for increasing the Group's workforce and purchasing machinery and equipment will be reallocated to finance the Group's fitting-out and construction projects in Macau.

The Group continuously submits tenders for new fitting-out and construction projects in Macau, which greater needs for working capital is expected to bear early stage payments for successful tender(s).

The outbreak of the COVID-19 pandemic has triggered an economic downturn in Macau and was a significant impact to the Macau's fitting-out and construction industry. As the COVID-19 epidemic continues, there remains a significant degree of uncertainty over the severity and duration of the economic downturn in Macau, as well as the trajectory of the economic recovery once the outbreak has been contained. In view of the aforesaid, the Board believes that it is financially prudent to strengthen the liquidity management of the Group in order to enhance its flexibility in responding to different challenges ahead. In particular, the Board considers that it is vital to ensure that the Group has sufficient working capital to support its ongoing projects in case of any unexpected material delay or disruption in projects implementation.

In light of the potential impact due to the outbreak of the COVID-19, the Board considers that the Group has genuine needs to enhance its reserve for financing its upcoming projects.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2021, the Group had 48 (31 December 2020: 63) employees, and most of the employees were stationed in Macau. The Group will enter into separate employment contracts with each of its employees in accordance with the applicable employment laws in Macau. The remuneration package offered to the Group's employees generally included basic salaries, bonuses and other cash allowances or subsidies. The Group determines the salary of its employees mainly based on each employee's qualifications, relevant experience, position and seniority having regard to the operating results of the Group and prevailing market condition.

Management Discussion and Analysis

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As at 30 June 2021, the Group had capital commitment of approximately CNY2,000,000 (31 December 2020: Nil). As at 30 June 2021, the Group had contingent liabilities of approximately MOP74,212,000 (31 December 2020: MOP78,792,000). The decrease was primarily due to the release of bank guarantee given to potential customers for an invitation to tender.

FOREIGN EXCHANGE EXPOSURE

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

DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: Nil)

A final dividend in respect of the year ended 31 December 2020 of HK2.5 cents (approximately equivalent to MOP2.6 cents) per share, HK\$50,000,000 (approximately equivalent to MOP51,575,000) (2019: Nil) in total was declared pursuant to the resolution passed by the Board on 31 March 2021 and the approval of the shareholders of the Company at the annual general meeting of the Company held on 31 May 2021. This final dividend was paid on 10 June 2021.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS

As at 30 June 2021, the interests and short positions of the directors and chief executives of the Company in the Shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which (a) were required to be notified to the Company and The Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they have taken or were deemed to have taken under such provisions of the SFO); or (b) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), to be notified to the Company and the Stock Exchange, were as follows:

Long position

Interests in shares and underlying shares of the Company or in an associated corporation of the Company

Name	Name of associated corporation	Capacity/Nature	Number of shares Interested	Number of underlying shares hold under equity derivatives	Approximate percentage of the issued share capital (Note 1)
Lou Cheek Meng ("Mr. Lou")	Seong Wa (Note 2)	Beneficial owner and direct interest in a controlled corporation	1,281,352,000 (L) (Note 2)	255,014,400 (L) (Note 2)	76.82%
			1,281,352,000 (L)	255,014,400	76.82%
Chang Wa leong ("Mr. Chang")	Seong Wa (Note 2)	Direct interest in a controlled corporation	72,115,200 (L) (Note 2)	14,423,040 (L) (Note 2)	4.33%
			72,115,200 (L)	14,423,040	4.33%
Ao Weng Kong ("Mr. Ao")	Seong Wa (Note 2)	Direct interest in a controlled corporation	192,307,200 (L) (Note 2)	38,461,440 (L) (Note 2)	11.54%
			192,307,200 (L)	38,461,440	11.54%

Other Information

Notes:

(L) denotes as long position

1. Total number of issued shares as at 30 June 2021 was 2,000,000,000 ordinary shares ("**Shares**").
2. On 11 February 2021, Mr. Lou, Mr. Ao, Mr. Chang and Mr. Leong Ka In ("**Mr. Leong**") entered into a deed of termination to terminate the Concerted Party Deed entered into among them on 15 May 2018. As a result, Each of Mr. Lou, Mr. Ao, Mr. Chang and Mr. Leong is no longer deemed to be interested in each others' interest in the Shares under the SFO.

1,201,920,000 Shares and 240,384,000 underlying Shares ("**Seong Wa Interested Shares**") held by Seong Wa, a company legally and beneficially owned as to 72% by Mr. Lou, 16% by Mr. Ao, 6% by Mr. Chang and 6% by Mr. Leong respectively, in which Mr. Ao and Mr. Chang are respectively deemed to be interested under the SFO at 11.54% and 4.33% of the issued shares of the Company. And, Mr. Lou is deemed to be interest under the SFO at 76.82% of the issued shares of the Company by Mr. Lou's beneficial ownership of 3,808,000 Shares and 761,600 underlying Shares, 75,624,000 Shares and 13,868,000 underlying Shares held by Ever Mighty Investments Limited and Seong Wa Interested Shares.

However, as Mr. Lou, Mr. Ao, Mr. Chang and Mr. Leong continue to restrict their ability to exercise direct control over the Company by holding their interests through Seong Wa, a common investment holding company, they (together with Seong Wa) continue to be a group of controlling shareholders of the Company pursuant to the Guidance Letter HKEx-GL89-16 issued by the Stock Exchange.

Save as disclosed above, as at 30 June 2021, none of the directors or chief executives of the Company, had any interests or short positions in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they have taken or were deemed to have taken under such provisions of the SFO); or (b) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save for those disclosed under the headings "Directors' and Chief Executives' Interests and Short Positions" above and "Share Option Scheme" below, at no time during the six months ended 30 June 2021 was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company (including their spouses and children under the age of 18) to acquire benefits by means of acquisition of Shares in or debentures of the Company or any other body corporate.

SHARE OPTION SCHEME

The Company has adopted a share option scheme (“**Scheme**”) on 24 October 2019 which was valid and effective for 10 years from its date of adoption. No options have been granted since the adoption of the Scheme and there was no share option outstanding as at 30 June 2021.

SUBSTANTIAL SHAREHOLDERS’ INTERESTS

As at 30 June 2021, the following persons (other than directors or chief executive of the Company) had interests or short positions in the Shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

Long position

Interests in shares and underlying shares of the Company

Name	Name of associated corporation	Capacity/Nature	Number of shares Interested	Number of underlying shares hold under equity derivatives	Approximate percentage of the issued share capital (Note 1)
Seong Wa	–	Beneficial owner (Note 2)	1,201,920,000 (L)	240,384,000 (L)	72.12%
Ace Hope Investments Limited (“ Ace Hope ”)	–	Beneficial owner (Note 3)	149,040,000 (L)	29,808,000 (L)	8.94%
Chen Qingling	Ace Hope	Interest in controlled corporation (Note 3)	149,040,000 (L)	29,808,000 (L)	8.94%
Talent Leap Investments Limited (“ Talent Leap ”)	–	Beneficial owner (Note 4)	149,040,000 (L)	29,808,000 (L)	8.94%
Wong Yat Tze	Talent Leap	Interest in controlled corporation (Note 4)	149,040,000 (L)	29,808,000 (L)	8.94%

Notes:

(L) denotes as long position

- Total number of issued shares as at 30 June 2021 was 2,000,000,000 ordinary shares.
- Ace Hope is a company incorporated in the BVI is wholly owned by Ms. Chen Qingling.
- Talent Leap is a company incorporated in the BVI is wholly owned by Ms. Wong Yat Tze.

Save as disclosed above, the directors of the Company are not aware of any other persons who, as at 30 June 2021, had interests or short positions in the Shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

Other Information

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2021.

CORPORATE GOVERNANCE

In the opinion of the Directors, the Company has complied with the code provisions set out in the Corporate Governance Code (the "**Code**") contained in Appendix 14 to the Listing Rules during the six months ended 30 June 2021, save for the deviation from code provision A.2.1 as disclosed below:

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

During the six months ended 30 June 2021, the Company has not separated the roles of chairman and chief executive officer of the Company. Mr. Lou is acting as the chairman of the Board and our managing director, who in practice operates as the chief executive of our Group. Our Directors are of the view that, Mr. Lou has been a key leadership figure of our Group and engaging with the overall management and in formulating our business plans and operating strategies, and our Group has benefited from Mr. Lou's extensive business network in the Macau construction industry and his technical expertise in the engineering fields. As such, our Directors are of the view that it would be in our Group's best interest for Mr. Lou to continue performing the two roles in terms of effective management and business development. Our Directors further believe that the balance of power and authority is adequately ensured by the operations of the Board, which comprises experienced and high-calibre individuals, with three of them being independent non-executive Directors, one of whom is a financial expertise.

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

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

COMPLIANCE DISCLOSURE OF THE DEED OF NON-COMPETITION

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

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

In addition, the independent non-executive Directors also evaluated the effective implementation of the Deed of Non-competition based on the fact that (i) no whistleblowing message has been received by the independent non-executive Directors for non-compliance of the Deed of Non-competition up to the date of this report; (ii) each of the executive Directors and Seong Wa respectively confirmed that they have complied with the terms of the Deed of Non-competition up to the date of this report during the board meeting held on 31 August 2021, with the presence of the independent non-executive Directors; and (iii) the independent non-executive Directors have reviewed the part of the Group’s internal control measures from the internal control review report for the year ended 31 December 2020, which was prepared by an external independent consultant, during the audit committee meeting held on 31 March 2021.

The independent non-executive Directors were satisfied with the compliance of the non-competition undertaking of each of the executive Directors and Seong Wa for the period ended 30 June 2021.

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

CHANGES IN DIRECTOR’S INFORMATION

There are no changes in the information of the Directors required to be disclosed pursuant to Rule 13.51(B) of the Listing Rules subsequent to the publication of the annual report of the Company for the year ended 31 December 2020.

Other Information

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

AUDIT COMMITTEE

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

By order of the Board

LOU Cheok Meng

Chairman and Managing Director

Hong Kong, 31 August 2021