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WAI HUNG GROUP HOLDINGS LIMITED

偉鴻集團控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 3321)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

HIGHLIGHTS

- For the year ended 31 December 2020, the revenue of the Group amounted to approximately MOP506.3 million, representing an increase of approximately 40.7% as compared to the revenue of last year (2019: MOP359.8 million), and the profit for the year ended 31 December 2020 was approximately MOP45.7 million, while profit for the year ended 31 December 2019 was approximately MOP37.9 million, representing an increase of approximately 20.6%.
- The Company's basic earnings per share for the year ended 31 December 2020 was approximately MOP9.1 cents (2019: MOP8.2 cents). Such increase was in line with the increase of the profit for the year when compared to the year ended 31 December 2019.
- The Board does not recommend the payment of final dividend for the year ended 31 December 2020.

The board (the “**Board**”) of directors (the “**Directors**”) of Wai Hung Group Holdings Limited (the “**Company**”) is pleased to announce the consolidated financial results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2020 together with the comparative figures for the year ended 31 December 2019.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

(Expressed in Macau Pataca)

	<i>Notes</i>	2020 <i>MOP'000</i>	2019 <i>MOP'000</i>
Revenue	3	506,266	359,767
Direct costs		<u>(425,897)</u>	<u>(283,729)</u>
Gross profit		80,369	76,038
Other income	4	2,241	717
Impairment loss recognised in respect of trade receivables		(1,205)	(31)
Impairment loss recognised in respect of contract assets		(1,319)	(39)
Administrative expenses		(25,211)	(22,504)
Finance costs	5	(2,071)	(914)
Listing expenses		<u>–</u>	<u>(7,411)</u>
Profit before taxation	6	52,804	45,856
Income tax expense	7	<u>(7,076)</u>	<u>(7,931)</u>
Profit for the year		45,728	37,925
Other comprehensive expense			
Item that may be subsequently reclassified to profit and loss:			
Exchange differences arising on translation of foreign operation		<u>22</u>	<u>(18)</u>
Profit and total comprehensive income for the year		<u>45,750</u>	<u>37,907</u>
Earnings per share			
Basic (<i>MOP cents</i>)	9	<u>9.1</u>	<u>8.2</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2020

(Expressed in Macau Pataca)

	Notes	2020 MOP'000	2019 MOP'000
Non-current assets			
Property and equipment		2,832	1,921
Right-of-use assets		787	448
Deposits		317	351
		<u>3,936</u>	<u>2,720</u>
Current assets			
Trade receivables	10	165,517	95,543
Other receivables, deposits and prepayments	11	96,970	84,579
Contract assets	12	144,740	103,089
Amount due from a related party		23	23
Pledged bank deposits		33,012	12,370
Bank balances and cash		54,744	29,314
		<u>495,006</u>	<u>324,918</u>
Current liabilities			
Trade and other payables and accruals	13	84,985	39,377
Contract liabilities	12	174	1,109
Tax payable		22,705	15,780
Bank borrowings		70,375	8,017
Bank overdrafts		13,702	2,440
Lease liabilities		672	365
		<u>192,613</u>	<u>67,088</u>
Net current assets		<u>302,393</u>	<u>257,830</u>
Total assets less current liabilities		<u>306,329</u>	<u>260,550</u>
Non-current liabilities			
Lease liabilities		128	99
NET ASSETS		<u>306,201</u>	<u>260,451</u>
CAPITAL AND RESERVES			
Share capital		5,150	5,150
Reserves		301,051	255,301
TOTAL EQUITY		<u>306,201</u>	<u>260,451</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

1. GENERAL INFORMATION

Wai Hung Group Holdings Limited (the “**Company**”) is a public limited company incorporated in the Cayman Islands as an exempted company and its shares are listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The Company’s immediate and ultimate holding company is Copious Astute Limited (“**Copious Astute**”), a limited company incorporated in the British Virgin Islands (“**BVI**”) with limited liability, and wholly-owned by Mr. Li Kam Hung. The address of the registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and the principal place of business of the Company in Macau is Alameda Dr. Carlos d’Assumpcao, No. 258 Praca Kin Heng Long, 16 Andar G–H, Macau.

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

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

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“**HKFRSs**”)

Amendments to HKFRSs that are mandatorily effective for the current year

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

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

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

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

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

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

New and amendments to HKFRSs in issue but not yet effective

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

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

¹ Effective for annual periods beginning on or after 1 January 2023

² Effective for annual periods beginning on or after 1 January 2022

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

⁴ Effective for annual periods beginning on or after 1 June 2020

⁵ Effective for annual periods beginning on or after 1 January 2021

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

Amendment to HKFRS 16 “COVID-19-Related Rent Concessions”

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

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

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

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

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

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

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

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that:
 - (i) the classification should not be affected by management intentions or expectations to settle the liability within 12 months; and
 - (ii) if the right is conditional on the compliance with covenants, the right exists if the conditions are met at the end of the reporting period, even if the lender does not test compliance until a later date; and
- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity’s own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying HKAS 32 “Financial Instruments: Presentation”.

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

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

3. REVENUE AND SEGMENT INFORMATION

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

Revenue

Timing of revenue recognition and category of revenue

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

Geographical information

	2020 <i>MOP'000</i>	2019 <i>MOP'000</i>
Macau	431,014	359,767
Hong Kong	75,252	–
	<u>506,266</u>	<u>359,767</u>

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

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

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

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

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

Transaction price allocated to the remaining performance obligations

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

	2020 <i>MOP'000</i>	2019 <i>MOP'000</i>
Provision of fitting-out services	<u>251,533</u>	<u>210,848</u>

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

Segment information

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

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

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

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

Segment revenue and results

Year ended 31 December 2020

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

Year ended 31 December 2019

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

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

Geographical information

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

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

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

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

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

Information about major customers

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

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

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

4. OTHER INCOME

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

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

5. FINANCE COSTS

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

6. PROFIT BEFORE TAXATION

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

7. INCOME TAX EXPENSE

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

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

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

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

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

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

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

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

8. DIVIDENDS

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

9. EARNINGS PER SHARE

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

	2020 <i>MOP'000</i>	2019 <i>MOP'000</i>
Earnings:		
Earnings for the purpose of calculating basic earnings per share (profit for the year attributable to owners of the Company)	<u>45,728</u>	<u>37,925</u>
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	<u>500,000</u>	<u>461,644</u>

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

10. TRADE RECEIVABLES

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

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

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

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

11. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

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

12. CONTRACT ASSETS AND CONTRACT LIABILITIES

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

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

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

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

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

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

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

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

13. TRADE AND OTHER PAYABLES AND ACCRUALS

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

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

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

	2020 <i>MOP'000</i>	2019 <i>MOP'000</i>
0–30 days	4,132	5,988
Over 90 days	<u>8,036</u>	<u>8,015</u>
	<u>12,168</u>	<u>14,003</u>

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

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

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

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

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

PROSPECTS

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

FINANCIAL REVIEW

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

Revenue

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

Direct costs

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

Gross profit

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

Other income

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

Impairment losses

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

Administrative expenses

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

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

Finance costs

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

Income tax expense

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

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

Profit for the year

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

CORPORATE FINANCE AND RISK MANAGEMENT

Liquidity, financial and capital resources

Cash position

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

Borrowings and charges on the Group's assets

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

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

Gearing ratio

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

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

Treasury policies

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

Currency risk

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

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

Capital structure

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

Capital commitments

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

Contingent liabilities

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

Material acquisitions and disposals

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

Significant investments held

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

Future plans for material investments

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

EMPLOYEES AND REMUNERATION POLICIES

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

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

SHARE OPTION SCHEME

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

USE OF PROCEEDS FROM SHARE OFFER

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

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

EVENTS AFTER THE REPORTING PERIOD

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

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

DIVIDEND

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

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

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S SECURITIES

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

CORPORATE GOVERNANCE

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2020 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

AUDIT COMMITTEE

The audit committee of the Company, comprising three independent non-executive Directors, namely Ms. Rita Botelho dos Santos, Mr. Lam Chi Wing and Mr. Wu Chou Kit, has reviewed with the management the audited annual results for the year ended 31 December 2020, accounting principles and practices adopted by the Group and discussed internal controls, risk management and financial reporting matters including a review of the audited annual financial information.

ANNUAL GENERAL MEETING

The forthcoming annual general meeting of the Company will be held on Thursday, 3 June 2021 ("AGM") and the Notice of AGM will be published and despatched in the manner as required by the Listing Rules.

CLOSURE OF REGISTER OF MEMBERS

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

PUBLICATION OF THE ANNUAL RESULTS AND ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2020 ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This announcement is published on the website of the Stock Exchange (www.hkexnews.hk) and the Company's website (www.whh.com.hk). The annual report for the year ended 31 December 2020 containing all the information required by the Listing Rules will be despatched to the shareholders and published on the respective websites of the Stock Exchange and the Company in due course.

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

Hong Kong, 25 March 2021

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