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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)**

## **INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2020**

### **HIGHLIGHTS**

- For the six months ended 30 June 2020, the revenue of the Group amounted to approximately MOP137.0 million, representing a decrease of approximately 42.6% as compared to the revenue of the corresponding period in 2019 (30 June 2019: MOP238.5 million), and the profit for the six months ended 30 June 2020 was approximately MOP14.5 million, while profit for the corresponding period in 2019 was approximately MOP18.2 million, representing a decrease of approximately 20.3%.
- The Company's basic earnings per share for the six months ended 30 June 2020 was approximately MOP3 cents (30 June 2019: MOP10 cents) based on the profit for the period attributable to owners of the Company of MOP14,502,000 (30 June 2019: MOP18,196,000) and the weighted average of 500,000,000 ordinary shares (30 June 2019: 190,608,354 shares).
- The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2020.

The board (the “**Board**”) of directors (the “**Directors**”) of Wai Hung Group Holdings Limited (the “**Company**”) is pleased to present the unaudited consolidated results of the Company and its subsidiaries (collectively the “**Group**”) for the six months ended 30 June 2020 (the “**Reporting Period**”), together with the comparative figures for the corresponding period in 2019.

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*For the six months ended 30 June 2020*

	<i>Notes</i>	<b>Six months ended 30 June</b>	
		<b>2020</b>	2019
		<b><i>MOP'000</i></b>	<i>MOP'000</i>
		<b>(Unaudited)</b>	(Unaudited)
Revenue	2	<b>136,972</b>	238,525
Direct costs		<b>(105,748)</b>	(195,147)
Gross profit		<b>31,224</b>	43,378
Other income		<b>1,264</b>	1,035
Other losses		<b>(61)</b>	(111)
Administrative expenses		<b>(14,383)</b>	(14,255)
Finance costs		<b>(717)</b>	(217)
Listing expenses		<b>–</b>	(7,267)
Profit before taxation	3	<b>17,327</b>	22,563
Income tax expense	4	<b>(2,825)</b>	(4,367)
Profit for the period attributable to owners of the Company		<b>14,502</b>	18,196
Other comprehensive (expense) income			
Item that may be subsequently reclassified to profit and loss:			
Exchange differences arising on translation of foreign operation		<b>(172)</b>	51
Profit and total comprehensive income for the period attributable to owners of the Company		<b>14,330</b>	18,247
Earnings per share			
Basic ( <i>MOP</i> )	5	<b>0.03</b>	0.10

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

	<i>Notes</i>	<b>30 June 2020 MOP'000 (Unaudited)</b>	31 December 2019 MOP'000 (Audited)
<b>Non-current assets</b>			
Property and equipment		<b>3,150</b>	1,921
Right-of-use assets		<b>630</b>	448
Deposits		<b>240</b>	351
		<b>4,020</b>	2,720
<b>Current assets</b>			
Trade receivables	6	<b>117,717</b>	95,543
Other receivables, deposits and prepayments	7	<b>87,872</b>	84,579
Contract assets		<b>121,738</b>	103,089
Amounts due from related parties		<b>23</b>	23
Pledged bank deposits		<b>12,394</b>	12,370
Bank balances and cash		<b>26,944</b>	29,314
		<b>366,688</b>	324,918
<b>Current liabilities</b>			
Trade and other payables and accruals	8	<b>48,375</b>	39,377
Contract liabilities		<b>1,580</b>	1,109
Tax payable		<b>18,598</b>	15,780
Bank borrowings		<b>19,457</b>	8,017
Bank overdrafts		<b>7,262</b>	2,440
Lease liabilities		<b>461</b>	365
		<b>95,733</b>	67,088
Net current assets		<b>270,955</b>	257,830
Total assets less current liabilities		<b>274,975</b>	260,550
<b>Non-current liabilities</b>			
Lease liabilities		<b>194</b>	99
Net assets		<b>274,781</b>	260,451
<b>Capital and reserves</b>			
Share capital		<b>5,150</b>	5,150
Reserves		<b>269,631</b>	255,301
Total equity		<b>274,781</b>	260,451

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

*For the six months ended 30 June 2020*

### **1. BASIS OF PREPARATION**

The Company was incorporated as an exempted company in the Cayman Islands on 9 April 2018. The address is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and the principal place of business in Hong Kong is Unit 13, 24th Floor, Honour Industrial Centre, 6 Sun Yip Street, Chai Wan, Hong Kong.

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 interim financial information has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard (HKAS) 34, Interim financial reporting, issued by the Hong Kong Institute of Certified Public Accountants (HKICPA). It was authorised for issue on 21 August 2020.

The interim financial information has been prepared in accordance with the same accounting policies adopted in the 2019 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2020 annual financial statements. Details of any changes in accounting policies are set out in note 2.

The preparation of interim financial information in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The interim financial information contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2019 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with HKFRSs.

The financial information relating to the financial year ended 31 December 2019 that is included in the interim financial report as comparative information does not constitute the Company's statutory annual consolidated financial statements for that financial year but is derived from those financial statements.

The accounting policies, basis of presentation and methods of computation used in preparing the interim financial report are consistent with those followed in preparing the Groups' annual consolidated financial statements for the year ended 31 December 2019, except for the adoption of the new or amended HKFRSs and HKASs which are first effective or available for early adoption for accounting periods beginning on or after 1 January 2020 as set out below.

The following new or amended HKFRSs and HKASs are adopted for the financial year beginning 1 January 2020, but have no material effect on the Group's reported results and financial position for the current and prior accounting periods.

- HKAS 1 (Revised) (Amendments), Presentation of Financial Statements
- HKAS 8 (Amendments), Accounting Policies, Changes in Accounting Estimates and Errors
- HKAS 39 (Amendments), Financial Instruments: Recognition and Measurement
- HKFRS 3 (Revised) (Amendments), Business Combinations
- HKFRS 7 (Amendments), Financial Instruments: Disclosures
- HKFRS 9 (2014) (Amendments), Financial Instruments
- HKFRS 16 (Amendments), Leases
- Conceptual Framework for Financial Reporting 2018

The Group has not early adopted any other new or amended HKFRSs and HKASs that are not yet effective for the current accounting period.

## 2. REVENUE AND SEGMENT INFORMATION

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

### Revenue

#### *Timing of revenue recognition and category of revenue*

	<b>Six months ended 30 June</b>	
	<b>2020</b>	2019
	<i>MOP'000</i>	<i>MOP'000</i>
	<b>(Unaudited)</b>	(Unaudited)
Recognised over time and short-term contracts:		
– provision of fitting-out services	<b>136,511</b>	237,968
Recognised over time and long-term contracts:		
– provision of repair and maintenance services	<b>461</b>	557
	<b>136,972</b>	238,525

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

## 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 services; and
- (b) 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*

*Six months ended 30 June 2020 (Unaudited)*

	<b>Fitting-out services MOP’000</b>	<b>Repair and maintenance services MOP’000</b>	<b>Total MOP’000</b>
Segment revenue	<u>136,511</u>	<u>461</u>	<u>136,972</u>
Segment results	<u>31,085</u>	<u>139</u>	31,224
Other income			1,264
Other losses			(61)
Administrative expenses			(14,383)
Finance costs			<u>(717)</u>
Profit before taxation			<u><u>17,327</u></u>

Six months ended 30 June 2019 (Unaudited)

	Fitting-out services <i>MOP'000</i>	Repair and maintenance services <i>MOP'000</i>	Total <i>MOP'000</i>
Segment revenue	237,968	557	238,525
Segment results	43,230	148	43,378
Other income			1,035
Other losses			(111)
Administrative expenses			(14,255)
Finance costs			(217)
Listing expenses			(7,267)
Profit before taxation			22,563

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, other losses, administrative expenses, finance costs, listing expenses and income tax expense.

### 3. PROFIT BEFORE TAXATION

#### Six months ended 30 June

	2020 <i>MOP'000</i> (Unaudited)	2019 <i>MOP'000</i> (Unaudited)
Profit before taxation has been arrived at after charging:		
Auditor's remuneration	550	500
Depreciation on right-of-use assets and depreciation on property and equipment	646	912

### 4. INCOME TAX EXPENSE

#### Six months ended 30 June

	2020 <i>MOP'000</i> (Unaudited)	2019 <i>MOP'000</i> (Unaudited)
Current Tax:		
Macau Complementary Income Tax	2,772	4,316
PRC Enterprise Income Tax	53	51
	2,825	4,367

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

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 periods.

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for both periods. No provision of Hong Kong Profits Tax was made as the subsidiaries in Hong Kong incurred tax losses during both periods.

## 5. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit for the period attributable to owners of the Company of MOP14,502,000 (six months ended 30 June 2019: MOP18,196,000) and the weighted average of 500,000,000 ordinary shares (six months ended 30 June 2019: 190,608,354 shares).

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

## 6. TRADE RECEIVABLES

The Group grants credit terms of 30–90 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:

	<b>30 June 2020 MOP'000 (Unaudited)</b>	31 December 2019 MOP'000 (Audited)
0–30 days	34,669	53,838
31–60 days	20,042	32,843
61–90 days	24,390	4,087
Over 90 days	38,720	4,846
	<u>117,821</u>	<u>95,614</u>
Less: Impairment loss allowance	(104)	(71)
	<u><b>117,717</b></u>	<u><b>95,543</b></u>

## 7. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	<b>30 June 2020 MOP'000 (Unaudited)</b>	31 December 2019 MOP'000 (Audited)
Rental deposits	379	342
Deposit paid for acquisition of property and equipment	–	134
Deposits paid for tenders	32,261	38,894
Prepayments to subcontractors	52,946	45,385
Other receivables	2,526	175
	<u>88,112</u>	<u>84,930</u>
Total	<u><b>88,112</b></u>	<u><b>84,930</b></u>
Presented as non-current assets	240	351
Presented as current assets	87,872	84,579
	<u><b>88,112</b></u>	<u><b>84,930</b></u>
Total	<u><b>88,112</b></u>	<u><b>84,930</b></u>



## 8. TRADE AND OTHER PAYABLES AND ACCRUALS

The credit period granted 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:

	<b>30 June 2020 MOP'000 (Unaudited)</b>	31 December 2019 MOP'000 (Audited)
0–30 days	<b>11,630</b>	5,988
Over 90 days	<b>8,036</b>	8,015
	<b>19,666</b>	14,003
Trade payables	<b>19,666</b>	14,003
Retention payables	<b>10,839</b>	10,516
Accruals for subcontracting costs ( <i>Note</i> )	<b>11,532</b>	9,631
Accrued listing expenses and issue costs	<b>2,019</b>	2,019
Accruals and other payables	<b>4,319</b>	3,208
	<b>48,375</b>	39,377

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

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.

## 9. DIVIDENDS

The Directors did not recommend the payment of a dividend by the Company for the six months ended 30 June 2020. No dividend was declared or paid by the Company during the six months ended 30 June 2019 to its equity shareholders.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW AND PROSPECTS

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

The Group is a contractor providing fitting-out services and repair and maintenance services in Macau. The Group’s fitting-out services primarily cover refitting works for existing buildings and extend to casinos, retail areas, hotels, restaurants, commercial properties and residential properties. We primarily focus 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 we were engaged as main contractor by major licensed casino gaming operators in Macau. To a lesser extent, the Group was also engaged as subcontractor by other fitting-out contractors in Macau.

The Group has established business relationship with major licensed casino gaming operators in Macau. Majority of the customers are group companies of the six licensed casino gaming operators 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.

Since the beginning of 2020, the sudden outbreak of the Novel Coronavirus (“**COVID-19**”) around the world has brought severe tests and huge challenges to the society of Macau and the Group. In order to control the outbreak of COVID-19, the Macau government had temporarily suspended the operation of casinos and related venues. At the same time, the Macau government implemented strict immigration policies and isolation measures in stages, adjusted the customs clearance time and arrangements at various ports, and controlled the flow of inbound and outbound travellers. These temporary measures have caused delay in the progress of certain fitting-out projects of the Group. The delay in progress had impacted on the revenue of the fitting-out projects in progress, resulting in a decline in the performance of the Group for the six months ended 30 June 2020.

The economy of Macau was hit hard by the outbreak of COVID-19. However, with two decades of development, in line with Macau’s own unique advantages, and by capturing the major strategic opportunities brought by “Belt and Road” of the PRC and the construction of the Guangdong-Hong Kong-Macao Greater Bay Area, there is still much room and potential for future development in the economy of Macau. At the same time, the Macau government has been promoting the development of local tourism and leisure industry as well as the

collaborative development with the Guangdong-Hong Kong-Macao Greater Bay Area so as to build an international tourism and leisure resort center. The Group remains confident in the prospects of Macau's economic development.

The Group believes that short-run shock will not affect the mid-and-long-term development of Macau. After the COVID-19 epidemic, Macau's economy and the Group's performance are expected to gradually recover and enter into a new stage of development.

The Group intends to further expand its business scope and various sources of income to create maximum value for the Group and its Shareholders as a whole. On 30 June 2020, the Company entered into a framework cooperation agreement with Qianhai Baifu (Shenzhen) Industrial Co., Ltd.\* (前海百福(深圳)實業有限公司) (“**Qianhai Baifu**”), being a company established in the PRC with limited liability and is principally engaged in mining, processing and sales of mineral products and intends to acquire 55% interest in the mining rights of Tibet Baqiancuo Salt Lake\* (西藏捌千錯鹽湖) from Tibet Ali Liyuan Mining Development Co., Ltd.\* (西藏阿里鋰源礦業開發有限公司), pursuant to which the parties proposed to cooperate in the exploration, development and comprehensive utilization of resources, such as boron, lithium and potassium in the PRC. Also, on 28 July 2020, the Company entered into a framework cooperation agreement with Jiangxi Ning Yu Lithium Battery Manufacturing Company Limited\* (江西寧宇鋰電製造有限公司) (“**Jiangxi Ning Yu**”), being a company established in the PRC with limited liability and is principally engaged in research and development of the Lithium Battery and beneficially owns seven exclusive patents registered with the China National Intellectual Property Administration, pursuant to which the Group intends to supply Jiangxi Ning Yu with boron, lithium, potassium and other resources on the most favorable terms, and Jiangxi Ning Yu intends to provide the Group with patents and production technologies for long-life energy storage lithium battery on the most favorable terms.

In line with business expansion, the Group appointed (i) Mr. Zhu Hun as a non-executive Director and chief scientist of the Company on 15 July 2020; and (ii) Mr. Cen Guangming on 23 July 2020 as an executive Director and the head of corporate finance department of the Company to provide technical and corporate finance related advice to the Group.

## **FINANCIAL REVIEW**

For the six months ended 30 June 2019 and 2020, total revenue amounted to approximately MOP238.5 million and MOP137.0 million, of which revenue generated from providing fitting-out services constituted approximately 99.8% and 99.7% of total revenue, respectively. The remaining approximately 0.3% of the total revenue for the six months ended 30 June 2020 was derived from the Group's repair and maintenance services.

\* For identification purposes only

For the six months ended 30 June 2020, the Group recorded profit for the period of approximately MOP14.5 million (30 June 2019: approximately MOP18.2 million). During the six months ended 30 June 2020, the Group completed 19 fitting-out projects and was awarded 15 fitting-out projects.

### **Revenue**

Revenue decreased by approximately MOP101.5 million or 42.6% from approximately MOP238.5 million for the six months ended 30 June 2019 to approximately MOP137.0 million for the six months ended 30 June 2020. Such decrease was mainly due to the delay in progress of certain fitting-out projects as a result of the COVID-19 pandemic.

### **Direct costs**

The total amount of subcontracting fees, materials costs and direct labour costs decreased by approximately MOP89.4 million or 45.8% from approximately MOP195.1 million for the six months ended 30 June 2019 to approximately MOP105.7 million for the six months ended 30 June 2020, which generally reflected the decrease in costs associated with the decrease in revenue.

### **Gross profit and gross profit margin**

The gross profit decreased by approximately MOP12.2 million from approximately MOP43.4 million for the six months ended 30 June 2019 to approximately MOP31.2 million for the six months ended 30 June 2020. The Group recorded gross profit margin of approximately 18.2% and 22.8% for the six months ended 30 June 2019 and the six months ended 30 June 2020, respectively. The period-to-period increase in gross profit margin was mainly attributable to the comparatively higher gross profit margin of sizeable contracts undertaken by the Group during the six months ended 30 June 2020 compared to the six months ended 30 June 2019, in particular, the four fitting-out contracts with aggregate original contract sum of approximately MOP169.0 million.

### **Other income and losses**

Other income has increased from approximately MOP1.0 million for the six months ended 30 June 2019 to approximately MOP1.3 million for the six months ended 30 June 2020, such increase was mainly attributable to the government grant for COVID-19 amounted to approximately MOP1.2 million.

Other losses remained largely insignificant at approximately MOP111,000 and MOP61,000 for the six months ended 30 June 2019 and 2020, respectively.

## **Administrative expenses**

Administrative expenses amounted to approximately MOP14.3 million and MOP14.4 million for the six months ended 30 June 2019 and 2020, respectively, which accounted for approximately 6.0% and 10.5% of the total revenue during the respective periods. The largest item under administrative expenses was administrative staff costs, which amounted to approximately MOP6.7 million and MOP8.4 million for the six months ended 30 June 2019 and 2020, respectively, which accounted for approximately 46.9% and 58.3% of the total administrative expenses during the respective periods.

Increase in administrative expenses was also mainly attributable to the increase in administrative staff costs by approximately MOP1.7 million from approximately MOP6.7 million for the six months ended 30 June 2019 to approximately MOP8.4 million for the six months ended 30 June 2020. The increase was mainly attributable to the increase in administrative work.

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

## **Finance costs**

For the six months ended 30 June 2019 and 2020, finance costs amounted to approximately MOP217,000 and MOP717,000, respectively. Finance costs increased by approximately MOP500,000, which was primarily due to a increase in our average outstanding bank borrowings during the six months ended 30 June 2020.

## **Income tax expenses**

For six months ended 30 June 2019 and 2020, the Group recorded income tax expenses of approximately MOP4.4 million and MOP2.8 million, representing an effective tax rate of approximately 19.4% and 16.3%, respectively.

Income tax decreased by approximately MOP1.6 million from approximately MOP4.4 million for the six months ended 30 June 2019 to approximately MOP2.8 million for the six months ended 30 June 2020. Such decrease was mainly attributable to the decrease in the profit before taxation from approximately MOP22.6 million for the six months ended 30 June 2019 to approximately MOP17.3 million for six months ended 30 June 2020.

## **Profit for the period**

The profit for the six months ended 30 June 2020 amounted to approximately MOP14.5 million, compared to approximately MOP18.2 million for the six months ended 30 June 2019, representing a decrease of approximately MOP3.7 million or 20.3%. Such decrease was mainly due to the combined effect of the aforementioned items.

## **CORPORATE FINANCE AND RISK MANAGEMENT**

### **Liquidity, Financial and Capital Resources**

#### ***Cash position***

As at 30 June 2020, the Group had an aggregate of pledged bank deposits and bank and cash equivalents balance of the Group amounted to approximately MOP39.3 million in aggregate (31 December 2019: approximately MOP41.7 million), representing a decrease of approximately 5.8% as compared to that as at 31 December 2019. As at 30 June 2020, pledged bank deposits of approximately MOP12.4 million (31 December 2019: MOP12.4 million) are pledged to secure banking facilities of the Group (including bank loans and overdraft).

#### ***Borrowings and charges on the Group's assets***

As at 30 June 2020, the Group had bank borrowings and bank overdrafts of approximately MOP26.7 million (31 December 2019: approximately MOP10.5 million). The bank borrowings are repayable within one year.

As at 30 June 2020, bank borrowings and other bank facilities including performance guarantee by the Group were secured by: (i) the pledged bank deposits of MOP12.4 million (31 December 2019: approximately MOP12.4 million); and (ii) a corporate guarantee by the Company.

#### ***Gearing ratio***

As at 30 June 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 period) was approximately 9.7% (31 December 2019: approximately 4.0%).

Such increase was primarily attributable to the increase in total debts of the Group from approximately MOP10.5 million as at 31 December 2019 to approximately MOP26.7 million as at 30 June 2020, while total equity of the Group was approximately MOP260.5 million and MOP274.8 million as at 31 December 2019 and 30 June 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 30 June 2020, the Group had no capital commitments (31 December 2019: MOP1.2 million).

### ***Contingent liabilities***

As at 30 June 2020, the Group had no significant contingent liabilities or outstanding litigation.

### ***Material acquisitions and disposals of subsidiaries and associated companies***

During the six months ended 30 June 2020, the Group did not have any material acquisition and disposals of subsidiaries and affiliated companies.

### ***Significant investments held***

As at 30 June 2020, the Group had no significant investments.

### ***Future plans for material investments***

Save as disclosed above, the Group did not have any future plan for material investments as at 30 June 2020.



## EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2020, the Group had 108 employees (30 June 2019: 92). Total staff costs (including Directors' emoluments) were approximately MOP21.7 million for the six months ended 30 June 2020, as compared to approximately MOP18.2 million for the six months ended 30 June 2019. Such increase was mainly attributable to the increase in average number of working days for day-work workers.

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

## USE OF PROCEEDS FROM SHARE OFFER

The Shares of the Company were listed on the Main Board of the Stock Exchange on 23 April 2019 (the "Listing Date") with net proceeds received by the Company from the Share Offer in the amount of approximately HK\$141.2 million after deducting underwriting commissions and all related expenses. From the Listing Date to 30 June 2020, the net proceeds had been utilised as follows:

	Net proceeds from the Share Offer (Note 1) HK\$ million	Utilised during the period from the Listing Date to 30 June 2020 HK\$ million	Unutilised up to 30 June 2020 HK\$ million	Expected timeline of full utilisation of the remaining net proceeds from the Share Offer as at 30 June 2020
Upfront costs	82.2	82.2	–	N/A
Acquiring performance bonds	31.1	9.7	21.4	By the end of 2020 (Note 2)
Strengthening manpower	13.8	13.8	–	N/A
General working capital	14.1	14.1	–	N/A
Total	<u>141.2</u>	<u>119.8</u>	<u>21.4</u>	



*Notes:*

- (1) 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 (after deducting underwriting commissions and all related expenses) in the amount of approximately HK\$141.2 million (equivalent to approximately MOP145.4 million). Save for the timing of the expected utilisation of the net proceeds in full, the net proceeds received from the Share Offer are intended to be used in the manner consistent with that mentioned in the section headed “Future Plans and Use of Proceeds” of the prospectus of the Company dated 29 March 2019.
- (2) Original timeline of expected full utilisation of net proceeds was on or before 31 December 2019.

As at 30 June 2020, approximately HK\$119.8 million (equivalent to approximately MOP123.4 million) of the net proceeds received from the Share Offer had been utilised and the remaining of the net proceeds were deposited in the bank accounts of the Group with licensed banks in Hong Kong and Macau.

## **EVENTS AFTER THE REPORTING DATE**

Save as disclosed above, no significant event took place subsequent to 30 June 2020.

## **SHARE OPTION SCHEME**

On 18 March 2019, a share option scheme (the “**Share Option Scheme**”) was approved and adopted by the Shareholders, under which, options may be granted to any eligible persons (as defined in the Share Option Scheme) to subscribe for Shares subject to the terms and conditions stipulated in the Share Option Scheme. The Company has adopted the Share Option Scheme as an incentive to Directors and eligible employees.

Subject to the terms of the Share Option Scheme, the Board may, at its discretion, invite any “Eligible Persons” to take up option(s) (“**Option(s)**”) to subscribe for Shares granted pursuant to the Share Option Scheme at a price calculated as discussed below. Upon acceptance of the Option, the Eligible Person shall pay HK\$1.00 to the Company by way of consideration for the grant. The Option will be offered for acceptance for a period of 28 days from the date on which the Option is granted. “Eligible Persons” means any full-time or part-time employee of the Company or any member of the Group, including any executive Directors, non-executive Directors and independent non-executive Directors, suppliers, customers, agents, advisors and consultants of the Group who, in the sole opinion of the Board, will contribute or have contributed to the Group.

Any grant of Options must not be made after inside information has come to our knowledge until such inside information has been announced in accordance with the requirements of the Listing Rules. In particular, during the period commencing one month immediately preceding the earlier of (i) the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of the Company’s results for any year, half-year, quarter-year period or any other interim period (whether or not required under the Listing Rules), and (ii) the deadline for the Company to publish an announcement

of its results for any year, half-year, quarter-year period or any interim period (whether or not required under the Listing Rules), and ending on the date of the results announcement, no Option may be granted. The period during which no Option may be granted will cover any period of delay in the publication of results announcement. Our Directors may not grant any Option to an Eligible Person who is our Director during the periods or times in which directors of the listed issuer are prohibited from dealing in shares pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules or any corresponding code or securities dealing restrictions adopted by the Company.

The total number of Shares issued and to be issued upon exercise of the Options granted to a Participant under the Share Option Scheme and any other share option schemes of the Company (including both exercised and outstanding Options) in any 12-month period must not exceed 1% of the Shares in issue from time to time. Any further grant of options in excess of this 1% limit shall be subject to issuance of a circular by the Company and approved by the Shareholders in accordance with the Listing Rules.

The subscription price for the Shares subject to Options will be a price determined by the Board and notified to each Participant and shall be the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the Options, which must be a trading day; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of grant of the Options; and (iii) the nominal value of a Share.

The total number of Shares which may be issued upon the exercise of all Options to be granted under the Share Option Scheme and any other share option schemes of the Company must not, in aggregate, exceed 50,000,000 Shares, which represents 10% of the Shares in issue as at the date of this announcement (the "**Scheme Mandate Limit**") provided that the Options lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of the Company will not be counted for the purpose of calculating the Scheme Mandate Limit.

Subject to the approval of Shareholders in general meeting, the Company may refresh the Scheme Mandate Limit to the extent that the total number of Shares which may be issued upon exercise of all Options to be granted under the Share Option Scheme and any other share option schemes of the Company under the Scheme Mandate Limit as refreshed must not exceed 10% of the Shares in issue as at the date of such Shareholders' approval provided that Options previously granted under the Share Option Scheme and any other share option schemes of the Company (including those outstanding, cancelled, exercised or lapsed in accordance with the terms thereof) will not be counted for the purpose of calculating the Scheme Mandate Limit as refreshed. In relation to the Shareholders' approval referred to in this paragraph, the Company shall send a circular to our Shareholders containing our information required by the Listing Rules.

Subject to the approval of Shareholders in general meeting, the Company may also grant Options beyond the Scheme Mandate Limit provided that Options in excess of the Scheme Mandate Limit are granted only to the Eligible Persons specifically identified by the Company before such Shareholders' approval is sought. In relation to the Shareholders' approval referred to in this paragraph, the Company shall send a circular to its Shareholders containing a generic description of the identified Eligible Persons, the number and terms of the Options to be granted, the purpose of granting Options to the identified Eligible Persons, an explanation as to how the terms of such Options serve the intended purpose and such other information required by the Listing Rules.

Notwithstanding the foregoing, the Company may not grant any Options if the number of Shares which may be issued upon exercise of all outstanding Options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company exceeds 30% of the Shares in issue from time to time.

The Share Option Scheme will be valid and effective for a period of 10 years commencing on 23 April 2019 and remains in force until 22 April 2029, after which period no further Options may be granted but the provisions of the Share Option Scheme shall remain in full force and effect in all other respects and Options granted during the life of the Share Option Scheme may continue to be exercisable in accordance with their terms of issue.

An Option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined and notified by the Board to each Participant provided that the period within which the Option must be exercised shall not be more than 10 years from the date of the grant of Option. The exercise of an Option may be subject to the administration of the Board whose decision as to all matters arising from or in relation to the Share Option Scheme as its interpretation or effect shall be final and binding on all parties to the Share Option Scheme.

No share option has been granted by the Company under the Share Option Scheme since its adoption up to 30 June 2020. As at 31 December 2019 and 30 June 2020, there were no outstanding Options under the Share Option Scheme.

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

Since the Listing Date and up to 30 June 2020, none of the Company or any of its subsidiaries had purchased, sold or redeemed any of its listed securities.

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

## **DIRECTORS' SECURITIES TRANSACTIONS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules as its 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 30 June 2020.

## **DIVIDEND**

The Board takes into account the Group's overall results of operation, financial position and capital requirements, among other factors, in considering the declaration of dividends. The Board does not recommend payment of any dividend in respect of the six months ended 30 June 2020.

## **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 unaudited interim results for the six months ended 30 June 2020, accounting principles and practices adopted by the Group and discussed internal controls, risk management and financial reporting matters including a review of the unaudited interim financial information.

**PUBLICATION OF THE INTERIM RESULTS AND INTERIM REPORT FOR THE SIX MONTHS ENDED 30 JUNE 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](http://www.hkexnews.hk)) and the Company's website ([www.whh.com.hk](http://www.whh.com.hk)). The interim report for the six months ended 30 June 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.

On behalf of the Board  
**Wai Hung Group Holdings Limited**  
**Li Kam Hung**  
*Chairman*

Hong Kong, 21 August 2020

*As at the date of this announcement, the Board comprises Mr. Li Kam Hung, Mr. Yu Ming Ho, Mr. Yau Yan Ming Raymond and Mr. Cen Guangming 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.*