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Post Hearing Information Pack of

WAI HUNG GROUP HOLDINGS LIMITED

偉鴻集團控股有限公司

(the “Company”)

(incorporated in the Cayman Islands with limited liability)

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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)

[REDACTED]

Total number of [REDACTED] : [REDACTED] Shares (subject to the [REDACTED])
Number of [REDACTED] : [REDACTED] Shares (subject to reallocation)
Number of [REDACTED] : [REDACTED] Shares (subject to reallocation and the [REDACTED])
[REDACTED] : Not more than HK\$[REDACTED] per [REDACTED] and expected to be not less than HK\$[REDACTED] per [REDACTED], plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% (payable in full on application and subject to refund)
Nominal value : HK\$0.01 per Share
[REDACTED] : [REDACTED]

Sole Sponsor



紅日資本有限公司
RED SUN CAPITAL LIMITED

[REDACTED]

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The [REDACTED] is expected to be determined by agreement between our Company and the [REDACTED] (for themselves and on behalf of the [REDACTED]) on the [REDACTED] or such later date as may be agreed between our Company and the [REDACTED] (for themselves and on behalf of the [REDACTED]) but in any event no later than [REDACTED]. The [REDACTED] will be not more than HK\$[REDACTED] per [REDACTED] and is expected to be not less than HK\$[REDACTED] per [REDACTED], unless otherwise announced.

The [REDACTED] may, with our Company’s consent, reduce the number of [REDACTED] under the [REDACTED] and/or the [REDACTED] stated in this document at any time prior to the morning of the last day for lodging applications under the [REDACTED]. In such a case, a notice of reduction in the number of [REDACTED] and/or the [REDACTED] will be published on the website of the Stock Exchange at www.hkexnews.hk and website of our Company at whh.com.hk not later than the morning of the last day for lodging applications under the [REDACTED]. Details of the arrangement will then be announced by our Company as soon as practicable. Further details are set out in the sections headed “Structure and Conditions of the [REDACTED]” and “How to Apply for [REDACTED]”.

If, for any reason, the [REDACTED] is not agreed between the [REDACTED] (for themselves and on behalf of the [REDACTED]) and our Company on or before [REDACTED], the [REDACTED] will not become unconditional and will lapse immediately.

Prior to making an investment decision, prospective investors should consider carefully all the information set out in this document, including risk factors set out in the section headed “Risk Factors”. Pursuant to the [REDACTED], the [REDACTED] has the right in certain circumstances to terminate the [REDACTED] at any time prior to [REDACTED] (Hong Kong time) on the [REDACTED]. Further details of such circumstances are set out in the section headed “[REDACTED]”.

[REDACTED]

EXPECTED TIMETABLE

[REDACTED]

EXPECTED TIMETABLE

[REDACTED]

EXPECTED TIMETABLE

[REDACTED]

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You should rely only on the information contained in this document to make your investment decision. Our Company has not authorised anyone to provide you with information that is different from what is contained in this document. Any information or representation not contained or made in this document must not be relied on by you as having been authorised by our Company, the Sole Sponsor, the [REDACTED], the [REDACTED], any of the [REDACTED], any of their respective directors, affiliates, employees or representatives or any other person or party involved in the [REDACTED].

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SUMMARY

This summary aims to give you an overview of the information contained in this document. As this is a summary, it does not contain all the information that may be important to you. You should read this document in its entirety before you decide to invest in the [REDACTED]. There are risks associated with any investment. Some of the particular risks in investing in the [REDACTED] are set out in the section headed “Risk Factors” in this document. You should read that section carefully before you decide to invest in the [REDACTED]. Various expressions used in this summary are defined in the section headed “Definitions and Glossary of Technical Terms” in this document.

BUSINESS OVERVIEW

We are a contractor providing fitting-out services and repair and maintenance services in Macau. Our Group’s history can be traced back to August 1996, when Mr. Li, the chairman of the Board and founder of our Group, established WHHE (HK) to provide fitting-out services in Hong Kong. In view of the robust growth of the tourism and gaming industries which drove up the demand for fitting-out services in hotels, casinos and integrated resorts in Macau, our Group has shifted the focus of our business to the market in Macau since May 2005 through the establishment of WHHE (Macau). Our 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. During the Track Record Period, we had completed two repair and maintenance service contracts awarded by Customer B, being an integrated resort operator and one of our top five customers during the Track Record Period. According to the Frost & Sullivan Report, in terms of revenue, our Group was the third largest commercial fitting-out contractor and the fifth largest fitting-out contractor in Macau in 2017, with a market share of approximately 4.3% and 2.4%, respectively.

During the Track Record Period, we have established business relationship with major licensed casino gaming operators in Macau. According to the Frost & Sullivan Report, Customer A, Customer B and Customer H, being our top five customers during the Track Record Period, are group companies of three of the six licensed casino gaming operators in Macau, and the shares of their respective holding companies are listed on the Stock Exchange. Our Directors believe that our experienced management team with profound industry knowledge, our ability to maintaining long-term business relationships with our major customers and a stable pool of suppliers and subcontractors have contributed to our success.

For FY2015, FY2016, FY2017 and FY2018, our total revenue amounted to approximately MOP114.0 million, MOP114.7 million, MOP189.1 million and MOP326.8 million, of which revenue generated from providing fitting-out services constituted approximately 95.0%, 96.1%, 99.5% and 99.8% of our total revenue, respectively. Our fitting-out services are provided on a project basis. During the Track Record Period, we had completed 124 fitting-out projects with an aggregate original contract sum amounting to approximately MOP486.7 million. As at the Latest Practicable Date, we had 24 awarded and ongoing fitting-out projects with an aggregate original contract sum amounting to approximately MOP398.9 million.

The following table sets forth a breakdown of our revenue during the Track Record Period by business segment:

	FY2015		FY2016		FY2017		FY2018	
	MOP'000	%	MOP'000	%	MOP'000	%	MOP'000	%
Fitting-out services	108,314	95.0	110,247	96.1	188,118	99.5	326,272	99.8
Repair and maintenance services	5,659	5.0	4,429	3.9	993	0.5	502	0.2
Total	113,973	100.0	114,676	100.0	189,111	100.0	326,774	100.0

During the Track Record Period, we undertook projects as both main contractor and subcontractor. The majority of our revenue during the Track Record Period was derived from projects in which we were engaged as main contractor by major licensed casino gaming operators in Macau. To a lesser extent, we were also engaged as subcontractor by other fitting-out contractors in Macau. The following table sets forth a breakdown of our revenue by reference to our role in our projects during the Track Record Period:

SUMMARY

	FY2015			FY2016			FY2017			FY2018		
	No. of projects	Revenue MOP'000	%	No. of projects	Revenue MOP'000	%	No. of projects	Revenue MOP'000	%	No. of projects	Revenue MOP'000	%
Main contractor	56	113,973	100.0	25	114,676	100.0	56	181,304	95.9	59	304,109	93.1
Subcontractor	—	—	—	—	—	—	2	7,807	4.1	3	22,665	6.9
Total	56	113,973	100.0	25	114,676	100.0	58	189,111	100.0	62	326,774	100.0

Our customers

Our customers include subsidiaries of casino gaming and integrated resort operators in Macau as well as individual customers. For FY2015, FY2016, FY2017 and FY2018, revenue attributable to our largest customer, Customer A, amounted to approximately MOP96.2 million, MOP95.9 million, MOP155.4 million and MOP263.9 million, representing approximately 84.4%, 83.6%, 82.2% and 80.8% of our Group’s total revenue, respectively. Revenue attributable to (i) our top three customers in aggregate amounted to approximately MOP114.0 million, representing 100.0% of our total revenue for FY2015; and (ii) our top five customers in aggregate amounted to approximately MOP114.7 million, MOP187.4 million and MOP323.2 million, representing 100.0% and 99.1% and 98.9% of our total revenue for FY2016, FY2017 and FY2018, respectively.

Customer A is a subsidiary of a leading developer, owner and operator of gaming and integrated resorts and one of the six licensed casino gaming operators in Macau (the “**Parent Company**”, together with its subsidiaries “**Customer Group A**”), the shares of which are listed on the Main Board of the Stock Exchange. According to the website of the Stock Exchange, the Parent Company has a market capitalisation of over HK\$49.0 billion as at 31 December 2018.

According to the annual report of the Parent Company for FY2017, (a) the principal activities of its subsidiaries include development and operation of (i) casinos; (ii) luxury integrated resorts; (iii) hotels; and (iv) other luxurious amenities, such as restaurants, bars, retail outlets, world-class pool and spa facilities; and (b) Customer Group A has a total revenue of approximately HK\$14.9 billion and HK\$15.4 billion for FY2016 and FY2017, respectively. According to the Frost & Sullivan Report, the gaming industry in Macau is dominated by a few players and Customer A is one of the major market players in the gaming industry in Macau with a market share of approximately 6.7% in terms of revenue in the year 2017. We have established a long-standing business relationship with Customer A since it first awarded a contract for fitting-out services to us in 2011. During the Track Record Period, we had undertaken 98 fitting-out projects for Customer A which were awarded to us through tenders and quotations.

Our Directors consider that our business is sustainable despite concentration among our major customers during the Track Record Period in view of fact that (i) concentration among our major customers was mainly attributable to sizeable projects; (ii) sizeable fitting-out projects in the commercial segment are mainly initiated by the six licensed casino gaming operators; (iii) we have maintained a close and complementary business relationship with Customer A; (iv) revenue of the fitting-out industry in Macau is expected to grow; and (v) our skills and experience in the fitting-out industry are transferable. For details of our customers, please refer to the section headed “Business – Our customers” in this document.

Sales and marketing and pricing strategy

We do not maintain a sales and marketing team. During the Track Record Period, we secured new businesses mainly through direct invitation for tender and quotation by customers, which is considered by our Directors to be attributable to our proven track record and well-established presence in the fitting-out industry in Macau. We determine the price of our projects on a cost-plus basis. Our pricing strategy is evaluated on a project basis with reference to certain factors, including, among others, (i) the nature, scope and complexity of the project; (ii) working capital requirement; (iii) our operational and financial resources; (iv) the estimated number and types of workers required; (v) the estimated cost of materials required; (vi) the project duration; (vii) the prevailing market conditions; (viii) previous tender record; (ix) awarded tender of similar project; and (x) relationship with our customers.

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Our suppliers

Our suppliers include suppliers of materials for our services such as wall coverings, ironmongery, art works, furniture, marble, carpets, chandeliers and sanitary wares. For FY2015, FY2016, FY2017 and FY2018, purchases attributable to our largest supplier amounted to approximately MOP4.0 million, MOP4.9 million, MOP1.9 million and MOP4.2 million, representing approximately 19.2%, 33.9%, 12.9% and 20.3% of our Group’s total purchases, while purchases attributable to our top five suppliers in aggregate amounted to approximately MOP10.3 million, MOP8.1 million, MOP6.2 million, and MOP8.2 million, representing approximately 49.4%, 56.2%, 42.2% and 39.6% of our Group’s total purchases, respectively. Supplier D and Supplier F, being our top five suppliers during the Track Record Period, are also our top five subcontractors during the Track Record Period. For details of our suppliers, please refer to the section headed “Business – Our suppliers” in this document.

Our subcontractors

We strategically subcontract on-site labour intensive works to our subcontractors, while maintaining overall project management and implementation. Our subcontractors include subcontractors of our fitting-out services, such as supply and installation of electrical system, heating, ventilation, air-conditioning, fire service system, glass doors, wall finishes, door leafs, false ceiling, marble, carpets and lighting system. For FY2015, FY2016, FY2017 and FY2018, subcontracting fees payable to our largest subcontractor amounted to approximately MOP14.8 million, MOP16.6 million, MOP40.0 million and MOP69.3 million, respectively, representing approximately 28.9%, 30.0%, 35.4% and 32.2% of our total subcontracting fees, respectively, while subcontracting fees payable to our Group’s top five subcontractors, in aggregate, amounted to approximately MOP44.7 million, MOP43.7 million, MOP89.3 million and MOP159.0 million, respectively, representing approximately 87.4%, 78.9%, 78.9% and 73.9% of our Group’s total subcontracting fees, respectively. For details of our subcontractors, please refer to the section headed “Business – Our subcontractors” in this document.

Major qualification and certifications

As at the Latest Practicable Date, WHHDD and WHHE (Macau) had registered with the DSSOPT for the company registration (urban construction). As advised by our Macau Legal Advisers, the company registration (urban construction) with DSSOPT is subject to renewal on an annual basis. Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, we had satisfied all requirements for the registration and its renewal. Our Macau Legal Advisers are of the view that there is no legal impediment for WHHDD and WHHE (Macau) to renew their respective company registration (urban construction) with DSSOPT. For details of such registration, please refer to the section headed “Business – Major qualification and certifications” in this document.

COMPETITIVE LANDSCAPE AND OUR COMPETITIVE STRENGTHS

The fitting-out industry in Macau consists of the commercial segment including casinos, hotels and related facilities as well as offices, while the non-commercial segment mainly refers to residential flats. According to the Frost & Sullivan Report, the fitting-out market in Macau is competitive, with approximately 200 participants in the market in 2017. The fitting-out market is relatively concentrated with the top five players contributing to approximately 28.3% of the entire market in terms of revenue. Our Group recorded revenue of approximately MOP188.1 million for the provision of fitting-out services during FY2017, accounting for approximately 2.4% of the market share in Macau. In 2017, our Group was the fifth largest fitting-out contractor in Macau in terms of revenue. Our Group recorded revenue of approximately MOP185.9 million for the provision of fitting-out services in the commercial segment, accounting for approximately 4.3% of the market share in Macau. In 2017, our Group was the third largest commercial fitting-out contractor in Macau in terms of revenue. For details of the competitive landscape of the fitting-out industry in Macau, please refer to the section headed “Industry Overview – Competitive landscape of fitting-out market in Macau” in this document.

We believe the competitive strengths which contribute to our continued success and potential for growth include: (i) our well-established reputation with proven track record; (ii) our established business relationships with group companies of major licensed casino

SUMMARY

gaming operators in Macau; (iii) our stable pool of reliable suppliers and subcontractors; and (iv) our experienced and professional management team with extensive industry knowledge. For details of our competitive strengths, please refer to the section headed “Business – Competitive strengths” in this document.

BUSINESS STRATEGIES

The strategies we aim to pursue to further strengthen our market position in the fitting-out industry in Macau include: (i) strengthening our financial position to undertake more sizeable fitting-out projects; (ii) diversifying our customer base; and (iii) strengthening our manpower. For details of our business strategies, please refer to the section headed “Business – Business strategies” in this document.

RISK FACTORS

There are certain risks involved in our Group’s operations, many of which are beyond our control. Material risks we face include, among others: (i) a significant portion of our revenue being derived from a few customers; (ii) the project-based nature of our business; (iii) adverse developments in Macau’s economy; (iv) failing to estimate costs accurately in our tenders; (v) credit risk in respect of our trade receivables; (vi) not receiving our progress payments on time and in full or retention money not being fully released to us after expiry of the defects liability period; (vii) potential mismatch in time between receipt of progress payments from our customers, prepayment to subcontractors and payments to our suppliers and subcontractors; (viii) net cash outflow from operating activities; (ix) our dependence on key management and additional technical and management staff for our success; (x) underperformance or unavailability of our subcontractors; (xi) the possibility that our insurance coverage may not be sufficient to cover all losses or potential claims; (xii) our historical growth rate, revenue and profit margin not being indicative of our future financial performance; (xiii) our revenue and profit margin being subject to fluctuations driven by variation orders; (xiv) the increasing staff costs we may face in light of our expansion plan; and (xv) not being able to implement our business strategies and future plans successfully. For details of the various risks and uncertainties we face, please refer to the section headed “Risk Factors” in this document.

KEY OPERATIONAL AND FINANCIAL DATA

The following table sets forth our key operational and financial data during the Track Record Period:

	FY2015 or as at 31 December 2015	FY2016 or as at 31 December 2016	FY2017 or as at 31 December 2017	FY2018 or as at 31 December 2018
<i>(Expressed in MOP'000 except tender/quotation statistics and financial ratios)</i>				
Results of operations				
Revenue	113,973	114,676	189,111	326,774
Direct costs	85,885	84,860	143,924	258,865
– Subcontracting costs	51,114	55,410	113,123	215,088
– Direct labour costs	12,970	14,118	15,607	22,225
– Material costs	20,802	14,457	14,658	20,812
– Others	999	875	536	740
Gross profit <i>(Note 1)</i>	28,088	29,816	45,187	67,909
– Fitting-out services	26,957	28,929	44,988	67,802
– Repair and maintenance services	1,131	887	199	107
Profit before taxation	19,324	20,835	29,729	39,174
Profit and total comprehensive income for the year	17,030	17,991	25,157	31,568
– owners of the company	17,030	17,991	23,958	31,547
– non-controlling interest	–	–	1,199	21
Non-HKFRS measures				
Non-HKFRS adjusted profit for the year <i>(Note 2)</i>	17,030	17,991	25,157	44,113
Financial position				
Non-current assets	10,194	14,724	1,184	2,334
Current assets	43,095	64,390	138,220	109,498
Current liabilities	26,008	34,442	64,892	55,280
Net current assets	17,087	29,948	73,328	54,218
Tender/quotation statistics				
Revenue of projects secured through tenders	106,930	109,610	170,727	280,248
Revenue of projects secured through quotations	7,043	5,066	18,384	46,526
Number of tenders/quotations submitted	177	99	159	132
Number of successful tenders/quotations	33	17	50	45
Success rate	18.6%	17.2%	31.4%	34.1%

SUMMARY

	FY2015 or as at 31 December 2015	FY2016 or as at 31 December 2016	FY2017 or as at 31 December 2017	FY2018 or as at 31 December 2018
<i>(Expressed in MOP'000 except tender/quotation statistics and financial ratios)</i>				
Key financial ratios				
Gross profit margin	24.6%	26.0%	23.9%	20.8%
– Fitting-out services	24.9%	26.2%	23.9%	20.8%
– Repair and maintenance services	20.0%	20.0%	20.0%	21.3%
Net profit margin	14.9%	15.7%	13.3%	9.7%
Return on total assets	32.0%	22.7%	18.0%	28.5%
Return on equity	62.4%	40.3%	33.8%	56.3%
Current ratio (times)	1.7	1.9	2.1	2.0
Gearing ratio	–	–	6.9%	4.6%

	2015	Year ended 31 December 2016	2017	2018
<i>(MOP'000)</i>				
Cash flows				
Operating cash flows before movements in working capital	19,949	21,313	34,679	39,523
Net cash generated from/(used in) operating activities	17,288	(944)	8,091	30,557
Net cash (used in) investing activities	(3,825)	(4,739)	(7,482)	(37,938)
Net cash (used in)/generated from financing activities	(5,133)	(515)	7,534	3,963
Net increase/(decrease) in cash and cash equivalents	8,330	(6,198)	8,143	(3,418)
Cash and cash equivalents at beginning of the year	4,638	12,968	6,770	14,913
Cash and cash equivalents at end of the year	12,968	6,770	14,913	11,211

Notes:

- Equivalent to the segment results in the segment financial information contained in the Accountants' Report as set out in Appendix I to this document.
- Adjusted profit represents profit for the year excluding the [REDACTED] incurred. Adjusted net profit is not a measure of performance under HKFRS. As a non-HKFRS measure, adjusted profit is presented because the management believes such information will be helpful for investors in assessing the effect of [REDACTED] on our Group's net profit. The use of adjusted profit has material limitations as an analytical tool as it does not include all items that impact our Group's profit for the relevant year.
- Gearing ratio is 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.

Non-HKFRS measures

The following table sets forth a reconciliation between the profit for the year as presented in accordance with HKFRS and the non-HKFRS adjusted profit for the year:

	FY2015 MOP'000	FY2016 MOP'000	FY2017 MOP'000	FY2018 MOP'000
Profit for the year	17,030	17,991	25,157	31,852
Adjusted for:				
[REDACTED]	–	–	–	12,261
Non-HKFRS adjusted profit for the year	<u>17,030</u>	<u>17,991</u>	<u>25,157</u>	<u>44,113</u>

Analysis on selected key operational and financial data

Revenue

The increase in our revenue from FY2015 to FY2016 was attributable to the increase in the revenue derived from our fitting-out projects due to the net effect of (i) the increase in revenue recognised from retail areas fitting-out contracts of approximately MOP37.4 million; (ii) the decrease in revenue recognised from commercial properties fitting-out contracts of approximately MOP22.3 million; and (iii) the decrease in revenue recognised from casino fitting-out contracts of approximately MOP11.4 million.

The increase in our revenue from FY2016 to FY2017 was attributable to the increase in the revenue derived from our fitting-out projects primarily contributed by casino fitting-out contracts and retail fitting-out contracts.

SUMMARY

Our revenue increased by approximately MOP137.7 million or 72.8% from approximately MOP189.1 million for FY2017 to approximately MOP326.8 million for FY2018. Such increase was mainly attributable to the increase in the revenue derived from our casino fitting-out projects due to the commencement of a casino fitting-out contract with Customer A at Customer Group A's New Integrated Resort in March 2018, with an original contract sum of approximately MOP160.4 million.

Direct costs

The total amount of subcontracting fees, materials costs and direct labour costs remained largely stable at approximately MOP84.9 million for FY2015 and approximately MOP84.0 million for FY2016. The total amount of subcontracting fees, materials costs and direct labour costs increased by approximately MOP59.4 million or 70.7% from approximately MOP84.0 million for FY2016 to approximately MOP143.4 million for FY2017, which generally reflected the increase in costs associated with the increase in revenue. The total amount of subcontracting fees, materials costs and direct labour costs increased by approximately MOP114.7 million or 80.0% from approximately MOP143.4 million for FY2017 to approximately MOP258.1 million for FY2018, which generally reflected the increase in costs associated with the increase in revenue.

Gross profit

Our gross profit increased by approximately MOP1.7 million or 6.2% from approximately MOP28.1 million for FY2015 to approximately MOP29.8 million for FY2016, while our gross profit margin remained largely stable at approximately 24.6% and 26.0% for FY2015 and FY2016, respectively.

Our gross profit increased from approximately MOP29.8 million for FY2016 to approximately MOP45.2 million for FY2017, represented an increase of approximately MOP15.4 million. We recorded gross profit margin of approximately 26.0% and 23.9% for FY2016 and FY2017, respectively.

Our gross profit increased from approximately MOP45.2 million for FY2017 to approximately MOP67.9 million for FY2018, representing an increase of approximately MOP22.7 million. We recorded gross profit margin of approximately 23.9% and 20.8% for FY2017 and FY2018, respectively. The period-to-period decrease in gross profit margin was mainly attributable to the comparatively lower gross profit margin of sizeable contracts undertaken by our Group during FY2018 compared to FY2017, in particular, the casino fitting-out contract with Customer A with an original contract sum of approximately MOP160.4 million.

Profit for the year

For FY2018, the profit for the year (inclusive of [REDACTED]) amounted to approximately MOP31.9 million, representing an increase of approximately MOP6.7 million from approximately MOP25.2 million for FY2017. However, if the profit for the year for FY2018 were to exclude the effects of the [REDACTED] of approximately MOP12.3 million, the adjusted profit for the year for FY2018, being a non-HKFRS measure, would be approximately MOP44.1 million, compared to approximately MOP25.2 million for FY2017, representing an increase of approximately MOP18.9 million or 75.0%.

Net current assets

The key components of our current assets as at 31 December 2018 included (i) trade receivables of approximately MOP39.9 million; (ii) other receivables, deposits and prepayments of approximately MOP22.9 million; (iii) contract assets of approximately MOP33.1 million; (iv) pledged bank deposits of approximately MOP2.3 million; and (v) bank balances and cash of approximately MOP11.2 million. The key components of our current liabilities as at 31 December 2018 included (i) trade and other payables and accruals of approximately MOP37.3 million; (ii) contract liabilities of approximately MOP1.0 million; (iii) amounts due to related parties of approximately MOP6.3 million; (iv) tax payable of approximately MOP8.1 million; and (v) bank borrowings of approximately MOP2.6 million. We intend to settle all outstanding amount due to and from related parties prior to [REDACTED].

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Success rate

The success rate for a financial year is calculated based on the number of successful tenders/quotations (regardless of whether they were awarded in the same financial year or subsequently) in respect of the tender/quotation submitted during that financial year. For the period subsequent to the Track Record Period and up to the Latest Practicable Date, we were successful in 5 (excluding projects the tenders/quotations of which were not submitted during such period) out of our 21 tenders and quotations submitted, resulting in a success rate of 23.8%. The tender/quotation status of the remaining 16 projects were pending. The higher success rate for FY2017 and FY2018 were primarily attributable to a more competitive pricing strategy adopted by our Group for the respective year. We adopted a more competitive pricing strategy by generally offering a more competitive price under our tenders and quotations submitted during FY2017 and FY2018 as compared to FY2015 and FY2016 with the intention to undertake more sizeable fitting-out projects to generate higher revenue. For details of the success rate of our tenders and quotations during the Track Record Period and up to the Latest Practicable Date, please refer to the section headed "Business – Operation procedures – Fitting-out projects – Tender/quotation submission" in this document.

Return on total assets

For FY2018, the increase in our return on total assets was mainly attributable to the notable increase in our profit for the relevant year and the movement in the total asset balance.

Return on equity

The decrease in our return on equity was mainly due to the increase of total equity from approximately MOP27.3 million for FY2015 to approximately MOP44.7 million for FY2016. The decrease in our return on equity for FY2017 was primarily due to the notable increase in our total equity from approximately MOP44.7 million for FY2016 to approximately MOP74.5 million for FY2017. The increase in our return on equity for FY2018 was mainly attributable to the notable increase in our profit for the relevant year.

Net cash generated from/used in operating activities

The net cash generated from operating activities for FY2015 was mainly attributable to the combined effect of (i) our profit before taxation of approximately MOP19.3 million and our operating cash flows before movements in working capital was approximately MOP19.9 million; (ii) increase in other receivables, deposits and other prepayments of approximately MOP12.9 million; (iii) decrease in trade receivables of approximately MOP6.3 million; and (iv) increase in trade and other payables and accruals of approximately MOP9.2 million.

For FY2016, our net cash used in operating activities was approximately MOP0.9 million and our operating cash flows before movements in working capital was approximately MOP21.3 million. The net cash used in operating activities was mainly attributable to the combined effect of (i) our profit before taxation of approximately MOP20.8 million; (ii) increase in trade receivables of approximately MOP27.6 million; (iii) increase in other receivables, deposits and prepayments of approximately MOP4.8 million; (iv) increase in cash generated from the movement to the contract assets/liabilities, net of approximately MOP8.3 million; and (v) increase in trade and other payables and accruals of approximately MOP2.8 million.

As set out above, the main reason for our net cash used in operating activities despite recording a profit before taxation of approximately MOP20.8 million was the increase in trade receivables of approximately MOP27.6 million from 31 December 2015 to 31 December 2016, being primarily attributable to (i) the trade receivables outstanding as at 31 December 2015 having been settled; and (ii) the amount billed to a customer for one casino fitting-out contract in FY2016 remained outstanding, as at 31 December 2016.

For FY2017, our net cash generated from operating activities was approximately MOP8.1 million and our operating cash flows before movements in working capital was approximately MOP34.7 million. The net cash from operating activities was mainly attributable to the combined effect of (i) our profit before taxation of approximately MOP29.7 million positively adjusted by approximately MOP4.4 million attributable to the

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share-based payments, being a non-cash item; (ii) increase in trade receivables of approximately MOP20.5 million; (iii) increase in other receivables, deposits and prepayments of approximately MOP17.9 million; and (iv) increase in trade and other payables and accruals of approximately MOP14.5 million.

For FY2018, our net cash generated from operating activities was approximately MOP30.6 million and our operating cash flows before movements in working capital was approximately MOP39.5 million. The net cash from operating activities was mainly attributable to the combined effect of (i) our profit before taxation of approximately MOP39.2 million; (ii) decrease in trade receivables of approximately MOP16.9 million; (iii) decrease in other receivables, deposits and prepayments of approximately MOP18.0 million; (iv) decrease in trade and other payables and accruals of approximately MOP4.9 million; and (v) net cash outflow from the movement to contract assets/liabilities of approximately MOP30.7 million.

Movement in our number of projects

The following table^(Note 1) sets forth movement in our number of projects during the Track Record Period, with a breakdown of the number of new projects awarded during the year/period and the number of projects completed during the year/period:

	FY2015		FY2016		FY2017		FY2018		Subsequent to the Track Record Period and up to the Latest Practicable Date	Aggregated original contract sum
		Aggregated original contract sum MOP'000		Aggregated original contract sum MOP'000		Aggregated original contract sum MOP'000		Aggregated original contract sum MOP'000		Aggregated original contract sum MOP'000
Number of ongoing projects at the beginning of the year/period	8	40,717	5	16,976	5	45,978	8	78,923	23	365,296
Number of new projects awarded during the year/period	31	74,938	15	98,305	42	208,856	51 ^(Note 2)	429,132	7 ^(Note 3)	34,279
Number of projects completed during the year/period	34	98,679	15	69,303	39	175,911	36	142,759	6	625
Number of ongoing projects at the end of the year/period	5	16,976	5	45,978	8	78,923	23	365,296	24	398,950

Notes:

- (1) From time to time, after the award of a contract by our customer, our Group may be required to submit a separate quotation for subsequent variation orders related to such contract. For the avoidance of doubt and for the purpose of this table, the number of projects do not treat such variation order as a separate project.
- (2) Included 3 projects which we have earmarked to apply our [REDACTED] towards the relevant upfront costs and performance bonds requirements. For further details, please refer to the section headed “Future Plans and [REDACTED] – [REDACTED] – Earmarked projects” in this document.
- (3) For the 7 new projects awarded subsequent to the Track Record Period and up to the Latest Practicable Date, the tenders of 2 new projects were submitted during the Track Record Period, and the remaining 5 tenders were submitted subsequent to the Track Record Period.

SHAREHOLDER INFORMATION

Immediately following completion of the Capitalisation Issue and the [REDACTED] (without taking into account the exercise of the [REDACTED] and any option which may be granted under the Share Option Scheme), [REDACTED] of the issued share capital of our Company will be owned by Copious Astute, which is in turn wholly owned by Mr. Li. In view of the above, Mr. Li and Copious Astute will be considered to be our Controlling Shareholders within the meaning of the Listing Rules.

[REDACTED] INVESTMENT

On 27 February 2018, Mr. Leong entered into a subscription agreement with WHHE (Macau) and Mr. Li pursuant to which Mr. Leong agreed to subscribe (through Fresh Phoenix) for 100 fully-paid Shares in our Company at the consideration of HK\$15,000,000. Such consideration was determined at an arm’s length negotiation between the parties taking

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into account, among others, (i) the historical financial performance of our Group (up to 31 December 2017); (ii) the operating performance of our Group; (iii) the business prospects of our Group; and (iv) the then market conditions of the fitting-out industry in Macau. The subscription had been properly and legally completed and settled on 24 April 2018. Upon completion of the [REDACTED] Investment and the Reorganisation, our Company became owned as to 90% by Copious Astute and 10% by Mr. Leong through Fresh Phoenix. Upon the [REDACTED], our Company will become owned as to [REDACTED] by Mr. Leong through Fresh Phoenix. Mr. Leong was the fifth largest customer of our Group for FY2016, who contributed MOP240,000 to our revenue, representing approximately 0.2% of our total revenue during the same period. Save for the aforesaid and the [REDACTED] Investment, to the best of our Directors’ knowledge, information and belief, having made all reasonable enquiries, as at the Latest Practicable Date, Mr. Leong, Fresh Phoenix and their respective associates did not have any other past or present relationships, including but not limited to family, trust, business, employment relationships, or any agreements, arrangements or understanding with our Group and/or its connected persons. For details of the [REDACTED] Investment, please refer to the section headed “History, Reorganisation and Corporate Structure – [REDACTED] Investment” in this document.

STATISTICS OF THE [REDACTED]

	Based on an [REDACTED] of HK\$[REDACTED]	Based on an [REDACTED] of HK\$[REDACTED]
Market capitalisation ^(Note 1) [REDACTED]	HK\$[REDACTED] MOP[REDACTED] (equivalent to approximately HK\$[REDACTED])	HK\$[REDACTED] MOP[REDACTED] (equivalent to approximately HK\$[REDACTED])

Notes:

1. The calculation of the market capitalisation of our Shares is based on [REDACTED] Shares in issue immediately after completion of the [REDACTED] and the Capitalisation Issue (without taking into account any Shares that may be allotted and issued upon the exercise of the [REDACTED] and any option which may be granted under the Share Option Scheme).
2. The [REDACTED] has been arrived at with reference to certain bases and assumptions. Please refer to Appendix II to this document for further details. As the dividend of MOP60.0 million has been declared and distributed during FY2018, the [REDACTED] has already reflected its impact.

[REDACTED]

For FY2015, FY2016 and FY2017, we did not record any [REDACTED]. The estimated total [REDACTED] to be borne by our Group, which primarily represent professional fees for our [REDACTED] is non-recurrent in nature, has been estimated to be approximately HK\$[REDACTED] (equivalent to approximately MOP[REDACTED]), assuming an [REDACTED] of HK\$[REDACTED] per [REDACTED], being the mid-point of the indicative [REDACTED] range, of which approximately HK\$[REDACTED] (equivalent to approximately MOP[REDACTED]) is directly attributable to the issue of the [REDACTED] to the public and is to be accounted for as a deduction from equity. Approximately HK\$[REDACTED] (equivalent to approximately MOP[REDACTED]) is charged/expected to be charged to our profit or loss during the year ended/ending 31 December 2018 and 2019. For FY2019, it is estimated that the [REDACTED] would be approximately MOP[REDACTED]. For FY2018, we have recorded approximately MOP[REDACTED] of [REDACTED]. Our Board wishes to inform our Shareholders and potential investors that our Group’s financial performance and results of operations for FY2019 will continue to be affected by the estimated expenses in relation to the [REDACTED]. It should be noted that the [REDACTED] are current estimate and for references only.

REASONS FOR THE [REDACTED]

According to the Frost & Sullivan Report, the revenue of the fitting-out industry in the commercial segment is forecasted to keep a steady growth. By the end of 2022, the revenue of the fitting-out industry in the commercial segment is likely to reach MOP6,557.5 million, with a CAGR of approximately 7.1% from 2018 to 2022. Taking advantage of the forecasted growth in the fitting-out industry in Macau, we aim to further strengthen our market position in the

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fitting-out industry in Macau through (i) strengthening our financial position to undertake more sizeable fitting-out projects; (ii) diversifying our customer base; and (iii) strengthening our manpower. Driven by the forecasted growth in the fitting-out industry, barring unforeseen circumstances, our Directors expect that our business will expand steadily going forward. Our Directors believe that the [REDACTED] of our Shares on the Stock Exchange will facilitate the implementation of our strategies and will further strengthen our market position and market share in the fitting-out industry in Macau as we have a genuine funding need to expand our business because (i) our cash level was sufficient to maintain our existing business operation but not adequate for business expansion; (ii) we need to bear upfront costs of our potential projects; (iii) our customers do not make prepayments to us before project commencement; (iv) we need to consider tendering for fitting-out projects from new customers that require us to obtain performance bonds; (v) debt financing does not provide enough funding at reasonable costs for our long term development; (vi) we do not have sufficient manpower to take up more sizeable projects; (vii) we do not rely on our subcontractors to provide management and quantity surveying staff as it is essential for us to keep project management and implementation functions in-house. In addition, the [REDACTED] will also allow us to (i) enhance our corporate profile, brand awareness and competitiveness among business stakeholders; and (ii) take advantage of fundraising in the capital market for future business development. For details of our reasons for the [REDACTED], please refer to the section headed “Future Plans and [REDACTED] – Reasons for the [REDACTED]” in this document.

FUTURE PLANS AND [REDACTED]

We estimate the [REDACTED] from the [REDACTED] which we will receive, assuming an [REDACTED] of HK\$[REDACTED] per [REDACTED] (being the mid-point of the [REDACTED] range), will be approximately HK\$[REDACTED] (equivalent to approximately MOP[REDACTED]), after deduction of [REDACTED] and estimated expenses payable by us in connection with the [REDACTED] and assuming the [REDACTED] is not exercised. We intend to apply the [REDACTED] of the [REDACTED] for the following purposes: (i) approximately [REDACTED] of the [REDACTED] (approximately MOP\$[REDACTED], equivalent to approximately HK\$[REDACTED]) for upfront costs of our projects including prepayment to subcontractors, materials costs and subcontracting fees for work done by subcontractors; (ii) approximately [REDACTED]% of the [REDACTED] (approximately MOP[REDACTED], equivalent to approximately HK\$[REDACTED]) to acquire performance bonds for potential fitting-out projects from new customers; (iii) approximately [REDACTED] of the [REDACTED] (approximately MOP[REDACTED], equivalent to approximately HK\$[REDACTED]) for further strengthening our manpower; and (iv) approximately [REDACTED] of the [REDACTED] (approximately MOP[REDACTED], equivalent to approximately HK\$[REDACTED]) for general working capital of our Group. For details of our future plans and [REDACTED], please refer to the section headed “Future Plans and [REDACTED]” in this document.

LEGAL COMPLIANCE

During the Track Record Period and up to the Latest Practicable Date, our Group did not have any non-compliance incident that is material or systemic in nature. However, in early April 2018, WHHC received a letter from the HK Buildings Department, pursuant to which WHHC was suspected of potentially breaching the Buildings Ordinance as a result of allegedly failing to observe the duties as a RGBC under, or comply with the requirements of, the Buildings Ordinance, in a fitting-out project we had undertaken as contractor in Hong Kong to supervise the works of a nominated subcontractor in December 2016.

Subject to the outcome of the ongoing investigation (the “Investigation”), WHHC may have breached certain regulations of the Building (Administration) Regulations. As at the Latest Practicable Date, no further action had been initiated by the HK Buildings Department against WHHC and Mr. Yu, who was appointed as the authorised signatory and technical director to act for the purpose of the Buildings Ordinance for WHHC, in respect of the Investigation.

As advised by our HK Legal Counsel, if the disciplinary board of the Building Authority is satisfied that the registered contractor or the director or officer or the person appointed by the registered contractor to act on his behalf for the purposes of the Buildings Ordinance has failed to discharge the duties or abide by the requirements mentioned in section 13 of the Buildings Ordinance, the disciplinary board may impose certain penalties on these entitles/persons, which include, among others, (a) a fine of not exceeding

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HK\$250,000; (b) removal of their names from the relevant register; (c) reprimanding them; or (d) ordering them be prohibited from certifying or carrying out any minor works. Such penalties are civil in nature, such that WHHC and its officer(s) will not be subject to any criminal liability in respect of this matter. Based on the limited information available, our HK Legal Counsel is of the view that the subject matter of the Investigation does not appear to involve wilful or gross negligence or fraudulent breach on the part of our Group. It appears to be a one-off incident. Subject to any evidence to the contrary, our HK Legal Counsel would opine such breach as immaterial non-compliances by our Group.

Our Company denies all of the above allegations made by the HK Buildings Department. Our Directors are also of the view that the impact of the Investigation on our Group is minimal. For details of the Investigation, please refer to the section headed “Business – Legal compliance – An ongoing investigation by the HK Buildings Department” in this document.

LITIGATION

As at the Latest Practicable Date, our Group was not involved in any litigation, arbitration or claim of material importance. In addition, our Directors are not aware of any litigation, arbitration or claim pending or threatened by or against us which may have a material adverse effect on our business, financial condition or results of operations.

DIVIDENDS

During FY2015, FY2016 and FY2017, our subsidiaries declared and distributed dividends of approximately MOP0.6 million, MOP0.6 million and nil, respectively. During FY2018, our Company declared and distributed a dividend of MOP60.0 million. Out of MOP60.0 million dividend declared and distributed during FY2018, (i) approximately MOP53.7 million attributable to Copius Astute were settled through the current account with Mr. Li and the remaining balance of approximately MOP342,000 dividend payable to Copius Astute shall be settled in cash prior to the [REDACTED]; and (ii) MOP6.0 million dividend payable to Fresh Phoenix will be settled in cash prior to the [REDACTED]. Pursuant to our dividend policy, being effective upon [REDACTED], our Board may propose the payment of dividends, if any, on a per share basis, provided that our Group is profitable and without affecting the normal operations and business of our Group, our 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 our Group; (ii) the general business conditions and strategies of our Group; (iii) the expected working capital requirements, capital expenditure requirements and future expansion plans of our Group; (iv) the retained earnings and distributable reserves of our Company and each of the other members of our Group; (v) the level of our Group’s debts to equity ratio and return on equity as well as financial covenants to which our Group is subject; and (vi) any other factors that the Board may deem appropriate. Such declaration and payment of dividends by our Company shall remain to be determined at the sole discretion of our 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 our Directors. Currently, we do not have any predetermined dividend payout ratio.

RECENT DEVELOPMENT

Based on our Group’s unaudited management accounts made up to the period of one month ended 31 January 2019, the unaudited monthly revenue for the one month ended 31 January 2019 was higher than the monthly average revenue for the year ended 31 December 2018, which was mainly attributable to revenue derived from a casino related fitting-out contract with Customer A with an original contract sum of approximately MOP22.7 million.

Subsequent to the Track Record Period and up to the Latest Practicable Date, we had completed 6 fitting-out contracts with an aggregate original contract sum of approximately MOP0.6 million, of which a total of approximately MOP251,000 was recognised during the Track Record Period. Subsequent to the Track Record Period and up to the Latest Practicable Date, we had submitted 21 tenders/replies to quotations, among which 5 were successful (excluding projects the tenders/quotations of which were not submitted during

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such period) and the tender/quotation status of the remaining 16 projects were pending. The original contract sum of the 5 projects awarded to us during such period amounted to approximately MOP33.2 million.

As at the Latest Practicable Date, the aggregate contract sum of the 102 tenders submitted by us which the results are pending amounted to approximately MOP1,545.5 million. Out of these 102 submitted tenders, 3 tenders of which the aggregate contract sum amounted to approximately MOP238.9 million are the earmarked potential projects set out in the section headed “Future Plans and [REDACTED] – Earmarked projects” in this document. The aggregate contract sum of the tenders which we intend to submit by the end of FY2019 amounted to not less than MOP274.5 million.

The indebtedness of our Group as at 31 January 2019, being the latest practicable date for determining the amount of indebtedness in this document, amounted to approximately MOP8.9 million. Further details of our Group’s indebtedness statement as at 31 January 2019 are set out under the section headed “Financial Information – Indebtedness” in this document.

As at the Latest Practicable Date, we had 24 awarded and ongoing fitting-out projects, which include projects that have been commenced but not yet completed and projects that have been awarded but not yet commenced.

The following table sets forth details of our awarded and ongoing projects as at the Latest Practicable Date (in descending order by original contract sum without taking into account any variation orders). The total outstanding contract value of these projects to be recognised after FY2018 amounted to approximately MOP204.5 million.

Main contractor/ subcontractor	Customer	Property type	Duration	Original contract sum	Revenue recognised during the Track Record Period				Estimated revenue to be recognised
				MOP'000	FY2015 MOP'000	FY2016 MOP'000	FY2017 MOP'000	FY2018 MOP'000	MOP'000 (unaudited)
1. Main contractor	Customer A	Casino	March 2018 to June 2019	160,392	–	–	–	181,863	328
2. Main contractor	Customer D	Commercial property	June 2019 to December 2019	61,236	–	–	–	–	61,236
3. Subcontractor	New customer	Residential	May 2019 to April 2020	53,240	–	–	–	–	53,240
4. Main contractor	Customer A	Casino	March 2019 to October 2019	32,880	–	–	–	–	32,880
5. Subcontractor	New customer	Residential	May 2019 to September 2020	23,017	–	–	–	–	23,017
6. Main contractor	Customer A	Casino	October 2018 to April 2019	22,731	–	–	–	14,053	8,678
7. Main contractor	Customer B	Casino	December 2018 to May 2019	7,548	–	–	–	2,341	5,207
8. Subcontractor	Customer I	Hotel	August 2018 to March 2019	7,146	–	–	1,554	7,017	1,244
9. Main contractor	Customer B	Hotel	December 2018 to April 2019	5,173	–	–	–	1,644	3,529
10. Main contractor	Customer A	Commercial property	January 2019 to June 2019	4,911	–	–	–	2,646	2,265
11. Main contractor	Customer B	Casino	June 2018 to March 2019	3,348	–	–	–	3,110	–
12. Main contractor	Customer A	Casino	December 2018 to March 2019	3,085	–	–	–	1,491	1,594
13. Main contractor	Customer A	Casino	October 2018 to March 2019	2,800	–	–	–	784	2,016
14. Main contractor	Customer B	Casino	December 2018 to March 2019	2,380	–	–	–	–	2,380
15. Main contractor	Customer B	Casino	November 2018 to May 2019	1,788	–	–	–	533	1,255
16. Main contractor	Customer B	Hotel	January 2019 to March 2019	1,551	–	–	–	–	1,551
17. Main contractor	Customer B	Casino	January 2019 to March 2019	1,531	–	–	–	–	1,531
18. Main contractor	Customer B	Casino	December 2018 to April 2019	1,098	–	–	–	–	1,098
19. Main contractor	Customer A & B ^(Note)	Casino ^(Note)	June 2018 to May 2019 ^(Note)	3,094 ^(Note)	–	–	–	1,418	1,416
Total									204,465

Note: Comprised of various contracts, each with less than MOP1.0 million original contract sum.

Save for the [REDACTED], of which approximately HK\$[REDACTED] (equivalent to approximately MOP[REDACTED]) was charged to our consolidated income statements for the year ended 31 December 2018 and approximately HK\$[REDACTED] (equivalent to approximately MOP[REDACTED]) is expected to be charged to our profit or loss during FY2019, which would in turn adversely impact our Group’s financial results for FY2019, our Directors confirm that up to the date of this document, there has been no other material adverse change in our financial or trading position or prospects of our Group since 31 December 2018 (being the date to which the latest audited consolidated financial statements of our Group were prepared), and there is no event since 31 December 2018 which would materially affect the information shown in the Accountants’ Report set out in Appendix I to this document.

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

In this document, unless the context otherwise requires, the following expressions have the following meanings.

“[REDACTED]”	[REDACTED]
“Articles” or “Articles of Association”	the articles of association of our Company conditionally adopted on 18 March 2019 and effective upon the [REDACTED] and as amended from time to time, a summary of which is set out in Appendix III to this document
“associate(s)”	has the meaning ascribed thereto it under the Listing Rules
“Board” or “Board of Directors”	the board of Directors of our Company
“Building (Administration) Regulations	the Building (Administration) Regulations (Chapter 123A of the Laws of Hong Kong)
“Building Authority”	the Director of Buildings as defined under the Buildings Ordinance
“Buildings Ordinance”	the Buildings Ordinance (Chapter 123 of the Laws of Hong Kong)
“business day”	any day (other than a Saturday, and Sunday or public holidays in Hong Kong) on which banks in Hong Kong are generally open for normal banking business
“BVI”	the British Virgin Islands
“CAGR”	compounded annual growth rate
“Capitalisation Issue”	the issue of [REDACTED] Shares to be made upon capitalisation of part of the amount standing to the credit of our share premium account as referred to in the paragraph headed “A. Further Information about our Company and our Subsidiaries – 3. Written resolutions of our Shareholders passed on 18 March 2019” in Appendix IV to this document
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person permitted to participate in CCASS as a direct clearing participant or general clearing participant
“CCASS Custodian Participant”	a person permitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

“CCASS Participants”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“close associate(s)”	has the meaning ascribed to it under the Listing Rules
“Companies Law”	the Companies Law (as revised) of the Cayman Islands, as amended, modified and supplemented from time to time
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, modified and supplemented from time to time
“Companies (WUMP) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, modified and supplemented from time to time
“Company”	Wai Hung Group Holdings Limited (偉鴻集團控股有限公司), a company incorporated in the Cayman Islands as an exempted company with limited liability on 9 April 2018
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“connected transaction(s)”	has the meaning ascribed to it under the Listing Rules
“Controlling Shareholders”	has the meaning ascribed to it under the Listing Rules and unless the context otherwise requires, means Mr. Li and Copious Astute
“Copious Astute”	Copious Astute Limited (巧裕有限公司), a company incorporated under the laws of BVI with limited liability on 21 February 2018, which is wholly-owned by Mr. Li and is a Controlling Shareholder
“core connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Corporate Governance Code”	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
“Deed of Indemnity”	the deed of indemnity dated 18 March 2019 executed by our Controlling Shareholders in favour of our Company regarding certain indemnities, details of which are set out in the paragraph headed “E. Other Information – 1. Tax and other indemnities” in Appendix IV to this document

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

“Deed of Non-Competition	the deed of non-competition dated 18 March 2019 executed by our Controlling Shareholders in favour of our Company regarding certain non-competition undertakings, details of which are set out in the section headed “Relationship with our Controlling Shareholders – Non-competition undertakings by our Controlling Shareholders” in this document
“Director(s)”	the director(s) of our Company
“DSSOPT”	the Land, Public Works and Transport Bureau of Macau
“first fit-out”	fitting-out works for new buildings
“Fresh Phoenix”	Fresh Phoenix Limited (新鳳有限公司), a company incorporated under the laws of BVI with limited liability on 21 February 2018 and wholly owned by Mr. Leong
“Frost & Sullivan”	Frost & Sullivan Limited, an independent market research agency
“Frost & Sullivan Report”	a market research report commissioned by us and prepared by Frost & Sullivan on the overview of the industry in which our Group operates
“FY2015”	the financial year ended 31 December 2015
“FY2016”	the financial year ended 31 December 2016
“FY2017”	the financial year ended 31 December 2017
“FY2018”	the financial year ended 31 December 2018
“FY2019”	the financial year ending 31 December 2019
“Group”, “we”, “us” or “our”	our Company and our subsidiaries at the relevant time or, where the context otherwise requires, in respect of the period prior to our Company becoming the holding company of our present subsidiaries, our present subsidiaries and the businesses operated by such subsidiaries (as the case may be)
“HK Buildings Department”	the Buildings Department of the HK Government
“HK Government”	the government of Hong Kong
“HK Legal Counsel”	Ms. Queenie W.S. Ng, barrister-at-law of Hong Kong
“HKAS”	Hong Kong Accounting Standards
“HKD” or “HK\$” and “cents”	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

“HKFRSs”	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
“HKSCC”	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
“HKSCC Nominees”	HKSCC Nominees Limited
“Hong Kong”, “HKSAR” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Branch Share Registrar”	[REDACTED], the Hong Kong branch share registrar and transfer office of our Company
“independent third party(ies)”	an individual(s) or a company(ies) who or which is/are independent and not connected with (within the meaning of the Listing Rules) any of our Directors, chief executive, substantial Shareholders of our Company or any of its subsidiaries, or any of their respective associates
“[REDACTED]”	[REDACTED]
“[REDACTED]”	[REDACTED]
“Keng Chuan”	Keng Chuan Limited (景川有限公司), a company incorporated in Macau with limited liability on 15 August 2012, which is an indirect wholly-owned subsidiary of our Company
“Latest Practicable Date”	20 March 2019, being the latest practicable date prior to the printing of this document for the purpose of ascertaining certain information in this document prior to its publication
“[REDACTED]”	[REDACTED]
“Listing Committee”	the Listing Committee of the Stock Exchange
“[REDACTED]”	[REDACTED]

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, modified and supplemented from time to time
“Loyal Auspicious”	Loyal Auspicious Limited (瑞忠有限公司), a company incorporated under the laws of BVI with limited liability on 28 February 2018, which is a direct wholly-owned subsidiary of our Company
“Macau”	The Macao Special Administrative Region of the PRC
“Macau Government”	The government of Macau
“Macau Legal Advisers”	Chio Tak Wo, Advogado, the legal advisers to our Company as to Macau law
“Main Board”	the Main Board of the Stock Exchange
“Memorandum of Association” or “Memorandum”	the memorandum of association of our Company adopted on 18 March 2019 and as amended from time to time
“MOP” or “Pataca”	Macau Pataca, the lawful currency of Macau
“Mr. Leong” or “[REDACTED] Investor”	Mr. Leong Lap Kun (梁立權先生), a [REDACTED] investor who through Fresh Phoenix holds 10% interest in our Company immediately after completion of the Reorganisation
“Mr. Li”	Mr. Li Kam Hung (李錦鴻), an executive Director, the chief executive officer, the chairman of the Board and a Controlling Shareholder
“Mr. Yu”	Mr. Yu Ming Ho (余銘濠), an executive Director
“NWHC”	New Wai Hung Construction (Macau) Co., Ltd. (新偉鴻建築(澳門)有限公司), formerly known as New Wai Hung Hong Construction (Macau) Co., Ltd. (新偉鴻行建築(澳門)有限公司), a company incorporated in Macau with limited liability on 22 March 2006, which is an indirect wholly-owned subsidiary of our Company
“[REDACTED]”	[REDACTED]
“[REDACTED]”	[REDACTED]

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

“[REDACTED]”	[REDACTED]
“[REDACTED]”	[REDACTED]
“[REDACTED]”	[REDACTED]
“[REDACTED]”	[REDACTED]
“[REDACTED]”	[REDACTED]
“PRC”	the People’s Republic of China, and for the purpose of this document, excludes Hong Kong, Macau and Taiwan
“[REDACTED] Investment”	the [REDACTED] investment in our Group by the [REDACTED] Investor, as further detailed in the section headed “History, Reorganisation and Corporate Structure – [REDACTED] Investment” in this document
“Predecessor Companies Ordinance”	the predecessor Companies Ordinance (Chapter 32 of the Laws of Hong Kong) as in force from time to time before 3 March 2014

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

“[REDACTED]”	[REDACTED]
“[REDACTED]”	[REDACTED]
“[REDACTED]”	[REDACTED]
“[REDACTED]”	[REDACTED]
“[REDACTED]”	[REDACTED]
“[REDACTED]”	[REDACTED]
“refitting”	fitting-out works for existing buildings
“Regulation S”	Regulation S under the U.S. Securities Act
“Reorganisation”	the corporate reorganisation of our Group in preparation for the [REDACTED] as described in the section headed “History, Reorganisation and Corporate Structure” in this document
“Reorganisation Agreement”	the reorganisation agreement dated 30 May 2018 and entered into between our Company, Copious Astute, Mr. Li, Loyal Auspicious and Splendor Haze pursuant to which our Company acquired the entire issued share capital of each of Loyal Auspicious and Splendor Haze from Mr. Li, details of which are set out in the section headed “History, Reorganisation and Corporate Structure – Reorganisation” in this document

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

“RGBC”	registered general building contractor
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“SGD” or “SG\$”	Singapore dollars, the lawful currency of Singapore
“Share(s)”	ordinary share(s) with nominal value of HK\$0.01 each in the share capital of our Company
“Shareholder(s)”	holder(s) of the Share(s)
“[REDACTED]”	[REDACTED]
“Share Option Scheme”	the share option scheme conditionally adopted by our Company on 18 March 2019, the principal terms of which are summarised in the paragraph headed “D. Share Option Scheme” in Appendix IV to this document
“Singapore”	The Republic of Singapore
“Sole Sponsor”	Red Sun Capital Limited, the sole sponsor for the [REDACTED] and a licensed corporation to engage in type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activity under the SFO
“Splendor Haze”	Splendor Haze Limited (彩嵐有限公司), a company incorporated under the laws of BVI with limited liability on 30 January 2018, which is a direct wholly-owned subsidiary of our Company
“sq.ft.”	square foot
“sq.m.”	square metre
“[REDACTED]”	[REDACTED]
“[REDACTED]”	[REDACTED]
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

“Substantial Shareholder”	has the meaning ascribed to it under the Listing Rules and details of our Substantial Shareholders are set out in the section headed “Substantial Shareholders” in this document
“Takeovers Code”	The Codes on Takeovers and Mergers, as amended, supplemented or otherwise modified from time to time
“Track Record Period”	FY2015, FY2016, FY2017 and FY2018
“[REDACTED]”	[REDACTED]
“[REDACTED]”	[REDACTED]
“United States” or “U.S.”	the United States of America
“USD” or “US\$”	United States dollars, the lawful currency of the United States
“U.S. Securities Act”	United States Securities Act of 1933, as amended, modified and supplemented from time to time
“WHHC”	Wai Hung Hong Construction Company Limited (偉鴻行建築有限公司), a company incorporated in Hong Kong with limited liability on 9 May 2001, which is an indirect wholly-owned subsidiary of our Company
“WHHCE”	Wai Hung Hong Construction Engineering Limited (偉鴻行建築工程有限公司), formerly known as Moral Trend Creation Limited (德萬創建有限公司), a company incorporated in Hong Kong with limited liability on 16 December 2010, which is an indirect wholly-owned subsidiary of our Company
“WHHDD”	Wai Hung Hong Decoration and Design Company Limited (偉鴻行裝飾及設計有限公司), a company incorporated in Macau with limited liability on 28 September 2006, which is an indirect wholly-owned subsidiary of our Company
“WHHE (HK)”	Wai Hung Hong Engineering Company Limited (偉鴻行工程有限公司), a company incorporated in Hong Kong with limited liability on 22 August 1996, which is an indirect wholly-owned subsidiary of our Company

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

“WHHE (Macau)”	Wai Hung Hong Engineering (Macau) Co., Ltd (偉鴻行工程(澳門)有限公司), a company incorporated in Macau with limited liability on 16 May 2005, which is an indirect wholly-owned subsidiary of our Company
“[REDACTED]”	[REDACTED]
“[REDACTED]”	[REDACTED]
“YKDE”	Yiu Kwong Decoration Engineering (Macau) Company Limited (耀港裝飾工程(澳門)有限公司), a company incorporated in Macau with limited liability on 3 March 2017, which is an indirect wholly-owned subsidiary of our Company
“ZHZC”	珠海橫琴忠信建材有限公司 (Zhuhai Hengqin Zhongxin Construction Materials Limited*), a company incorporated in the PRC with limited liability on 12 May 2015, which is an indirect wholly-owned subsidiary of our Company
“%”	per cent

Certain amounts and percentage figures included in this document have been subject to rounding adjustments. Unless otherwise stated, all the numerical figures are rounded to one decimal place. Any discrepancy in any table between totals and sums of individual amounts listed in any table are due to rounding. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

In this document, if there is any inconsistency between the Chinese names of the entities or enterprises established in Macau and their English translations, the Chinese names shall prevail. English translation of company names in Chinese or another language which are marked with “” is for identification purpose only.*

Unless expressly stated or the context otherwise requires, all data in this document is as at the date of this document.

FORWARD-LOOKING STATEMENTS

This document contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties. In some cases the words such as “aim”, “anticipate”, “believe”, “could”, “estimate”, “expect”, “going forward”, “intend”, “may”, “might”, “plan”, “potential”, “project”, “predict”, “propose”, “seek”, “should”, “target”, “will”, “would” and other similar expressions are used to identify forward-looking statements. These forward-looking statements include, without limitation, statements relating to:

- our Group’s business and operating strategies and plans of operation;
- the amount and nature of, and potential for, future development of our Group’s business;
- our Company’s dividend distribution plans;
- the regulatory environment as well as the general industry outlook for the industry in which our Group operates;
- future events and developments, trends and conditions in the industry and markets in which our Group operates; and
- the trend of the economy of Hong Kong, Macau and the world in general.

These statements are based on various assumptions, including those regarding our Group’s present and future business strategy and the environment in which our Group will operate in the future, some of which may not materialise or may change.

Our Group’s future results could differ materially from those expressed or implied by such forward-looking statements. In addition, our Group’s future performance may be affected by various factors including, without limitation, those discussed in the sections headed “Risk Factors” and “Financial Information” of this document.

Should one or more risks or uncertainties stated in the aforesaid sections materialise, or should any underlying assumptions prove to be incorrect, actual outcomes may vary materially from those indicated. Prospective investors should therefore not place undue reliance on any of the forward-looking statements. All forward-looking statements contained in this document are qualified by reference to the cautionary statements as set out in this section. Subject to the requirements of applicable laws, rules and regulations, we do not have any obligation to update or otherwise revise the forward-looking statements in this document, whether as a result of new information, future events or otherwise.

In this document, statements of, or references to, our Group’s intentions or those of any of our Directors are made as at the date of this document. Any such intentions may change in light of future developments.

RISK FACTORS

Potential investors should carefully consider all of the information set out in this document and, in particular, should consider the following risks and special consideration associated with an investment in our Company before making any investment decision in relation to the [REDACTED]. If any of the possible events as described below materialises, our Group's business, financial position and prospects could be materially and adversely affected and the trading prices of the Shares could decline due to any of these risks, and you may lose all or part of your investment.

RISKS RELATING TO OUR BUSINESS

We derived a significant portion of our revenue from a few customers (in particular Customer A) and the significant number of projects awarded by and revenue derived from Customer A during the Track Record Period may not be indicative of the number of projects to be awarded to us and amount of revenue we could derive from in the future

We derived approximately 84.4%, 83.6%, 82.2% and 80.8% of our total revenue from contracts awarded by Customer A for FY2015, FY2016, FY2017 and FY2018, respectively. During the Track Record Period, we had undertaken 98 fitting-out projects for Customer A. For FY2015 and FY2016, we only had three customers and five customers, respectively. During the Track Record Period, we did not enter into any long-term agreements with our major customers for fitting-out services as the contracts were awarded to us on a project basis through tender/quotation.

In light of the above, we face the risks associated with having a concentration of customers and heavily relying on Customer A in the future. We cannot assure you that we will be able to retain Customer A or our major customers in the future. As such, the significant number of projects awarded by and revenue we had derived from Customer A and our other major customers during the Track Record Period may not be indicative of the number of projects we could secure and the amount of revenue we could derive from them in the future. Our results of operations, profitability and liquidity may be materially and adversely affected if we are unable to secure new projects from Customer A or our major customers or fail to procure similar level of business from new customers on comparable commercial terms to offset the loss of revenue from Customer A or our major customers.

In addition, our business, financial condition and results of operations also depend on the financial condition and commercial success of our major customers (in particular Customer A). If any of our top five customers shall become unwilling or unable to make payments, we may be unable to recover significant amounts of trade receivables and our cash flow and financial position may be materially and adversely affected.

RISK FACTORS

Our profit margin fluctuates as our business is project-based and depends on our ability to secure projects through tenders/quotations which is reflected in the success rate of our tenders and quotations during the Track Record Period

Our services are generally provided on a project basis and depends on our ability to secure projects through tenders/quotations. Both our profit margin and success rate of our tenders/quotations fluctuated during the Track Record Period and is not indicative of the level of fluctuations in the future. For FY2015, FY2016, FY2017 and FY2018, the success rate of our tenders/quotations were approximately 18.6%, 17.2%, 31.4% and 34.1%, respectively. During the Track Record Period, we had completed 124 fitting-out projects and two repair and maintenance service contracts. For FY2015, FY2016, FY2017 and FY2018, we derived (i) approximately MOP108.3 million, MOP110.2 million, MOP188.1 million and MOP326.3 million, of revenue from fitting-out contracts; and (ii) approximately MOP5.7 million, MOP4.4 million, MOP1.0 million and MOP0.5 million of revenue from the repair and maintenance service contracts, respectively. Demand for our services may be adversely affected by external factors beyond our control, such as changes in our customers’ preferences and general market conditions. We cannot assure you that we will be able to secure new contracts with existing or new customers in the future.

Furthermore, the number, type and scale of fitting-out projects awarded to us may vary significantly from period to period. Hence, our revenue and profit margin may vary from project to project. Our revenue and profit margin also depend on other factors such as (i) terms of the contracts; (ii) project duration; (iii) how efficient the works are implemented; (iv) variation orders; (v) our ability to control the project cost and progress; and (vi) general market conditions. As such, we cannot assure you that our future projects may continue to be profitable and our revenue and profit margin may fluctuate from time to time.

If there is a significant decrease in the number and/or size of our fitting-out projects or if we are unable to secure projects with a reasonable profit margin in the future, our financial position and results of operations may be materially and adversely affected.

Adverse developments in Macau’s economy could materially and adversely affect our major customers and our profitability

Our top five customers during the Track Record Period, including Customer A, Customer B and Customer H, are group companies of three of the six licensed casino gaming operators in Macau. According to the Frost & Sullivan Report, fitting-out projects in the commercial segment are mainly initiated by the six licensed casino gaming operators who contribute to the majority of market share in terms of revenue. Any adverse developments in Macau’s economy, such as (i) adverse changes in policies imposed by the PRC government targeting casino gaming operators in Macau; (ii) restrictions in flow of funds into and out of Macau; and (iii) legalisation of gambling in other parts of the PRC thereby creating direct competition against casino gaming operators in Macau, could materially and adversely affect the profitability of our major customers. As we historically derived a significant portion of our revenue from a few customers (in particular Customer A), we cannot assure you that any adverse developments in Macau’s economy would not

RISK FACTORS

have adverse impacts on our business, financial position and profitability. If the business of our major customers are adversely affected by changes in Macau's economy, our profitability could also be adversely affected.

Failure to estimate costs accurately in our tenders could materially affect our profitability

During the Track Record Period, a majority of our sizeable fitting-out contracts in terms of contract sum were awarded to us on a project basis through tender process. We had to take part in competitive tender process in order to secure new contracts. Our profitability depends largely on the tender price we submit, which is determined based on the estimated costs plus a mark-up. In preparing a tender, we evaluate and analyse the project in terms of scope of works, complexity of the project, schedule of works, manpower needed and availability of resources. We maintain competitiveness of our tender price while maximising our profit margin. If a significant mark-up is added to the estimated costs, our tender price may become less competitive. On the other hand, if our tender price is too low, our projects may become less profitable.

Without taking into consideration variation orders requested by our customers in the course of project execution, the original contract price of a fitting-out contract is fixed at the time the contract is awarded to us. The actual time and costs for completing a project may be materially and adversely affected by various factors, some of which may be beyond our control, including raise in cost of materials and labour, additional variations to the project plans requested by our customers or due to technical needs, disputes with our subcontractors, accidents and other unforeseen problems or circumstances, and we have to bear the risk of cost fluctuations accordingly. Any of these factors can lead to delays in completing our works, cost overrun or even unilateral termination by our customers due to unsatisfactory performance. We cannot assure you that the actual time and costs incurred would not exceed our estimate. If we are unable to control our costs within our estimation or recover the extra costs incurred, our profit margin and result of operations may be materially and adversely affected.

We are subject to credit risk in respect of our trade receivables

As at 31 December 2015, 2016, 2017 and 2018, we recorded trade receivables of approximately MOP8.6 million, MOP36.3 million, MOP56.8 million, and MOP39.9 million, respectively, of which approximately MOP1.6 million, MOP1.7 million, MOP14.6 million, and MOP25.9 million, respectively, were past due but not impaired. As at 31 December 2015, 2016, 2017 and 2018, we recorded retention money of approximately MOP6.5 million, MOP8.9 million, MOP11.1 million and MOP10.6 million, respectively. For FY2015, FY2016, FY2017 and FY2018, our average trade receivables turnover days were approximately 37.8 days, 71.7 days, 89.8 days and 54.0 days. We cannot assure you that our customers will settle our invoices on time and in full. In the event that we are unable to collect a substantial portion of our trade receivables or we are unable to collect our trade receivables within the payment terms, our cash flow and financial position may be materially and adversely affected.

RISK FACTORS

If we are unable to receive progress payments on time and in full or recover our contract assets, or if retention money is not fully released to us after expiry of the defects liability period, our liquidity and financial position may be materially and adversely affected

We generally receive monthly progress payments from our customers according to the work done or services rendered. Such monthly progress payments would be assessed and agreed by our customers before we issue an invoice to them. For further details of the payment terms granted by our customers, please refer to the section headed “Business – Our customers – Credit policy” in this document.

Our customers generally withhold up to 10.0% of the total contract sum as retention money. As at 31 December 2015, 2016, 2017 and 2018, our retention receivables amounted to approximately MOP6.5 million, MOP8.9 million, MOP11.1 million and MOP10.6 million, respectively. We had not written off any retention receivables during the Track Record Period.

Contract assets primarily related to our Group’s rights to consideration for the completion of fitting-out services and repair and maintenance services but not yet billed at the reporting date. Contract assets are reclassified to trade receivables when such rights become unconditional other than passage of time. Our Group recorded contract assets of approximately MOP7.5 million, MOP2.7 million, MOP9.1 million and MOP33.1 million as at 31 December 2015, 2016, 2017 and 2018, respectively. For details of the subsequent settlement of these contract assets, please refer to the section headed “Financial Information – Analysis of various items from the consolidated statements of financial position – Contract assets and contract liabilities” in this document.

We cannot assure you that the financial position of our customers will remain solvent or that our customers will settle our progress payments or release the retention money on time or that we will be able to recover our contract assets in full or at all in the future. If we do not receive our progress payments and retention money or recover our contract assets, our liquidity and financial position may be materially and adversely affected.

Potential mismatch in time between receipt of progress payments from our customers, prepayment to our subcontractors, and payments to our suppliers and subcontractors may adversely affect our cash flows

We manage our liquidity position through monitoring our existing working capital positions, including our bank and cash balances as well as the amount of our unutilised banking facilities, analysing historical timing of payment approval and settlement patterns related to the subject customer, analysing historical credit terms granted by the subject suppliers and/or subcontractors, responding to requests for prepayment from key subcontractors as well as drawing up project budgets to manage working capital requirements on the project level. In addition, we would also follow up any long overdue trade receivables with our customers. We may experience net cash outflows before we are awarded a project and at the initial stage of a project after a project has commenced. These upfront costs come in two forms. They include (i) prepayments made to our subcontractors before we are awarded a project in order to secure their services should our tender be

RISK FACTORS

successful; and (ii) project startup costs at the initial stage of a project which include subcontracting fees for work done by subcontractors, payments made to suppliers for materials and direct labour costs. Our customers generally make progress payments according to our work progress, and such payments need to be certified by our customers before we issue an invoice to them. In addition, our customers generally withhold up to 10% of the total contract sum as retention money, which will be released to us by stages.

As at 31 December 2015, 2016, 2017 and 2018 (i) our trade payables amounted to approximately MOP11.3 million, MOP11.8 million, MOP19.7 million and MOP8.2 million, respectively; (ii) our prepayment to subcontractors amounted to approximately MOP11.5 million, MOP11.6 million, MOP30.6 million and MOP18.2 million; and (iii) our trade receivables amounted to approximately MOP8.6 million, MOP36.3 million, MOP56.8 million and MOP39.9 million, respectively.

Accordingly, our cash flow typically turns from net outflows at the early stage of a project into accumulative net inflows gradually as the project progresses. This results in a cash flow gap and in the event that we have more projects at the initial stage or that a substantial amount of retention money from various projects are being withheld by our customers at any given point of time, our liquidity may be materially and adversely affected.

Net cash outflow from operating activities may materially and adversely affect our business, financial condition and results of operation

We recorded net cash used in operating activities of approximately MOP0.9 million for FY2016 due to the increase in trade receivables of approximately MOP27.6 million from 31 December 2015 to 31 December 2016 despite recording a profit before taxation of approximately MOP20.8 million. The increase in trade receivables in FY2016 was primarily attributable to the net effect of (i) the trade receivables outstanding as at 31 December 2015 having been settled; and (ii) the amount billed to a customer for one casino fitting-out contract in FY2016 remained outstanding as at 31 December 2016. For details of our cash flow positions from operating activities, please refer to the section headed "Financial Information – Liquidity and capital resources – Net cash generated from/used in operating activities" in this document.

We cannot assure you that we will not experience net cash outflows in the future. Net operating cash outflow could impair our ability to make necessary capital expenditures and constrain our operational flexibility as well as adversely affect our ability to meet our liquidity requirements. If we do not have sufficient cash to fund our future capital requirements, settle our trade payables and outstanding debt obligations when they become due, we may need to significantly increase our external borrowings. If adequate funds are not available from external borrowings, on satisfactory terms or at all, we may be forced to delay or curtail our business expansion plans. As a result, our business, financial conditions and results of operations may be materially and adversely affected.

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Our success depends significantly on our key management and our ability to attract and retain additional technical and management staff

Our success and growth depend to a large extent on our ability to retain the services of our key management personnel, in particular, Mr. Li and Mr. Yu, each being an executive Director. Our Directors believe that our key management personnel possess the relevant knowledge, experience and skills, especially in their familiarity with our business, relationship with our customers and expertise and therefore is essential to us in carrying out our business and future plans.

The expertise of our project management staff is crucial in improving our overall project management and implementation in a cost-effective manner so as to improve our profit margin. Our success and growth also depends on our ability to identify, hire, train and retain suitable skilled and qualified employees. We cannot assure you that we will be able to attract and retain our key management personnel or project management staff. If we fail to retain capable and experienced employees or find suitable replacements in a timely manner, our business, financial conditions and results of operation may be materially and adversely affected.

Underperformance or unavailability of our subcontractors may materially and adversely affect our operation and profitability

We have in the past engaged and expect to continue to engage our subcontractors to participate in a substantial part of our projects. For FY2015, FY2016, FY2017 and FY2018, our subcontracting fees amounted to approximately MOP51.1 million, MOP55.4 million, MOP113.1 million and MOP215.1 million, respectively. We maintain an internal list of approved subcontractors, which is updated from time to time. Most of our contracts are awarded on a fixed-price basis with a pre-determined timetable for project completion. Therefore, we may suffer from cost overruns or even losses in the relevant projects if the subcontracting fees we need to pay exceed our initial estimation.

Moreover, we cannot assure you that the quality of works completed by our subcontractors can always meet our customers' requirements. We rely on the due and timely performance of our subcontractors for the timely delivery of our works. If our subcontractors' performance are not up to standard, we may not be able to rectify the substandard works or engage another subcontractor in time or at all. We may also not be able to replace materials of inferior quality procured by our subcontractors in time, at reasonable costs. Any material non-performance, delayed performance or substandard performance of our subcontractors could result in deterioration of our service quality or unexpected delays in our scheduled completion time or even our ability to complete our projects, which could in turn adversely affect our reputation, and potentially expose us to liability under the main contracts with our customers.

In addition, we cannot assure you that we can secure suitable subcontractors when required or obtain acceptable fees and terms of service with our subcontractors, as these may be affected by factors beyond our control, such as the number of available or on-going projects in the market or pricing policy and business strategies of our subcontractors. In such event, our operations and profitability may be adversely affected.

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Our insurance coverage may not be sufficient to cover all losses or potential claims that we may be exposed to in the future

Generally, our customers are responsible for maintaining relevant insurance policies for our fitting projects at their worksites. However, we also maintain, among others, insurance policy for employees' compensation for our employees. Although our Directors consider that our existing insurance coverage is adequate for protecting us from most of the common liabilities associated with our business, we cannot assure you that the current level of insurance maintained by us is sufficient to cover all potential risks and losses that we may be potentially exposed to. Should any significant property damage or personal injury occur in our worksites due to accidents, natural disasters, or similar events which are not wholly or sufficiently covered by insurance, our business may be materially and adversely affected, potentially leading to a loss of assets, lawsuits, employee compensation obligations, or other form of economic loss. In the event that we incur unexpected losses or losses that far exceed the policy limits, our business, financial position, results of operation and prospects may be materially and adversely affected.

Our historical growth rate, revenue and profit margin may not be indicative of our future financial performance

For FY2015, FY2016, FY2017 and FY2018, our revenue was MOP114.0 million, MOP114.7 million, MOP189.1 million and MOP326.8 million, respectively. For the same period, our net profit margin was approximately 14.9%, 15.7%, 13.3% and 9.7%, respectively. For a detailed discussion of our results of operation, please refer to the section headed "Financial Information" in this document.

There is an inherent risk in using our historical financial information to project our future financial performance, as they do not have any positive implication or may only reflect on our past performance under certain conditions. Our future performance will depend on, among others, our ability to secure new contracts, control our costs, market conditions in Macau, and competition among contractors. All these may reduce the number of projects awarded to us and/or limit profit margin of our projects.

In addition, our profit margin may also fluctuate from period to period due to factors such as (i) our ability to accurately estimate our costs when submitting a tender; (ii) the complexity and size of the contracts undertaken; (iii) composition of our direct costs; and (iv) our pricing strategy. In view of the above, we cannot assure you that our growth rate, revenue and/or profit margin will remain stable in the future and that we can maintain our current level of performance.

Our revenue and profit margin are subject to fluctuations driven by variation orders and our historical revenue and profit margin may not be indicative of our future financial performance

Our customers may, in the course of project execution, place orders concerning variation to part of our services that is necessary for the completion of the project. Such orders are commonly referred to as variation orders.

RISK FACTORS

Given the nature of our business, our revenue and profit margin are inherently subject to fluctuations driven by variation orders. Our revenue and profit margin are affected by the amount of variation orders requested by our customers and the timing of their requests from year to year. The amount and timing of variation orders vary depending on the practice and procedures of our customers, the complexity and scale of the variation orders and the number of variation orders involved. Where the works under the variation order are the same or similar to the works prescribed in the contract, the rate of the works under the variation order usually accord with the bills of quantity in the original contract. If there was no equivalent or similar items under the original contract for reference, we will further agree on the rates with our customers. We cannot assure you that the amount of fees and charges as finally agreed with our customers would be sufficient to recover our costs incurred or provide us with a reasonable profit margin or the amount of revenue derived from our projects on hand will not be substantially different from the original contract sum as specified in the relevant contracts. Our financial performance may be materially and adversely affected by any decrease in our gross profit and gross profit margin as a result of variation orders. As a result, we cannot assure you that our profit margin in the future will remain at a level comparable to those recorded during the Track Record Period.

We may face increasing staff costs in light of our expansion plan

According to the Frost & Sullivan Report, the revenue of the fitting-out industry in the commercial segment is forecasted to keep a steady growth. By the end of 2022, the revenue of the fitting-out industry in the commercial segment is likely to reach approximately MOP6,557.5 million, with a CAGR of approximately 7.1% from 2018 to 2022. Driven by the forecasted growth in the fitting-out industry in Macau, our Directors expect our business to expand steadily going forward. Taking advantage of the forecasted growth in the fitting-out industry in Macau, one of our business strategies is to strengthen our manpower. Our employee benefit expenses included in our administrative expenses amounted to approximately MOP4.5 million, MOP4.6 million, MOP5.3 million and MOP9.5 million for FY2015, FY2016, FY2017 and FY2018, respectively. Limited by the manpower of our current project management team, in particular project managers and site managers who supervise our subcontractors at the project sites, we believe it is crucial to expand our in-house team of staff in order to cater for the increasing number of sizeable fitting-out projects to be undertaken by us. We intend to apply approximately MOP[REDACTED] (equivalent to approximately HK\$[REDACTED]) or approximately [REDACTED] of the [REDACTED] to recruit 36 additional full-time staff in FY2019, including 24 project coordinators and project managers, 10 quantity surveying staff and 2 accounting executives. As a result, we may face increasing staff costs as compared to our staff costs incurred during the Track Record Period in light of our expansion plan. For details on how we intend to apply [REDACTED] from the [REDACTED] for strengthening our manpower, please refer to the section headed “Future Plans and [REDACTED] – [REDACTED]” in this document.

We may not be able to implement our business strategies and future plans successfully

Whether we can successfully implement our business strategies and future plans as described in the section headed “Future Plans and [REDACTED]” in this document are based on current estimates and assumptions and depend on a number of factors including the award of contracts which is subject to successful tenders, the availability of funds, market

RISK FACTORS

competition and our ability to retain and recruit competent employees. Some of the factors are beyond our control and by nature, are subject to uncertainty, such as general market conditions in Macau and changes in government policy or regulatory regime of the fitting-out industry in Macau. We cannot assure you that we can implement our business strategies and future plans successfully. If we fail to do so, our profitability and prospects may be materially and adversely affected.

RISKS RELATING TO OUR INDUSTRY

Our industry is highly competitive

New participants may enter the fitting-out industry if they have the appropriate skills, local experience, capital and requisite registrations granted by the relevant regulatory bodies and therefore we may face competition from other existing and/or new contractors in the tender process for fitting-out projects. According to the Frost & Sullivan Report, the fitting-out market in Macau has approximately 200 participants in 2017. If we are not able to maintain our competitiveness in the future, our business, financial conditions and results of operation may be materially and adversely affected.

Our fitting-out works are labour intensive and if we or our subcontractors experience any shortage of labour, our operations and financial results would be adversely affected

We rely on a stable supply of labour to carry out our fitting-out works. As at the Latest Practicable Date, we had 80 full time employees. Nonetheless, we strategically subcontract on-site labour intensive works to our subcontractors, while maintaining overall project management and implementation. For FY2015, FY2016, FY2017 and FY2018, we also incurred approximately MOP51.1 million, MOP55.4 million, MOP113.1 million and MOP215.1 million, of subcontracting fees, respectively. According to the Frost & Sullivan Report, mismatch between the demand and supply for skilled labour is a prolonged issue in the fitting-out industry in Macau. The rapid development of the construction industry has further aggravated the imbalance between the supply and demand for labour, which raises the wages of workers in the fitting-out industry in Macau. In addition, as the number of fitting-out projects increases, the demand for skilled labour rises. Given the aforesaid factors together with the trend of growing number of ageing workers in the industry, high demand of skilled labour becomes a key constraint to fitting-out industry in Macau.

In view of the prevailing situation in the labour market, we cannot assure you that we will not experience any material shortage of labour, industrial actions, strikes or material increase in labour costs in the future. If we cannot retain or recruit sufficient number of skilled workers to perform our fitting-out works in a timely manner, we may experience delay in project completion and our ability to handle future fitting-out contracts could be materially reduced consequently.

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Escalation of costs including labour, materials, subcontracting and other transaction costs may increase our operating costs and materially and adversely affect our profit margin

According to the Frost & Sullivan Report, mismatch between the demand and supply for skilled labor is a prolonged issue in Macau fitting-out industry. The rapid development of the construction industry has further aggravated the imbalance between the supply and demand for labour, which raises the wages of construction workers and the fitting-out industry in Macau. The average daily wages of fitting-out workers in Macau has risen from approximately MOP572.0 in 2012 to MOP853.1 in 2017, representing a CAGR of approximately 8.2%. In addition, according to Frost & Sullivan Report, given the specific nature of the high-end fitting-out materials, their costs may depend on quality, origin, availability at the relevant time, while the prices for general fitting-out materials experienced a steady increase from 2012 to 2017 which was driven by the rising demand and the development of construction market in Macau. The increase in labour costs and/or material costs may result in an increase in subcontracting fees, thereby reducing our profit margin.

According to Frost & Sullivan Report, apart from labour and materials costs, other indirect costs such as management and administration costs, have increased in recent years in Macau. Such costs may continue to increase due to pressures faced by contractors or subcontractors to implement safety, environmental and health enhancements to maintain a safe work environment, to keep accident rate low, and to improve welfare requirements of workers. Our subcontractors may also pass on the increase in their costs to us by increasing their subcontracting fees. Changes in economic, environmental and government policy may also affect our labour and material costs, subcontracting fees and other costs. In the event that these costs continue to increase and we fail to pass on the cost to our customers, our business, financial conditions and results of operations may be materially and adversely affected.

We may not be able to obtain and/or renew registration or comply with requirements or changes in relevant rules and regulations governing the fitting-out industry in Macau

In Macau, all fitting-out contractors, including ourselves, are required by law to register with DSSOPT as a contractor. For further details, please refer to the section headed “Regulatory Overview – Works License” in this document. In the event that we fail to obtain and/or renew our registration with DSSOPT, our business, financial condition and results of operation may be materially and adversely affected. Further, in the event that there are material changes to the existing regulatory regime governing the fitting-out industry in Macau, we may incur additional costs in complying with the new requirements or we may not be able to meet the new requirements. This may also materially and adversely affect our business, financial conditions and results of operation.

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RISKS RELATING TO CONDUCTING BUSINESS IN MACAU

Conducting business in Macau involves certain political risks

Conducting business in Macau involves certain risks not generally associated with investments in companies based and operated mainly in Hong Kong, such as risks relating to changes in policies of the Macau Government, changes in Macau laws or regulations or their interpretation, changes in exchange control regulations, potential restrictions on foreign investment, measures that may be introduced to control inflation, such as increase in interest rate and changes in tax rates. In addition, our operations in Macau are exposed to the risk of changes in laws and policies that govern operations of Macau-based companies. In the event that there is a downturn in the economy of Macau or there are changes in laws and policies governing our business operations, our business, financial conditions and results of operation may be materially and adversely affected.

Our financial performance may be adversely affected by any downturn in the Macau market

During the Track Record Period, our revenue was derived from our operations in Macau. We provide fitting-out services and repair and maintenance services in Macau. Our services extend to casinos, retail areas, hotels, restaurants, commercial properties and residential properties. We primarily focus on providing fitting-out services for facilities in the integrated resorts in Macau. Any unforeseen circumstances, such as natural disasters, economic recession, outbreak of an epidemic and any other incidents in Macau may hinder the economic growth in Macau, thereby materially and adversely affecting our business, financial conditions and results of operation.

RISKS RELATING TO THE [REDACTED] AND OUR SHARES

There has not been any prior public market for our Shares and an active trading market may not develop

An active trading market for our Shares may not develop and the trading price of our Shares may fluctuate significantly. Prior to the [REDACTED], there has been no public market for our Shares. The [REDACTED] was the result of negotiation between our Company and the [REDACTED] (for themselves and on behalf of the [REDACTED]), and the [REDACTED] may not be indicative of the price at which our Shares will be traded following completion of the [REDACTED]. In addition, we cannot assure you that an active trading market for our Shares will develop, or, if it does develop, that it will be sustained following completion of the [REDACTED], or that the trading price of our Shares will not fall below the [REDACTED].

Shareholders’ interests may be diluted as a result of additional equity financing or additional Shares being issued by us in the future

We may need to raise additional funds in the future to finance further expansion of our business. If additional funds are raised through the issuance of new equity or equity-linked securities of our Group other than on a pro rata basis to existing Shareholders, the

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percentage of ownership of such Shareholders in our Company may be reduced, and such new securities may confer rights and privileges that take priority over those conferred by our Shares.

In addition, we may issue additional Shares upon exercise of options to be granted under the Share Option Scheme in the future. The increase in the number of Shares outstanding after the issue would result in the reduction in the percentage ownership of the Shareholders and may result in a dilution in the earnings per Share and net asset value per Share.

The trading volume and price of our Shares may fluctuate. Further, any disposal of a substantial number of Shares by our Controlling Shareholders in the public market may adversely affect market price of our Shares

The trading volume and price of our Shares may be highly volatile. Factors such as variations in our revenue, earnings and cash flow, announcements of business development, strategic alliances or acquisitions, new projects, industrial or environmental accidents suffered by us, loss of key personnel, changes in ratings by financial analysts and credit rating agencies or litigation may cause large and sudden changes in the volume and price at which our Shares will trade. In addition, the Stock Exchange and other securities markets have from time to time experienced significant price and volume fluctuations that are not related to the operating performance of any particular company. These fluctuations may also materially and adversely affect the market price of our Shares.

Further, we cannot assure you that our Controlling Shareholders will not dispose of, in part or in whole of, their Shares following the expiration of their respective lock-up periods after the [REDACTED]. We cannot predict the effect, if any, of any future sale of our Shares by any of our Controlling Shareholders on the market price of the Shares. Sale of our Shares by any of our Controlling Shareholders may materially and adversely affect the prevailing market price of our Shares.

Difficulties in enforcing Shareholder rights due to difference in jurisdictions

Our Company is an exempted company incorporated in the Cayman Islands with limited liability. Our corporate affairs are governed by, among others, the Articles of Association, the Companies Law and common law of the Cayman Islands. The rights of our Shareholders to take action against our Directors, action by minority Shareholders and the fiduciary responsibilities of our Directors to our Company are to a large extent governed by the common law of the Cayman Islands and the Articles of Association. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as that from English common law, which has persuasive, but not binding, authority on a court in the Cayman Islands. The laws of the Cayman Islands relating to the protection of the interests of minority shareholders differ in some respects from those in Hong Kong and other jurisdictions. Furthermore, shareholders of Cayman Islands companies may not have standing to initiate a shareholder derivative action in Hong Kong courts.

RISK FACTORS

RISKS RELATING TO THIS DOCUMENT

Certain facts, statistics and data contained in this document have not been independently verified and may not be reliable

Certain facts, statistics and data in this document are derived from various sources including various official government sources that we believe to be reliable and appropriate for such information. However, we cannot guarantee the quality or reliability of such source materials. We believe that the sources of the said information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted rendering such information false or misleading. Nevertheless, such information has not been independently verified by us, the Sole Sponsor, the [REDACTED], the [REDACTED], the [REDACTED] or any of their respective directors, affiliates or advisers and therefore, none of them makes any representation as to the accuracy or completeness of such facts, statistics and data. Furthermore, we cannot assure you that they are stated or compiled on the same basis or with the same degree of accuracy as similar statistics presented elsewhere. In all cases, investors should give consideration as to how much weight or importance they should attach to, or place on, such information or statistics.

Investors should read the entire document and we strongly caution you not to place any reliance on any information contained in press articles, other media and/or research reports

There may be press and media coverage regarding our Group or the [REDACTED], which may include certain events, financial information, financial projections and other information about our Group that do not appear in this document. We have not authorised the disclosure of any other information not contained in this document. We do not accept any responsibility for any such press or media coverage and make no representation as to the accuracy or completeness or reliability of any such information or publication. To the extent that any such information appearing in publications other than this document is inconsistent or conflicts with the information contained in this document, our Group disclaims responsibility for them. Accordingly, investors should not rely on any such information. In making your decision as to whether to subscribe for and/or purchase our Shares, you should rely only on the financial, operational and other information included in this document.

Forward-looking statements contained in this document are subject to risks and uncertainties

This document contains certain statements and information that are “forward-looking” and uses forward-looking terminologies such as “aim”, “anticipate”, “believe”, “could”, “estimate”, “expect”, “going forward”, “intend”, “may”, “might”, “plan”, “potential”, “project”, “predict”, “propose”, “seek”, “should”, “target”, “will”, “would” or similar terms. Those statements include, among other things, the discussion of our growth strategy and expectations concerning our future operations, liquidity and capital resources. Investors of our Shares are cautioned that reliance on any forward-looking statements involves risks and

RISK FACTORS

uncertainties and that any or all of those assumptions could prove to be inaccurate and as a result, the forward-looking statements based on those assumptions could also be incorrect. The uncertainties in this regard include, but are not limited to, those identified in this section, many of which are beyond our control. In light of these and other uncertainties, the inclusion of forward-looking statements in this document should not be regarded as representations by us that our plans or objectives will be achieved and investors should not place undue reliance on such forward-looking statements. We do not undertake any obligation to update publicly or release any revisions of any forward-looking statements, whether as a result of new information, future events or otherwise.

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

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[REDACTED]

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

DIRECTORS

Name	Residential address	Nationality
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Executive Directors

Mr. Li Kam Hung (李錦鴻先生)	G/F, 33 Sai Wan Ho Street Shau Kei Wan Hong Kong	Chinese
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Mr. Yu Ming Ho (余銘濠先生)	Flat 8, 23/F, Chi Siu House Choi Wan Estate Ngau Chi Wan Kowloon Hong Kong	Chinese
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Non-executive Director

Mr. Li Chun Ho (李俊豪先生)	G/F, 33 Sai Wan Ho Street Shau Kei Wan Hong Kong	Chinese
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Independent non-executive Directors

Ms. Rita Botelho dos Santos (嫻桃絲女士)	83-147 Av Dose Jardins Do Oceano Edf Beira Mar Lei Loi, 12 and F Taipa Macau	Chinese
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Mr. Lam Chi Wing (林至穎先生)	Flat 3, 18/F, Block A Elizabeth House 250 Gloucester Road Causeway Bay Hong Kong	Chinese
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Mr. Wu Chou Kit (胡祖杰先生)	Rua de Seng Tou Edf. Nova Taipa Garden (Bloco 21) 37 Andar C Taipa Macau	Chinese
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DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

PARTIES INVOLVED

Sole Sponsor

Red Sun Capital Limited

A licensed corporation under the SFO to engage in type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities

Room 3303, 33/F West Tower

Shun Tak Centre

168-200 Connaught Road Central

Sheung Wan

Hong Kong

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

[REDACTED]

Legal advisers to our Company

As to Hong Kong law
Stevenson, Wong & Co.
Solicitors, Hong Kong
39th Floor, Gloucester Tower
The Landmark
15 Queen's Road Central
Hong Kong

As to Macau law
Chio Tak Wo, Advogado
Macau lawyer
Avenida do Dr. Rodrigo Rodrigues
Nº 600E, Edifício Centro Commercial First Nacional
21º Andar, Apt. 2106-2107
Macau

As to Cayman Islands law
Conyers Dill & Pearman
Cayman Islands attorneys-at-law
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

	<i>As to PRC Law</i> Shu Jin Law Firm <i>PRC attorneys-at-law</i> 12/F, Taiping Finance Tower Yitian Road 6001 Futian District Shenzhen PRC
Legal advisers to the Sole Sponsor, the [REDACTED], the [REDACTED] and the [REDACTED]	<i>As to Hong Kong law</i> David Fong & Co. <i>Solicitors, Hong Kong</i> Unit A, 12/F China Overseas Building 139 Hennessy Road Wanchai Hong Kong
	<i>As to Macau law</i> FCLaw Lawyers & Private Notaries <i>Macau lawyer</i> Avenida de Almeida Ribeiro n.º 61, Edifício Circle Square 13º, B-E Macau
Auditors and Reporting accountants	Deloitte Touche Tohmatsu <i>Certified Public Accountants</i> 35/F, One Pacific Place 88 Queensway Hong Kong
Industry consultant	Frost & Sullivan Limited 1706, One Exchange Square 8 Connaught Place Central Hong Kong
Compliance adviser	Red Sun Capital Limited <i>A licensed corporation under the SFO to engage in type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities</i> Room 3303, 33/F West Tower Shun Tak Centre 168-200 Connaught Road Central Sheung Wan Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

[REDACTED]

[REDACTED]

CORPORATE INFORMATION

Registered office in the Cayman Islands	Cricket Square Hutchins Drive PO Box 2681 Grand Cayman, KY1-1111 Cayman Islands
Headquarters in Macau	Alameda Dr. Carlos d’Assumpcao, No. 258 Praca Kin Heng Long, 16 Andar G-H, Macau
Principal place of business in Hong Kong	Unit 13, 24th Floor Honour Industrial Centre 6 Sun Yip Street Chai Wan Hong Kong
Company’s website	whh.com.hk <i>(information on the website does not form part of this document)</i>
Company secretary	Mr. Yau Yan Yuen (邱欣源先生) <i>Certified Public Accountant</i> Flat 1023, 10/F Lee Ming House Shun Lee Estate Kwun Tong Kowloon Hong Kong
Authorised representatives	Mr. Li Kam Hung (李錦鴻先生) G/F, No. 33 Sai Wan Ho Street Shau Kei Wan Hong Kong Mr. Yau Yan Yuen (邱欣源先生) Flat 1023, 10/F Lee Ming House Shun Lee Estate Kwun Tong Kowloon Hong Kong
Audit committee	Ms. Rita Botelho dos Santos (鄒桃絲女士) (<i>Chairman</i>) Mr. Lam Chi Wing (林至穎先生) Mr. Wu Chou Kit (胡祖杰先生)

CORPORATE INFORMATION

Nomination committee	Mr. Li Kam Hung (李錦鴻先生) (<i>Chairman</i>) Mr. Lam Chi Wing (林至穎先生) Mr. Wu Chou Kit (胡祖杰先生)
Remuneration committee	Mr. Lam Chi Wing (林至穎先生) (<i>Chairman</i>) Mr. Wu Chou Kit (胡祖杰先生) Mr. Yu Ming Ho (余銘濠先生)
Cayman Islands principal share registrar and transfer office	[REDACTED]
Hong Kong Branch Share Registrar and transfer office	[REDACTED]
Principal bank	Luso International Banking Ltd. Avenida Dr. Mário Soares, No. 47, Macau

INDUSTRY OVERVIEW

The information contained in this section and elsewhere in this document have been derived from various official government and other publications generally believed to be reliable and the market research report prepared by Frost & Sullivan which we commissioned. We believe that the sources of such information and statistics are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading in any material respect or that any fact has been omitted that would render such information false or misleading in any material respect. None of our Company, the Sole Sponsor, the [REDACTED], the [REDACTED], the [REDACTED] or their respective directors, advisers (which, for the purpose of this paragraph, excludes Frost & Sullivan) and affiliates has independently verified such information and statistics and none of them gives any representation as to the accuracy of such information and statistics. As a result, you should not unduly rely upon such facts and statistics contained in this document.

SOURCE OF INFORMATION

We commissioned Frost & Sullivan, an independent market research and consulting company, to conduct an analysis of, and to prepare a report on the fitting-out market in Macau. The report prepared by Frost & Sullivan for us is referred to in this document as the Frost & Sullivan Report. We agreed to pay Frost & Sullivan a fee of HK\$380,000 which we believe reflects market rates for reports of this type.

Founded in 1961, Frost & Sullivan has 40 offices with more than 2,000 industry consultants, market research analysts, technology analysts and economists globally. Frost & Sullivan's services include technology research, independent market research, economic research, corporate best practices advising, training, client research, competitive intelligence and corporate strategy.

We have included certain information from the Frost & Sullivan Report in this document because we believe this information facilitates an understanding of the fitting-out market in Macau for the prospective investors. The Frost & Sullivan Report includes information on the fitting-out market in Macau as well as other economic data, which have been quoted in the document. Frost & Sullivan's independent research consists of both primary and secondary research obtained from various sources in respect of the fitting-out market in Macau. Primary research involved in-depth interviews with leading industry participants and industry experts. Secondary research involved reviewing company reports, independent research reports and data based on Frost & Sullivan's own research database. Projected data were obtained from historical data analysis plotted against macroeconomic data with reference to specific industry-related factors. Except as otherwise noted, all of the data and forecasts contained in this section are derived from the Frost & Sullivan Report, various official government publications and other publications.

The analysis in the industry research report is based on the following assumptions, (i) there is no external shock such as financial crisis or natural disasters to affect the demand for and the supply of fitting-out works in Macau over the forecast period; and (ii) the key drivers of the industry are likely to continue to affect the market over the forecast period.

INDUSTRY OVERVIEW

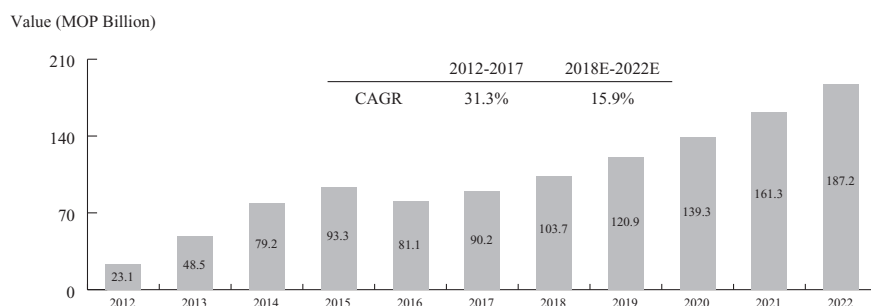
The parameters considered in the forecast models and figures in the Frost & Sullivan Report include, (i) nominal GDP value and growth rate in Macau from 2012 to 2022; (ii) gross value of construction works and other receipts in Macau from 2012 to 2022; and (iii) market size of the overall fitting-out industry in Macau from 2012 to 2022.

Our Directors, after due and reasonable consideration, are of the view that there has been no adverse change in the market information since the date of the Frost & Sullivan Report which may qualify, contradict or have an impact on the information therein.

OVERVIEW OF MACRO ECONOMY IN MACAU

Macau experienced a rapid increase in nominal GDP from 2012 to 2014 due to strong growth of gaming and tourism industries. In 2015 and 2016, the implementation of anti-corruption initiatives by the Chinese central government slowed down the development of the gaming and tourism sectors, which led to a drop in nominal GDP in Macau. With the growing demand for goods and services as well as recovery of the tourism and gaming industries, it is expected that Macau’s nominal GDP will recover at a relatively stable rate in the coming years at a CAGR of approximately 6.0% from 2018 to 2022, reaching approximately MOP556.8 billion in 2022.

Value of Construction Work Done and Other Receipts (Macau), 2012-2022E



Note: Other receipts refer to receipts for non-construction services rendered to others, e.g. rental from leased property, income from letting of machinery and equipment without operator, receipts from technical consultant services, etc.

Source: Macau Statistics Department; Frost & Sullivan

The Macau Government has launched various promotional campaigns and related policies to support tourism. Meanwhile, the completion of the Hong Kong-Zhuhai-Macau Bridge is expected to further promote the economic development in Macau, including the construction of new integrated resorts. Moreover, the development of the New Urban Zone, a huge land reclamation project in Macau spanning over approximately 2.8 square miles and expected to add over 12% of land for city use as highlighted in the Macau Policy Address (the “**Policy Address**”) for the Fiscal Year 2017 was recognised as a key driver to the construction industry. Moreover, the development of integrated resorts is still ongoing. Hence, it is expected that the construction market of Macau will continue to grow at a CAGR of approximately 15.9% from 2018 to 2022, reaching approximately MOP187.2 billion in 2022.

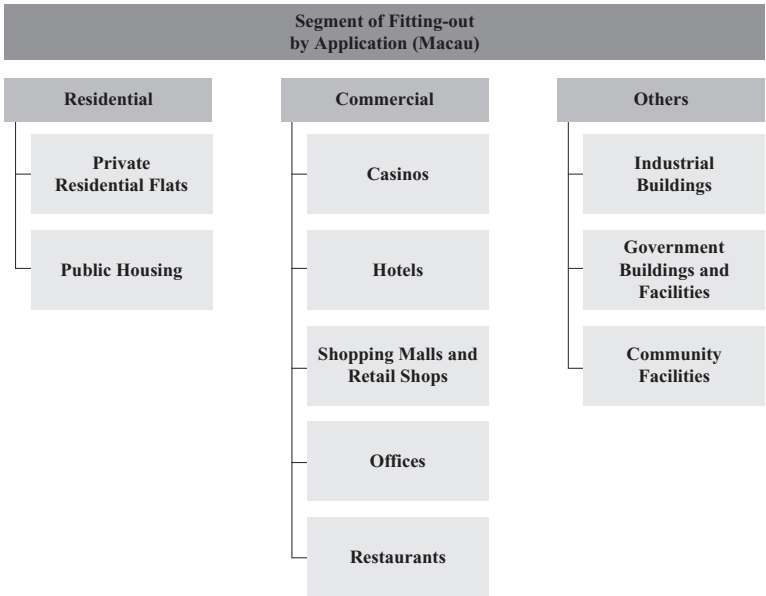
INDUSTRY OVERVIEW

The rapid development of tourism and gaming sectors in Macau has driven up the demand for workers in construction industry. The number of employees engaged in construction industry in Macau has recorded a significant growth from 21,309 in 2012 to 45,316 in 2016, representing a CAGR of approximately 20.8%. It is expected that the number of employees engaged in construction industry will grow continuously in the future, primarily due to the sustained demand for construction works as a result of rising housing supply and supportive policies in tourism diversification.

OVERVIEW OF FITTING-OUT MARKET IN MACAU

Definition and Classification

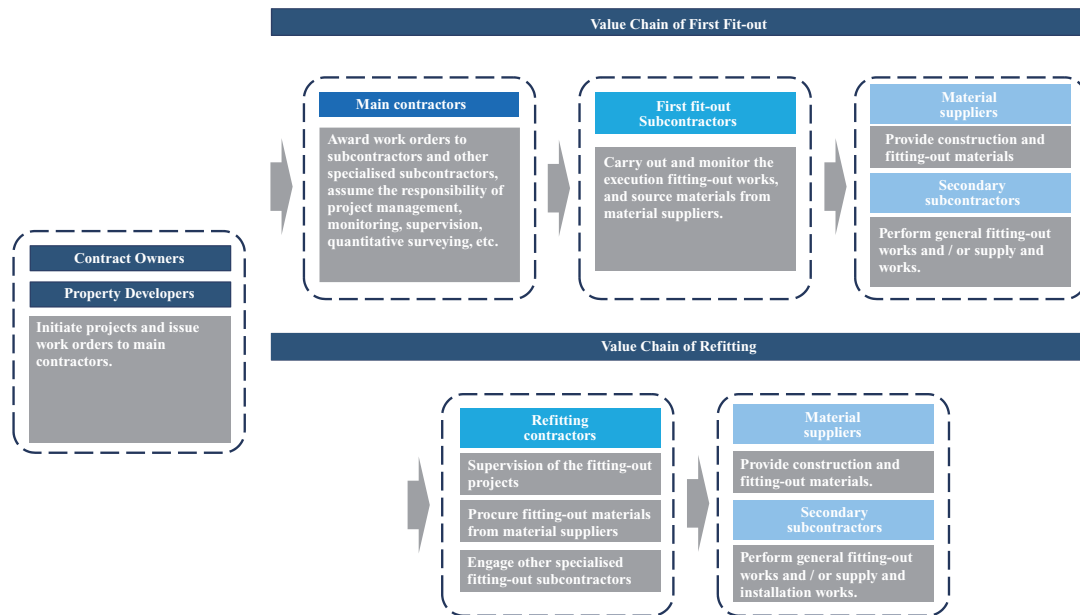
Fitting-out works are undertaken with respect to the interior spaces of a property after such property has been structurally completed but before it is suitable for occupation or available to be handed over to the end users. A fitting-out project generally involves shop drawing, procurement of materials, execution of fitting-out works, site supervision, management of subcontractors and overall project management. Types of works of a fitting-out project generally include stone and marble works, carpentry and joinery works, floor carpeting, decorative lighting suspended ceilings, plastering works, E&M works, steel and metal works, installation of sanitary fittings and wares, fittings, fixture and equipment, glazing works, painting works, wall papering, as well as other associated works. The fitting-out industry in Macau consists of the commercial segment including casinos, hotels and related facilities as well as offices, while the non-commercial segment mainly refers to residential units.



Source: Frost & Sullivan

INDUSTRY OVERVIEW

Value Chain Analysis



Source: Frost & Sullivan

In Macau, the commercial fitting-out projects are usually initiated by the property developers and the major casino operators and are awarded to the main contractors through tendering. The main contractors being awarded the fitting-out project would then normally enter into contracts with one or more subcontractors.

The contractors would source fitting-out materials required for the fitting-out projects, including tiles, carpets, wall coverings, marbles, ironmongeries, fabrics, and other general fitting-out materials. The contractors also provide solutions on project management, execution, project coordination, supervision and quality assurance.

Typically in the fitting-out industry, the property owners would require the main contractors, especially for those that are with limited past working relationship, to secure performance bonds in favor of them upon the award of the fitting-out projects and these performance bonds would be released upon completion of the projects. The amount of performance bonds required for each fitting-out project generally would not exceed 10% of the total contract sum. Typically, the main contractors would request banks or financial institutions to issue these performance bonds for them and secured these performance bonds with deposit.

Market Size

The revenue of the fitting-out industry in Macau registered a robust growth from approximately MOP2,172.6 million in 2012 to approximately MOP6,841.0 million in 2015, at a CAGR of approximately 46.5%. Such robust growth was mainly attributable to the rapid development of the integrated resort which led to the increase in demand for fitting-out works in Macau. With the downturn of Macau’s gaming industry in 2016, the market

INDUSTRY OVERVIEW

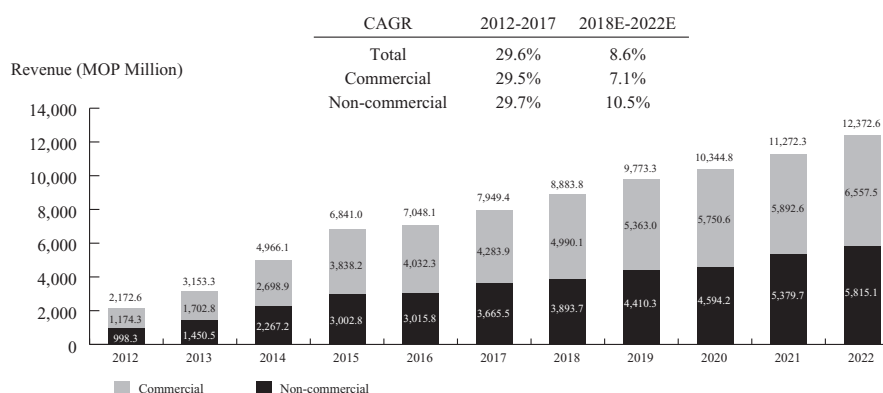
demand for high-end integrated resorts slowed down. The growth in the revenue of the fitting-out industry in 2016 and 2017 had also decreased to a CAGR of approximately 7.8% from 2015 to 2017.

Given the policies focused in promoting diversified tourism development shall continue, the pace of construction and refurbishment of buildings and facilities are expected to increase continuously, which in turn is expected to lead to an increase in demand for fitting-out works. It is expected that the revenue of fitting-out industry in Macau would reach approximately MOP12,372.6 million in 2022, growing at the CAGR of approximately 8.6% from 2018 to 2022.

The revenue of fitting-out industry generated from the commercial segment increased from approximately MOP1,174.3 million in 2012 to approximately MOP4,283.9 million in 2017, representing a CAGR of approximately 29.5%. The revenue of the non-commercial segment recorded a rise from approximately MOP998.3 million in 2012 to approximately MOP3,665.5 million in 2017, at a CAGR of approximately 29.7%.

The commercial segment is forecasted to keep a steady growth. By the end of 2022, the revenue of the fitting-out industry generated from the commercial segment is likely to reach MOP6,557.5 million, with a CAGR of approximately 7.1% from 2018 to 2022. According to the The Land, Public Works and Transport Bureau (DSSOPT), 19 hotels were under construction in the first quarter of 2018, offering 6,793 rooms. There are 29 hotel projects in the design phase, which are expected to provide an additional 5,653 rooms. For example, the phase 3 and phase 4 of the Galaxy Macau would be completed in 2020 and 2021. The phase 2 of Studio City casino resort property at Cotai, including the non-gaming entertainment facilities and a giant water park, is under construction. Wynn Macau Limited also plan to build two new hotels in Cotai adjacent to its property Wynn Palace, totalling some 1,371 rooms, with construction expected to start in 2020. The aforementioned projects would continue to drive the commercial fitting-out works in Macau. Supported by the rising housing supply, the revenue of fitting-out industry in the non-commercial segment is forecasted to grow at a higher CAGR of approximately 10.5%, from approximately MOP3,893.7 million in 2018 to approximately MOP5,815.1 million in 2022.

Revenue of Fitting-out Market (Macau), 2012-2022E



Source: Frost & Sullivan

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In compiling and preparing the forecasted figures of the gross value of construction works done and other receipts and revenue of fitting-out works in Macau, Frost & Sullivan assumed that (i) construction projects in the pipeline would be performed; (ii) rising housing supply; and (iii) sustained development and investment of integrated resort is likely to be stable over the forecast period from 2018 to 2022.

2012 to 2017 data of the gross value of construction works done and other receipts in Macau are actual figures published by the Macau Statistics Department and are used as the basis in the estimation of gross value of construction works done and other receipts and revenue of fitting-out in Macau.

Despite the slowdown in the gaming industry, the overall economy of Macau has displayed a steady to good growth trend. The opening of the Hong Kong-Zhuhai-Macau Bridge is expected to play a critical link to the implementation of the strategy of the Greater Bay Area of Guangdong, Hong Kong, and Macau. It will facilitate Hong Kong and Macau to integrate into the overall development of the country, deepen the cooperation between the Mainland, Hong Kong and Macau, and further promote the tourism industry by upgrading regional transport development. The Macau government released the Tourism Industry Development Master Plan Consultation Paper in 2016 to position Macau as the World Centre of Tourism and Leisure, diversifying the overall development of the tourism industry and promoting new development of cultural tourism. The 13th Five Year Plan of the PRC government has further reassured this positioning. These policies diversify the tourism products by upgrading the accommodation options, cultural facilities, retail shops, and various events, supported by the promotional campaigns in attracting visitors from new target segments and regions, as well as the enhancement in transportation networks. Fitting-out works would be required in the construction and renovation of social amenities, transportation facilities, tourism spots, entertainment facilities and building derived from new tourism model. The increasing number of construction projects is forecasted to give a rise to the needs for fitting-out works in Macau. Therefore, the diversified economic development of new kinetic energy will promote and facilitate the fitting-out and construction industries in Macau.

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The table below sets forth the forthcoming major construction projects with estimated project sum of over MOP100 million in the public sector of Macau:

Projects

- Public Security Police Station Cotai Deduction Center (治安警察局路氹扣車中心)
- Taipa BT29b Lot Police Building (氹仔BT29b地段之離島警務廳大樓)
- Coloane Police Building and SWAT Team Comprehensive Training Building (路環警務大樓及特警隊綜合訓練大樓)
- Police School Building and Comprehensive Training Ground (警察學校大樓暨綜合訓練場)
- Fire Station Headquarters and Coloane Engineering Station (消防局總部暨路環工程行動站)
- Construction of walkway and social amenities at Shek Pai Wan Reservoir (石排灣水庫建造行人道及休憩設施)
- Light rail system Shek Pai Wan Line (輕軌系統石排灣線)
- China and Portugal International Trade Service Cooperation Complex (中國與葡語國貿服務合作綜合大樓)
- Ká-Hó Nursing Home and Rehabilitation Hospital (九澳安老院及康復醫院)
- Rua da Casa Forte Social service complex (下環街社會服務綜合大樓)
- Direcção dos Serviços de Assuntos Marítimos e de Água Building (海事及水務局大樓)
- Inspection Buildings Foundation Works (檢察大樓基礎大程)
- Pac On Multi-functional Government Buildings Design and Build Works (北安多功能政府大樓設計連建造工程)
- Athlete Training and Training Center (運動員培訓及集訓中心)
- Rua Central de Toi San Public Housing (台山中街社會房屋)
- Ká Hó Tunnel (九澳隧道)
- Taipa Passenger Terminal Facilities (氹仔客運碼頭配套設施)

Source: Frost & Sullivan

The table below sets out the planned major construction projects for hotels and casinos:

Project	Approximate development area (thousand sq.m.)	Estimated year of completion	Estimated total investment amount (MOP' billion)
Wynn Palace Phase 2 (永利皇宮第二期)	110	TBC	N/A
Extension of Sands Cotai and The Londoner Macao (金沙城擴建及倫敦人)	N/A	2020	8.9
Studio City Macau Phase 2 (新濠影匯二期)	N/A	TBC	8.1
Lisboeta (葡京人)	141	2020	N/A
Extension of Galaxy Macau Phase 3 and Phase 4 (澳門銀河擴建第三及第四期)	N/A	2019 and 2020	50.0
Libertine	N/A	2021	N/A

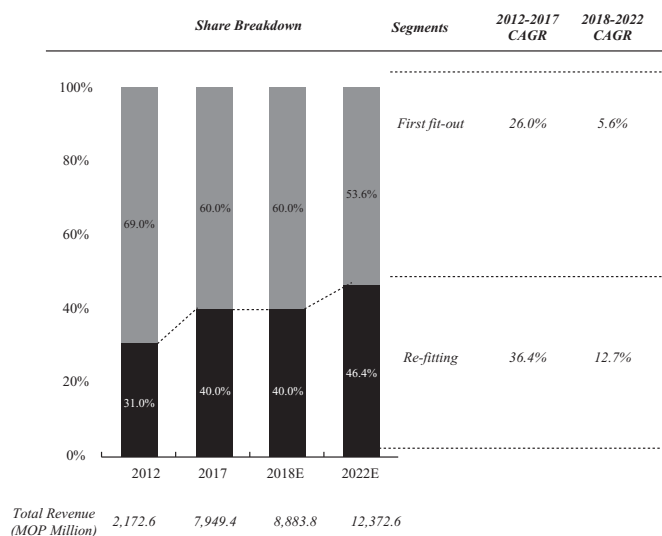
Source: Frost & Sullivan

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The aforementioned policies and future development are expected to serve as drivers to the construction market and fitting-out market in Macau from 2018 to 2022.

First fit-out refers to the fitting-out works for new buildings. The development of integrated resorts is the major reason for the increase in first fit-out from approximately MOP1,499.1 million in 2012 to approximately MOP4,769.6 million in 2017, at a CAGR of approximately 26.0%. These development trends would continue to drive the first fit-out to rise from approximately MOP5,330.6 million in 2018 to approximately MOP6,634.0 million in 2022, representing a CAGR of approximately 5.6%.

Re-fitting refers to the fitting-out works for existing buildings. Re-fitting recorded a rapid growth from approximately MOP673.5 million in 2012 to approximately MOP3,179.8 million in 2017 at a CAGR of approximately 36.4%, which was attributable to the construction of integrated resorts from 2012 to 2017 that increased the number of hotels and casinos in Macau. With increased competition, the renovation cycle of integrated resorts is estimated to be further shortened, which would create demand for re-fitting and repair and maintenance services. It is expected that re-fitting would maintain its growth at a CAGR of approximately 12.7% from 2018 to 2022.



Source: Frost & Sullivan

Market Drivers and Trends

Sustained investment in integrated resorts – Re-fitting, which extends the building life and makes the building more desirable and economically valuable, are widely used as the solution to improve the existing facilities and enhance the overall value of the commercial property, namely casinos, hotels, retail areas and offices. With increased competition in the gaming and tourism industries, the integrated resorts operators are reinvesting a large amount of money on the re-fitting to diversify the services offerings and increase market penetration in Macau. Fitting-out is one of the key factors in shaping customer experiences. Refitting works are performed for common area, new retail shops, and the associated entertainment facilities. Upgrade of facilities and adding retail shops is seen in the

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redevelopment plans of major licensed gaming operators, namely Sands China, MGM Macau and Galaxy Macau. The examples of upcoming sizable first fit-out include Galaxy Macau Phase 3 & 4 and Hello Kitty Land. Re-fitting and sustained investment in integrated resorts are expected to give an impetus to the fitting-out market in Macau.

Development of integrated resort city – In 2016, the 13th Five Year Plan of China has further reassured the positioning of Macau as the World Centre of Tourism and Leisure to foster the development of Macau as a city for leisure tourism, enhance the overall development of the tourism industry, and promote new development of cultural tourism. Apart from gaming, the city is being built as the world class destination that has a diversity of tourism related services, accommodation options, cultural facilities, retail shops, and various events. With the promotion of integrated resort city, the industry also focuses on the construction of non-gaming features, such as development of MICE (meetings, incentives, conferences, and exhibitions) to introduce Macau as a new destination for convention and meetings for businessmen. In addition, the expansion, re-fitting and rebranding of entertainment facilities also act as the drivers to the fitting-out industry in Macau. The redevelopment plan includes repairs, renovations, replacements and maintenance of casinos, hotels, retail shops and restaurants. The increasing number of construction and redevelopment projects is forecasted to translate into growth opportunities for the fitting-out industry in Macau.

Surging demand from diversified tourism development – The Macau government has been promoting the diversified development of the tourism and leisure industry. As set out in the Tourism Industry Development Master Plan Consultation Paper in 2016, Macau would be positioned as the World Centre of Tourism and Leisure to support the diversified development of the tourism industry and promote development of cultural tourism. The supportive policies are forecasted to boost the tourism industry and will be driving a number of new and existing property development projects including MGM Cotai, City of Dreams Fifth Hotel Tower, THE13, Lisboa Palace. On the other hand, the refitting and repair and maintenance of existing integrated resorts carried out on a regular basis shall also further increase the demand for fitting-out works. These large developments are providing a significant growth potential for the fitting-out market in Macau.

Rising housing supply – The rising demand for housing, including subsidised home-ownership scheme (HOS) flats and social rental housing units, has prompted the increase in land supply. As set out in the 2017 Policy Address and information provided by the Lands, Public Works and Transport Bureau (DSSOPT), the government is planning to supply an additional 40,600 public housing units. In particular, the Policy Address highlighted the supply of approximately 12,600 public housing units is the short-to-medium-term planning, and approximately 28,000 public housing units in New Urban Zone Area A, as well as the development of 4,000 private residential units are the long term plans. As predicted, there would be a large number of newly completed housing units in the five-year period from 2021 to 2026. The development plan would increase housing units, recreation and cultural facilities, giving impetus to the fitting-out industry of Macau with those real estate projects.

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Market Opportunities and Challenges

Development of regional transport networks – The rapid development of Hong Kong, Macau and Guangdong Province in recent years has accelerated the economic integration of the three regions, in particular the substantial increase in passenger flow and freight transport between the regions. The construction of the Hong Kong-Zhuhai-Macau Bridge will connect Macau with the road networks of western Pearl River Delta and Hong Kong, in which the transportation cost and time will be substantially reduced. Such improved connectivity brought by the Hong Kong-Zhuhai-Macau Bridge will attract more tourists from Hong Kong and Western Pearl River Delta to Macau, thus further promoting Macau as a tourism and business hub in the region. Increase in passenger and improvement in logistical flow would continue to support the tourism industry and create more business opportunities, thereby supporting the growth in fitting-out industry in Macau.

Potential growth of redevelopment plans – The fitting-out industry is highly dependent on the development of the gaming sector and government policies, especially in land supply and planning. The demand for re-fitting and maintenance works is also driven by the strategy and planning of the casinos and hotels operators in Macau. The speed of development and re-fitting of the integrated resorts shows a positive correlation with the needs for fitting works. Integrated resort operators in Macau need to constantly upgrade and refurbish their entertainment facilities, such as VIP junkets and gaming rooms, in order to cope with the competition from other market peers and keep abreast with the market demands and customers’ needs. Generally, casino and hotel owners or operators have fixed budgets reserved for refurbishment or upgrading of their facilities each year.

Rising cost of labour and raw materials – Mismatch between the demand and supply for skilled labour is a prolonged issue in Macau fitting-out industry. The rapid development of the construction industry has further aggravated the imbalance between the supply and demand for labour, which raises the wages of workers in the fitting-out industry in Macau. The average daily wages of fitting-out workers in Macau has risen from approximately MOP572.0 in 2012 to approximately MOP853.1 in 2017, representing a CAGR of approximately 8.2%. Combined with the rising material costs, the rising labour cost is adding challenges to the operation of the fitting-out industry in Macau.

High demand of skilled labour – Macau has a relatively small population and shortage of skilled workers had limited the growth of the fitting-out industry. In order to retain and recruit project managers, experienced engineers, skilled workers and specialist contractors, increased competition is seen among the fitting-out companies. As the number of fitting-out projects increases, the demand for skilled labour rises accordingly. Meanwhile, there was a trend of growing number of ageing workers in the industry. As a result, high demand of skilled labour becomes a key constraint to fitting-out industry in Macau.

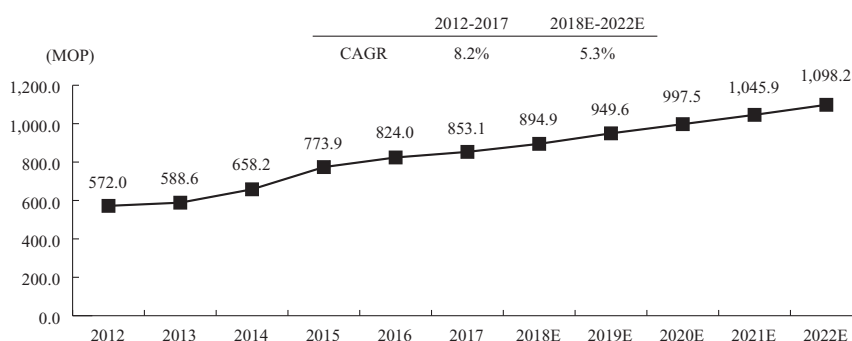
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COST STRUCTURE ANALYSIS

Labour Cost

The average daily wages of fitting-out workers in Macau has risen from approximately MOP572.0 in 2012 to MOP853.1 in 2017, representing a CAGR of approximately 8.2%. The prolonged labour shortage and rising demand for fitting-out works from 2012 to 2017 have added to the mismatch between labour supply and demand, leading to the continued rise of daily wages of fitting-out workers. Given the development of integrated resort and re-positioning of tourism industry, more non-gaming amenities and infrastructure would be built. The average daily wages of fitting-out workers in Macau is expected to rise in the future. The average daily wages of fitting-out workers in Macau is forecasted to reach approximately MOP1,098.2 in 2022 at the CAGR of approximately 5.3% from 2018 to 2022.

Average Daily Wages of Fitting-out Workers (Macau), 2012-2022E



Source: Macau Statistics Department; Frost & Sullivan

Fitting-out Materials

Specific fitting-out materials, include tiles, carpet, wall coverings, marble, ironmongeries and fabrics, may vary significantly in price subject to, quality, rarity, availability of substitutes and place of origin. While general fitting-out materials include, among others, sand, concrete and aggregates, experienced a steady increase in price from 2012 to 2017, primarily due to the continued growth in the property market and construction industry in Macau. The price increase in general fitting-out materials from 2012 to 2017 was driven by the rising demand and the continuous development of construction market in Macau.

The price increase of fitting-out materials is based on the assumption that the macro factors of the fitting-out market in Macau are likely to remain stable; diversified development in tourism and leisure gives a rise to the fitting-out industry in Macau; accelerated development in integrated resort city creates greater demand for fitting-out works; and impetus from surging demand for new construction in gaming and hospitality sectors would have positive impact on the fitting-out market in Macau. The rise in price of raw materials of fitting-out works is due to the continued growth in the property and construction market from 2018 and 2022.

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Price Trends of General Fitting-out Materials (Macau), 2012-2022E

	Unit	2012	2013	2014	2015	2016	2017	2018	2022E	CAGR 2012-2017	CAGR 2018-2022
Sand	m ³	119	135.35	154	197.5	235.49	222.7	249.4	392.4	13.4%	12.0%
Concrete	m ³	444	544	666	779.25	936.70	804.5	885	1,295.6	12.6%	10.0%
Aggregates (gravel and crushed stones)	m ³	85.625	88.975	93.8	95.3	98.17	100.8	103.1	112.9	3.3%	2.3%
Clamping plate (plywood)	m ²	59.85	60.25	60.6	59.1	59.25	58.3	58.2	57.7	-0.5%	-0.2%
Ordinary wood column	m ³	2,465	2,565.75	2,621.5	2,599.25	2,678.10	2,620.2	2,641.2	2,726.6	1.2%	0.8%
Door frame (San Cheong)	unit	288.75	309.25	323.5	336.25	358.45	361.2	368.4	398.7	4.6%	2.0%
Floor-board (teak)	m ²	220.5	221.25	221.5	232.75	243.49	239	241.9	253.6	1.6%	1.2%
Clamping plate (teak)	m ²	35.125	35.35	37	37.375	38.66	39.4	39.9	41.8	2.3%	1.2%
Ordinary clear sheet glass	m ²	90.15	93.45	95	92.225	96.05	93.2	93.7	95.5	0.7%	0.5%
Toughened glass	m ²	275.75	284.25	288	287.25	293.77	295.7	298.1	307.7	1.4%	0.8%
Emulsion paint	litre	26.8	27.725	28.375	29.6	30.70	30.3	30.6	32	2.5%	1.1%

Source: Macau Statistics Department; Frost & Sullivan

COMPETITIVE LANDSCAPE OF FITTING-OUT MARKET IN MACAU

Overview of Competitive Landscape

The fitting-out market in Macau is competitive, with approximately 200 participants in the market in 2017. The fitting-out market in Macau is relatively concentrated with the top five players contributing to approximately 28.3% of the entire market in terms of revenue. Our Group recorded revenue of approximately MOP188.1 million for the provision of fitting-out services, accounting for approximately 2.4% of the market share in Macau. In 2017, our Group is the fifth largest fitting-out contractor in Macau in terms of revenue.

Ranking and Market Share of Leading Fitting-out Contractors by Revenue (Macau), 2017

Rank	Company	Estimated Revenue in 2017 (MOP Million)	Approximate Market Share (%)
1	Company A	1,223.1	15.4
2	Company B	332.9	4.2
3	Company C	297.3	3.7
4	Company D	210.0	2.6
5	Our Group	188.1	2.4
	Top five subtotal	2,251.4	28.3
	Others	5,698.0	71.7
	Total revenue of Fitting-out works in Macau	7,949.4	100.0

Source: Frost & Sullivan

Remarks:

1. Company A is an integrated fitting-out contractor in Hong Kong and Macau, specialising in providing fitting-out works for residential property and hotel projects.

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2. Company B is a Macau-based contractor for construction works, including building, structure works, electrical & mechanical, drainage, fitting-out, repair and maintenance works.
3. Company C is a fitting-out and construction service provider in Macau.
4. Company D specialises in fitting-out works as an integrated fitting-out contractor, construction works as a main contractor and repair and maintenance works in Macau.

In the commercial fitting-out market, the top five market participants contributed to approximately 35.7% of the entire market in terms of revenue. Our Group recorded revenue of approximately MOP185.9 million for the provision of fitting-out services in the commercial segment, accounting for approximately 4.3% of the market share in Macau. In 2017, our Group is the third largest commercial fitting-out contractor in Macau in terms of revenue.

Ranking and Market Share of Commercial Fitting-out Contractors by Revenue (Macau), 2017

Rank	Company	Estimated Revenue in 2017 (MOP Million)	Approximate Market Share (%)
1	Company A	850.0	19.8
2	Company B	200.0	4.7
3	Our Group	185.9	4.3
4	Company E	158.9	3.7
5	Company D	136.5	3.2
	Top five subtotal	1,531.3	35.7
	Others	2,752.6	64.3
	Total revenue of commercial Fitting-out works in Macau	4,283.9	100.0

Source: Frost & Sullivan

Remarks:

1. Company A is an integrated fitting-out contractor in Hong Kong and Macau, specialising in providing fitting-out works for residential property and hotel projects.
2. Company B is a Macau-based contractor for construction works, including building, structure works, electrical & mechanical, drainage, fitting-out, repair and maintenance works.
3. Company E is a Macau-based fitting-out contractor, specialising in commercial segment.
4. Company D specialises in fitting-out works as an integrated fitting-out contractor, construction works as a main contractor and repair and maintenance works in Macau.

Entry Barrier

High capital requirements – Fitting-out is considered as a capital intensive business due to the fact that preparation works such as purchase of specialised fitting-out materials, fees payable to sub-contractors and recruitment of direct labour and issuance of performance bond constitute as key working capital items for contractors. In particular, substantial working capital investment is often required for making prepayment or deposits to suppliers and subcontractors and for providing performance bonds to customers. As a result, capital requirements serve as a key barrier for new market participants without sufficient financial capabilities.

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Technical know-how and proven track record – As a specialised field of construction industry, fitting-out service requires strong technical knowledge, from tile laying, brick laying, plastering, floor screed to marble works. Successful delivery of fitting-out services relies on competency in project management. In Macau, sizable fitting-out projects are usually undertaken by contractors with proven track record in management and coordination. Attributable to the complexity of fitting-out works with different specialised sub-segments, substantial experience in project management is considered as pre-requisite in fitting-out industry. Industry expertise combined with track record serves as a key barrier for new entrants in the fitting-out industry in Macau.

Good relationship with stakeholders – Existing market participants generally maintain an established relationship with stakeholders such as project owners, main contractors, sub-contractors and material suppliers while new market entrants without previous experience and connection in the industry face difficulties in securing business or commencing fitting-out services. With the long-standing partnership with clients, some companies are on tender lists of the clients and are eligible for tender submission and quotation invitation. The good relationship with clients places the companies at the competitive position to secure service contracts in Macau, where the fitting-out market is mainly driven by the gaming and tourism industry.

REGULATORY OVERVIEW

We are a contractor providing fitting-out services and repair and maintenance services in Macau. Set out below is a summary of certain aspects of the laws and regulations in Macau which are relevant to our Group’s operations in Macau.

Works License

Any company that wishes to carry out interior fitting-out works or construction works in Macau has to be registered with the Land, Public Works and Transport Bureau of Macau (the “DSSOPT”).

Decree-Law No. 79/85/M stipulates the administrative regulations of project review, filing of approval, and license issuance and inspection in conducting civil engineering. No construction of new building, reconstruction, repair, maintenance, alteration or expansion to the existing buildings, demolition of building, and any project or work resulting in topographical change shall be conducted without the approval of the Land, Public Work and Transport Bureau DSSOPT (土地工務運輸局) approval on the related project and its issuance of relevant license.

Besides the General Construction Works Regulation (Decreto-Lei n.º 79/85/M, de 21/8) the Qualifications for Construction and Urbanism Development Regime (Law n.º 1/2015, de 5/1) also set out obligations which the construction companies must fulfill, whether or not they perform simple works for non-residential or residential units or non-simple works.

This regime requires the constructors (either individuals or companies) to be registered with DSSOPT to conduct (i) project planning; (ii) guidance of construction works (implementation of the projects and compliance with applicable laws and regulations); and (iii) supervision of construction works.

The construction company’s registration is subject to 3 requirements: (1) the company has to be incorporated in Macau or to have a permanent establishment or a branch in Macau; (2) the project planning, guidance of construction works and/or supervision of construction works has to be included in the business scope of the company; and (3) the company has to contract, through employment contract or outsourcing, a person who is a certified technician under the Qualifications for Construction and Urbanism Development Regime.

In fact, the project plan for the approval of the DSSOPT, or project draft and project amendment, has to be pre-signed by a technician who is certified and the project guidance and the supervision works of the approved plan has to be conducted by a qualified technician who is certified.

The registration is valid until 31 December of each year and renewable, by application, provided that the company keep the above said requirements and pays the corresponded fees.

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Under the laws of Macau, for the purpose of the applicability of licensing regime, fitting-out works can be divided into three categories: (i) simple works for residential unit (家居簡單裝修工程), which refers to all interior alteration, repair and maintenance works excluding change of use of the unit, the structure of the building or the area, change of entrance openings, walls, facades or outside windows, water supply or drainage network; (ii) simple works for non-residential unit (非家居簡單裝修工程), which only includes works of alteration, repair and maintenance which doesn't change the usage of the unit and the structure of the building nor affect the fire fight system if any in the units no larger than 120 sq. m. and are not subject to cross-supervision by a different authority. In the case of ground-floor units, it includes fitting projection into facades of the unit, modifying façade with brickworks, glass, slabs or other materials, opening doors on the wall and it is not considered innovation and do not affect any other units; and (iii) non-simple works (非簡單裝修工程), which includes all fitting-out works other than the above two categories.

The fitting-out works of the above three categories are subject to different licensing requirements. The DSSOPT is the competent authority to supervise the implementation of the relevant requirements. The simple works for residential unit are not subject to any work license or project approval. The simple works for non-residential unit are subject to giving a prior notice to DSSOPT. The non-simple works are subject to obtaining a work license from DSSOPT.

To make a prior notice to or to obtain a work license from the DSSOPT, the interested party is required to submit information regarding the works and commencement and termination dates, and a declaration of constructor registered with DSSOPT to undertake all liability arising from relevant works and to comply with all architectural technique requirements. If the prior notice or work license has been duly made or obtained by the main contractor or the first trade contractor of the works, the subcontractors or trade contractors who involve in any part of such works are not required to make or obtain any independent prior notice or license.

In order to conduct the aforementioned projects, interested parties shall notify the DSSOPT the proposed project and the expected commencement and completion dates of the construction, by filling out the specific form provided by the DSSOPT accompanied by the signed declaration of construction company or builder who has registered at the DSSOPT, and submitting other project-related documents required by the DSSOPT.

Upon inspecting the aforementioned documents submitted by the interested parties, the DSSOPT shall affix a specific seal on the form and shall send it back to the interested parties. The interested parties shall post the form conspicuously at the project site when conducting the project.

The DSSOPT has the authority to monitor the compliance of the aforementioned Decree-Law and its supplementary law. Only legal persons who are locally registered in Macau shall be approved of the related project plan and shall be issued project license by the DSSOPT. The project plan for the approval of the DSSOPT, or project draft and project amendment, shall be pre-signed by a technician who is registered with the DSSOPT. The project guidance of the approved plan shall be conducted by a qualified technician who is registered with the DSSOPT. The project implementation of the approved plan shall only be

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conducted by construction company or constructor who is registered with the DSSOPT. During the implementation, it is permitted to conduct specified project items according to the approved content in project plan through contract employment or outsourcing to third party.

The accreditation of qualification to a construction company or a constructor is conducted according to the application submitted to the DSSOPT, accompanied with a tabulated list of all technical tools possessed and a list of completed projects.

Based on Law No. 1/2015 “System of qualifications on urban construction and urban planning 都市建築及城市規劃範疇的資格制度”, technicians certified by “Architect, Engineer and Urban Academy 建築、工程及城市規劃專業委員會” are allowed to be entitled as “Architect”, “Landscape Architect”, “Urban Planner” or “Engineer”. Registration at the above said academy is required for acquisition of the said titles. Such certified technicians are required to register at DSSOPT for execution of duties on formation of plan, project steering or project monitoring.

In clause 1, Article 17 of Law No. 1/2015, only technicians at private sectors, individual entrepreneurs (natural person) with at least one registered technician and companies are allowed to register at DSSOPT for execution of duties on formation of plan, project steering or project monitoring. Validity of registration ends in the end of the following year after registration comes into effect. Renewal of registration must proceed in the calendar year of expiry of registration between 1 November to 31 December.

In clause 2, Article 18 of Law No. 1/2015, civil liability insurance is an essential document for registration and renewal of registration. Technicians, individual entrepreneurs (natural person) and companies must insure valid civil liability insurance that underwrites damages caused during formation of plan, project steering or project monitoring.

Environmental Protection

The regulatory authority in charge of environmental protection matters is the Environmental Protection Bureau of Macau.

The fundamentals of the legal regime of safety and environmental law of Macau, applicable to individuals and corporations, are comprehended in the Macau Basic Law, Law n.º2/91/M, of March 11 (the Environment Law,) and Law n.º 8/2014 (Prevention and Control of Environmental Noise).

Article 119 of the Macau Basic Law states that “The Macau SAR shall carry out the protection of environment in accordance with law”. To implement this principle together with the Environmental Law, Prevention and Control of Environmental Noise and other applicable international conventions, legislation and regulations (in the form of laws, decree-laws or administrative regulations) have been enacted over time regarding various areas as natural heritage protection, air, sea and sound pollutions, hygiene of environment, chemical goods, etc..

REGULATORY OVERVIEW

As a general rule set by the Environment Law, any violation of the environmental legislation attracts civil liability (for damages), and may be punishable as an administrative fault or a crime, depending on the nature and seriousness of the violations, and may be subject to administrative injunction in order to stop it.

According to the Prevention and Control of Environmental Noise, fit out works that may produce a disturbing noise are forbidden during Sundays and public holidays and between 7:00 p.m. and 9:00 a.m. of the following day on weekdays.

Taxation

Pursuant to clause 1 of Article 2 of the Macau Industrial Tax Regulation (營業稅規章), natural person or legal person who engages in any industrial or commercial activities is subject to industrial tax. Nevertheless, pursuant to Article 12 of Law no. 16/2017, the activities stated in table 1 and table 2 of Macau Industrial Tax Regulation attached to Law no. 15/77/M which was approved on 31 December is exempted from industrial tax by the Macau Special Administrative Government for the year 2018.

Complementary income tax (所得補充稅) is levied on the total income earned within the territory by a natural person or legal person regardless of its residence. Pursuant to the provisions under Article 22 of Law no. 16/2017, under which the applicable tax rate is specified in Article 7 of Regulation on Complementary Income Tax (所得補充稅規章) approved by Law no. 21/78/M on 9 September, the exempted tax amount for 2017 shall be MOP600,000. A tax rate of 12% shall levy when the income exceed such amount.

Labour, Health and Safety

Law no. 7/2008 “Labour Relations Law 勞資關係法” is a general regime that defines labour relations. In Macau, an employer has the right to set out rules to be obeyed by employees within the working environment as required by relevant regulations and formulates a set of company rules that states clearly the working arrangement and discipline, and the implementation thereof shall not result in working conditions inferior to that as required by such law. Article 33 under the same law requires normal working hours for employees of not more than 8 hours per day and 48 hours per week, and the employees are entitled to a consecutive 24-hour day-off per week with payment. Employees who worked for a full year are entitled to paid annual leave of not less than 6 working days in the coming year. Where an employer violates against the law due to non-performance of the obligation as required by Law no. 7/2008, he / she may still has to fulfil such obligation in addition to a punishment and a fine or penalty.

Pursuant to Decree Law no. 40/95/M, “Employees Compensation Insurance Ordinance” defines the system applicable to compensation for loss arising from occupational accidents and occupational diseases. It is applicable to all employees of any industry who are entitled to compensation for loss arising from occupational accidents and occupational diseases as provided by such law. Where occupational accidents occur outside the territory, employees who are employed and work for an employer who legally engages in business in Macau shall be entitled to compensation as stipulated by such law except for compensation granted to such employee and his / her family under the law of the place to where the accidents

REGULATORY OVERVIEW

occur. Where the compensation granted under the law of the place to where the accidents occur is inferior to that as required by such law, the employer shall afford the difference therewith. Employers shall take out mandatory insurance to cover compensation for employees injured in work accidents or suffer from occupational diseases.

Law no. 4/2010 defines social security system (社會保障制度) and aims at providing basic social security, especially retirement pension, for Macau residents, in order to improve living standard. All employers who maintain employment relationships shall make registration with Social Security Fund and make contribution therefore. The beneficiary (i.e. employee) and the employer are obliged to make contribution to Social Security Fund. Social security system covers allowances for disability, unemployment, births, marriages and funerals. The system also includes other social security measures set out in the specific subsidy plan approved by the chief executive.

Pursuant to the provisions in Law no. 21/2009 (Law for the employment of non-resident workers (聘用外地僱員法)), before hiring a non-resident worker to work in Macau, permission shall be obtained by the employer in advance by submitting an application to the Human Resources Office of Macau. Once approved, the non-resident worker being employed shall apply for an “Authorisation to Stay for Non-resident Workers” and a “Non-resident Worker’s Identification Card” from the Public Security Police Force of Macau before commencing work in Macau. Item 1 of Article 5 of the Law provides that the following persons are authorised to hire non-resident workers: (1) Macau residents; (2) legal persons with their head-office or an establishment in the Macau; (3) non-residents with a commercial or industrial establishment in the Macau.

Administrative Regulation no. 8/2010 is a standardization of the grant of the permit for employment of non-resident workers, the grant of stay permit, payment of employment fee and the use of received employment fee. Application for employment permit shall state clearly the proposed salary and other major labour conditions for non-resident workers by the employer. Non-resident workers are qualified to provide services within Macau after being granted “Authorisation to Stay for Non-resident Workers” that remains in force at such time when the services provided. The employer shall pay the employment fee for the previous quarter in January, April, July and October with the payment slip which form approved under the Social Security Fund. The received employment fee shall be considered as income for Social Security Fund.

Whenever the Labour Affairs Bureau (勞工暨就業局), the Public Security Police Force (治安警察局), or the Customs Service (海關) consider that an activity carried out by a non-resident does not comply with the above situation, they shall immediately notify the natural person or legal person of Macau to whom such non-resident of Macau provides services, and such natural person or legal person shall terminate the activities of such non-resident immediately after being notified.

The natural person or legal person of Macau who violates the limitations and conditions as stipulated in Article 4 of the Regulation regarding on prohibition of illegal work shall be subject to a penalty of MOP20,000 to MOP50,000 for each involved employee and shall be held liable for criminal charges.

REGULATORY OVERVIEW

As an employer, a contractor (whether or not it is incorporated in Macau) shall have to comply with the conditions prescribed under Decree Law no. 44/91/M (approval of regulation of working safety and hygiene of civil construction of Macau) for its working places in order to provide a safe and clean working condition for its employees. Otherwise, fines of up to MOP30,000 and precautionary measures will be imposed according to Decree Law no. 67/92/M (determination of sanctions for the non-compliance of regulation of working safety and hygiene of civil construction of Macau).

Regarding the working environment, an employer must comply with the rules provided under the General Regulation of Work Safety and Hygiene of Offices, Services and Commercial Establishments, in order to provide a safe and clean working environment for its employees. Failure to comply with those rules may result in the application of fines to the employer, according to the provisions set out by Decree Law no. 13/91/M (sanctions for the non-compliance with the General Regulation of working safety and hygiene of office, service and commercial establishments).

Moreover, an employer must comply with the rules provided under Decree Law no. 44/91/M (General Regulation of Working Safety and Hygiene in the Construction Industry) and Decree Law no. 34/93/M (Legal Regime of Noise at Work), in order to provide a safe, clean and environmentally friendly working conditions for employees. Failure to comply with those rules may result in the application of fines, according to the provisions set out by Decree Law no. 67/92/M and Decree Law no. 48/94/M.

COMPLIANCE WITH THE RELEVANT REQUIREMENTS

Our Directors confirmed that our Group has obtained all material licences, permits and approvals required for carrying on our business activities during the Track Record Period and up to the Latest Practicable Date.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

OVERVIEW

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law on 9 April 2018 in anticipation of the [REDACTED]. As at the Latest Practicable Date, the subsidiaries of our Group comprised Splendor Haze, Loyal Auspicious, WHHC, WHHE (HK), WHHCE, WHHE (Macau), NWHC, WHHDD, YKDE, Keng Chuan and ZHZC. Details of these subsidiaries of our Group are set out in the paragraph headed “Corporate development” below in this section.

Prior to the [REDACTED], our Group underwent the Reorganisation and immediately following completion of the Reorganisation, the issued share capital of our Company was owned as to 90% by Copious Astute, a company incorporated in the BVI which is wholly owned by Mr. Li, and 10% by the [REDACTED] Investor (through Fresh Phoenix).

Immediately following the completion of the Capitalisation Issue and the [REDACTED], Copious Astute and the [REDACTED] Investor (through Fresh Phoenix) will respectively own [REDACTED] and [REDACTED] of the issued share capital of our Company (without taking into account any Share which will be allotted and issued upon the exercise of the [REDACTED] and any options which may be granted under the Share Option Scheme).

BUSINESS DEVELOPMENT

Our Group’s history can be traced back to August 1996, when Mr. Li, the chairman of the Board and founder of our Group, established WHHE (HK) to provide fitting-out services in Hong Kong. In view of the robust growth of the tourism and gaming industries which drove up the demand for fitting-out services in hotels, casinos and integrated resorts in Macau, our Group has shifted the focus of our business to the market in Macau since May 2005 through the establishment of WHHE (Macau).

Milestones of our Group

The key events of the development of our Group are set out below:

Year	Key events
1996	WHHE (HK) was incorporated in Hong Kong, through which we started to provide minor fitting-out works in Hong Kong.
2005	We expanded our business to Macau by incorporating WHHE (Macau). We were awarded our first fitting-out project in Macau by a developer for a shopping mall within a commercial complex located in Macau Peninsula, with an original contract sum of approximately MOP13.7 million.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

- 2006 We were awarded two fitting-out projects by two global luxury goods and high-end fashion brands for their retail stores in an integrated resort located in Macau Peninsula, Macau, with an original contract sum of approximately MOP4.1 million and MOP2.3 million, respectively.
- 2008 We were awarded our first fitting-out project by Customer B for an Italian restaurant in an integrated resort’s restaurant located in Cotai, Macau, with an original contract sum of approximately MOP30.0 million.
- 2011 We were awarded our first fitting-out project by Customer A for a casino in an integrated resort located in Macau.
- We were awarded our first fitting-out project by Customer B for a casino in an integrated resort located in Cotai, Macau, with an original contract sum of approximately MOP12.5 million.
- 2012 We were awarded a fitting-out project for a casino in an integrated resort located in Macau Peninsula, Macau, by Customer A, with a total contract sum of approximately MOP137 million, which was also our first fitting-out project with total contract sum of over MOP100 million.
- 2018 We were awarded a fitting-out project for a casino in an integrated resort located in Cotai, Macau, by Customer A, with an original contract sum of over MOP150 million for the first time.
- Our Company was incorporated in the Cayman Islands as part of the Reorganisation for the purpose of the [REDACTED].

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

CORPORATE DEVELOPMENT

Set out below are the history and development of our operating subsidiaries:

WHHE (HK)

WHHE (HK) was incorporated in Hong Kong on 22 August 1996 as a limited liability company. It is used for handling administrative matters of our Group, primarily including (i) payroll functions for our employees who are stationed in Hong Kong; and (ii) leasing of our Hong Kong offices.

As at the date of incorporation, WHHE (HK) was owned as to 50% by Mr. Li and 50% by a former employee of our Group, who was an independent third party and held such interests in trust for Mr. Li, as a company incorporated in Hong Kong should have a minimum of two shareholders at that time, and the aforesaid employee could assist Mr. Li to handle administrative matters at the incorporation of WHHE (HK). On 25 July 2001, under the direction of Mr. Li, the aforesaid employee transferred 10,000 shares, representing 50% of the issued share capital of WHHE (HK), to Mr. Li at the consideration of HK\$10,000. After such transfer, the aforesaid employee left WHHE (HK) and had not been our employee since then. On 22 August 2001, Mr. Li transferred one share, representing 0.005% of the issued share capital of WHHE (HK), to Ms. Ng Suk Fun ("Ms. Ng", the spouse of Mr. Li) at the consideration of HK\$1, who held such interests in trust for Mr. Li pursuant to a declaration of trust dated 22 August 2001. On 20 August 2002, under the direction of Mr. Li, Ms. Ng transferred the one share held in trust for Mr. Li to Mr. Yu at the consideration of HK\$1, which represented a replacement of the old trustee by a new one. Pursuant to a declaration of trust dated 20 August 2002, Mr. Yu declared that he was holding the one share in WHHE (HK) in trust for Mr. Li. Since then and until the implementation of the Reorganisation, WHHE (HK) had been owned as to 99.995% by Mr. Li and 0.005% Mr. Yu, who held such interests in trust for Mr. Li.

WHHC

WHHC was incorporated in Hong Kong on 9 May 2001 as a limited liability company. It was inactive as at the Latest Practicable Date.

As at the date of incorporation, WHHC was owned as to 95% by Mr. Li and 5% by Ms. Ng, who held such interests in trust for Mr. Li pursuant to a declaration of trust dated 9 May 2001, as a company incorporated in Hong Kong should have a minimum of two shareholders at that time. On 20 August 2002, under the direction of Mr. Li, Ms. Ng transferred 400 shares back to Mr. Li and 100 shares held in trust for Mr. Li to Mr. Yu at the consideration of HK\$100, which represented a replacement of the old trustee by a new one. On 31 March 2003, 1,970,100 shares and 19,900 shares were allotted and issued to Mr. Li and Mr. Yu at par, respectively. Pursuant to a declaration of trust dated 31 March 2003, Mr. Yu declared that he was holding the 20,000 shares in WHHC in trust for Mr. Li. Since then and until the implementation of the Reorganisation, WHHC had been owned as to 99% by Mr. Li and 1% Mr. Yu, who held such interests in trust for Mr. Li.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

WHHCE

WHHCE was incorporated in Hong Kong on 16 December 2010 as a limited liability company. It has been inactive during the Track Record Period.

As at the date of incorporation, one share was allotted and issued to the initial subscriber, which was an independent third party. On 20 December 2010, the initial subscriber transferred the one share to Mr. Li at the consideration of HK\$1. On 21 December 2010, 19,998 shares and one share were allotted and issued to Mr. Li and Mr. Yu at par, respectively. Pursuant to a declaration of trust dated 21 December 2010, Mr. Yu declared that he was holding the one share in WHHCE in trust for Mr. Li. Since then and until the implementation of the Reorganisation, WHHCE had been owned as to 99.995% by Mr. Li and 0.005% Mr. Yu, who held such interests in trust for Mr. Li.

WHHE (Macau)

WHHE (Macau) was incorporated in Macau on 16 May 2005 as a limited liability company. It engages in fitting-out services and repair and maintenance services in Macau.

As at the date of incorporation, WHHE (Macau) was owned as to 99% by Mr. Li and 1% by a former employee of our Group, who was an independent third party and held such interests for the benefits and under the instructions of Mr. Li in order to assist Mr. Li to handle certain administrative matters of WHHE (Macau). There were subsequent changes in the shareholding of WHHE (Macau) to streamline the corporate structure of our Group. As at the commencement of the Track Record Period, WHHE (Macau) was owned as to 99% by Mr. Li and 1% by Mr. Yu, who held such interests for the benefits and under the instructions of Mr. Li.

During a business meeting in August 2012, Mr. Li became acquainted with Mr. Hung Tze Ming (“**Mr. Hung**”), who is a contractor in the construction industry and supplier of construction materials in Macau. With a view to (i) explore new business opportunities in Hong Kong, Macau and the PRC; (ii) expand our customer base; and (iii) identify new subcontractors and suppliers through the personal network of Mr. Hung, our Group decided to cooperate with Mr. Hung by entering into an agreement with him on 29 December 2016 (the “**Cooperation Agreement**”) and appointed him as a managing director for an initial term of one year commencing on 1 February 2017. According to the Cooperation Agreement, Mr. Hung was entitled to 5% of the registered capital of WHHE (Macau) as incentives, pursuant to which Mr. Li transferred 5% of the registered capital of WHHE (Macau) to Mr. Hung on 2 March 2017. The aforesaid share transfer was legally completed and settled. In view of the aforesaid cooperation, Mr. Li and Mr. Hung further established YKDE on March 2017 to engage in fitting-out works in Macau, with Mr. Li holding 70% and Mr. Hung holding 30% of the registered capital of YKDE. In January 2018, both of our Group and Mr. Hung decided to terminate such cooperation as it would be difficult to further execute the plan of cooperation due to changes in the business environment which had not been foreseen by the parties at the commencement of the cooperation. As a result, after arm’s length negotiation between the parties, our Group and Mr. Hung entered into a termination agreement (the “**Termination Agreement**”) on 18 January 2018, pursuant to which, among other things, (i) our Group agreed to repurchase the 5% registered capital of

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

WHHE (Macau) and acquire 30% registered capital of YKDE from Mr. Hung at the total consideration of HK\$3 million, which was determined having considered the independent valuation on WHHE (Macau) as of March 2017 and the net asset values of WHHE (Macau) and YKDE as of December 2017. In this connection, a one-off share based payment has arisen as result, further details of which are set out under paragraph headed “Financial Information – Period to period comparison of results of operations – Year ended 31 December 2017 compared with year ended 31 December 2016”; (ii) the Cooperation Agreement was terminated and no claim shall be made by any party in respect of the Cooperation Agreement; and (iii) Mr. Hung shall resign as director of YKDE and as a managing director. Accordingly, Mr. Hung transferred 5% of the registered capital of WHHE (Macau) to Mr. Li on 18 January 2018, which was legally completed and settled. Mr. Hung further resigned as director of YKDE and as a managing director on 18 January 2018, and ceased to hold any interest and position in our Group thereafter. Since then and until the implementation of the Reorganisation, WHHE (Macau) had been owned as to 99% by Mr. Li and 1% by Mr. Yu, who held such interests for the benefits and under the instructions of Mr. Li.

NWHC

NWHC was incorporated in Macau on 22 March 2006 as a limited liability company. It was inactive as at the Latest Practicable Date.

As at the date of incorporation, NWHC was owned as to 99% by Mr. Li and 1% by a former employee of our Group, who was an independent third party and held such interests for the benefits and under the instructions of Mr. Li in order to assist Mr. Li to handle certain administrative matters of NWHC. On 15 July 2010, as an arrangement of replacement of nominee, under the direction of Mr. Li, the aforesaid employee transferred 1% of the registered capital of NWHC to Mr. Yu at the consideration of MOP5,000, which is equivalent to the par value of the transferred share. The aforesaid share transfer was legally completed and settled. Since then and until the implementation of the Reorganisation, NWHC had been owned as to 99% by Mr. Li and 1 % by Mr. Yu, who held such interests for the benefits and under the instructions of Mr. Li.

WHHDD

WHHDD was incorporated in Macau on 28 September 2006 as a limited liability company. It engages in fitting-out services and repair and maintenance services in Macau.

As at the date of incorporation, WHHDD was owned as to 99% by Mr. Li and 1% by a former employee of our Group, who was an independent third party and held such interests for the benefits and under the instructions of Mr. Li in order to assist Mr. Li to handle certain administrative matters of WHHDD. There were subsequent changes in the shareholding of WHHDD to streamline the corporate structure of our Group. Since the commencement of the Track Record Period and until the implementation of the Reorganisation, WHHDD had been owned as to 99% by WHHE (Macau) and 1% by Mr. Li.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

YKDE

YKDE was incorporated in Macau on 3 March 2017 as a limited liability company. It engages in fitting-out works in Macau.

As at the date of incorporation, YKDE was owned as to 70% by Mr. Li and 30% by Mr. Hung. On 18 January 2018, pursuant to the Termination Agreement, Mr. Hung transferred 30% of the registered capital of YKDE to Mr. Li. The aforesaid share transfer was legally completed and settled. Upon completion of such transfer, Mr. Hung ceased to hold any interests in YKDE. Since then and until the implementation of the Reorganisation, YKDE had been wholly owned by Mr. Li.

Keng Chuan

Keng Chuan was incorporated in Macau on 15 August 2012 as a limited liability company. It has been used by our Group to handles certain administrative matters, including leasing of our staff quarters.

As at the date of incorporation, Keng Chuan was owned as to 80% by Keng Ou Consulting Limited and 20% by Keng Kong Consulting Limited, both of which were owned by the agent responsible for the incorporation of Keng Chuan and are independent third parties. On 21 June 2013, (i) Keng Ou Consulting Limited transferred 80% of the registered capital of Keng Chuan to Mr. Li at the consideration of MOP20,000; and (ii) Keng Kong Consulting Limited transferred 16% of the registered capital of Keng Chuan to Mr. Li at the consideration of MOP4,000 and 4% of the registered capital of Keng Chuan to Mr. Yu at the consideration of MOP1,000 (who held such interests for the benefits and under the instructions of Mr. Li). The consideration of the aforesaid share transfers was equivalent to the par value of the transferred shares. Since then and until the implementation of the Reorganisation, Keng Chuan had been owned as to 96% by Mr. Li and 4% by Mr. Yu, who held such interests for the benefits and under the instructions of Mr. Li.

Subsidiary acquired by our Group during the Track Record Period

ZHZC

ZHZC was incorporated in the PRC on 12 May 2015 as a limited liability company. It has a registered capital of RMB3.5 million, which had been fully paid up by WHHE (Macau) as at the Latest Practicable Date. As at the Latest Practicable Date, ZHZC was responsible for design support for our Group.

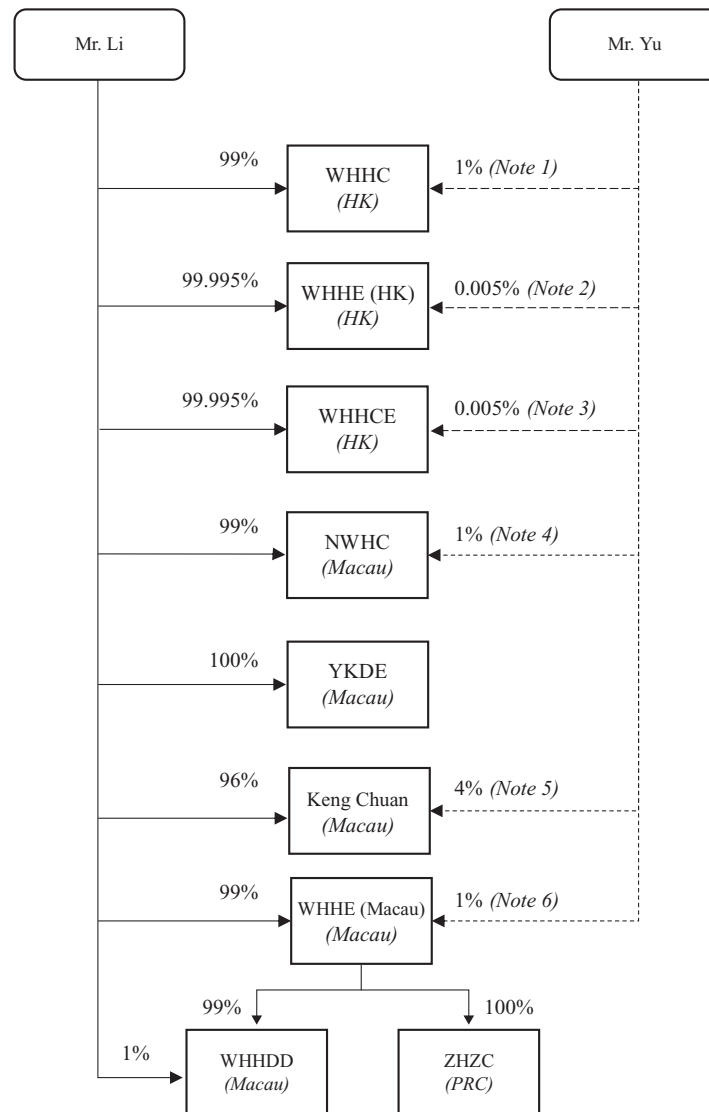
As at the date of incorporation, ZHZC was wholly owned by Mr. Hung. As our Group intended to hire staff members in the PRC to perform our project design works, and ZHZC was a PRC company readily available to our Group at the relevant time for such purpose, WHHE (Macau) entered into an equity transfer agreement with Mr. Hung on 30 September 2017, pursuant to which WHHE (Macau) agreed to acquire the entire equity interests in ZHZC from Mr. Hung at the consideration of RMB10,000. The consideration was determined at arm's length negotiations between the parties having taken into account the

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

costs and administrative expenses incurred by Mr. Hung to establish ZHXC. The aforesaid transfer was legally completed and settled on 29 January 2018. Since then and until the implementation of the Reorganisation, ZHXC had been wholly owned by WHHE (Macau).

REORGANISATION

The following diagram illustrates our corporate structure before the Reorganisation:



Notes:

1. WHHC was held as to 1% by Mr. Yu in trust for Mr. Li.
2. WHHE (HK) was held as to 0.005% by Mr. Yu in trust for Mr. Li.
3. WHHCE was held as to 0.005% by Mr. Yu in trust for Mr. Li.
4. NWHC was held as to 1% by Mr. Yu for the benefits and under the instructions of Mr. Li.
5. Keng Chuan was held as to 4% by Mr. Yu for the benefits and under the instructions of Mr. Li.
6. WHHE (Macau) was held as to 1% by Mr. Yu for the benefits and under the instructions of Mr. Li.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Incorporation of Copious Astute, Loyal Auspicious and Splendor Haze

- (1) Copious Astute was incorporated under the laws of the BVI with limited liability on 21 February 2018, which is authorised to issue 50,000 shares with a par value of US\$1.00 each. On 29 March 2018, 1 share, credited as fully paid at par, was allotted and issued to Mr. Li.
- (2) Loyal Auspicious was incorporated under the laws of the BVI with limited liability on 28 February 2018, which is authorised to issue 50,000 shares with a par value of US\$1.00 each. On 29 March 2018, 1 share, credited as fully paid at par, was allotted and issued to Mr. Li.
- (3) Splendor Haze was incorporated under the laws of the BVI with limited liability on 30 January 2018, which is authorised to issue 50,000 shares with a par value of US\$1.00 each. On 29 March 2018, 1 share, credited as fully paid at par, was allotted and issued to Mr. Li.

Incorporation of our Company

Our Company was incorporated as an exempted company in the Cayman Islands on 9 April 2018 with an authorised share capital of HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each. Upon incorporation, (i) one nil-paid subscriber Share was allotted and issued to the initial subscriber (being a representative of the registered agent responsible for the incorporation of our Company), and was then transferred to Copious Astute on the same day; and (ii) 897 nil-paid Shares were further allotted and issued to Copious Astute.

Being the [REDACTED] Investment, Mr. Leong agreed to subscribe (through Fresh Phoenix) for 100 Shares at the consideration of HK\$15,000,000. On 24 April 2018, our Company allotted and issued 100 fully-paid Shares to Fresh Phoenix. For details of the [REDACTED] Investment, please refer to the paragraph headed “[REDACTED] Investment” below in this section.

Acquisitions of WHHE (HK), WHHC, WHHCE, NWHC, WHHDD, YKDE and Keng Chuan by Loyal Auspicious

- (1) On 26 April 2018, Loyal Auspicious acquired: (i) 19,999 shares in WHHE (HK) from Mr. Li; and (ii) at the direction of Mr. Li, 1 share in WHHE (HK) from Mr. Yu, in consideration of which, Loyal Auspicious allotted and issued 2 shares to Mr. Li. The acquisitions were legally completed and settled on 15 May 2018, and WHHE (HK) became a direct wholly-owned subsidiary of Loyal Auspicious.
- (2) On 15 May 2018, Loyal Auspicious acquired: (i) 1,980,000 shares in WHHC from Mr. Li; and (ii) at the direction of Mr. Li, 20,000 shares in WHHC from Mr. Yu, in consideration of which, Loyal Auspicious allotted and issued 2 shares to Mr. Li. The acquisitions were legally completed and settled on the same day, and WHHC became a direct wholly-owned subsidiary of Loyal Auspicious.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

- (3) On 15 May 2018, Loyal Auspicious acquired: (i) 19,999 shares in WHHCE from Mr. Li; and (ii) at the direction of Mr. Li, 1 share in WHHCE from Mr. Yu, in consideration of which, Loyal Auspicious allotted and issued 2 shares to Mr. Li. The acquisitions were legally completed and settled on the same day, and WHHCE became a direct wholly-owned subsidiary of Loyal Auspicious.
- (4) On 18 May 2018, Loyal Auspicious acquired: (i) 99% equity interests in NWHC from Mr. Li at the consideration of MOP495,000; and (ii) at the direction of Mr. Li, 1% equity interests in NWHC from Mr. Yu at the consideration of MOP5,000. The consideration was determined based on the par value of the transferred shares. The acquisitions were legally completed and settled, and NWHC became a direct wholly-owned subsidiary of Loyal Auspicious.
- (5) On 18 May 2018, Loyal Auspicious acquired: (i) 99% equity interests in WHHDD from WHHE (Macau) at the consideration of MOP495,000; and (ii) 1% equity interests in WHHDD from Mr. Li at the consideration of MOP5,000. The consideration was determined based on the par value of the transferred shares. The acquisitions were legally completed and settled, and WHHDD became a direct wholly-owned subsidiary of Loyal Auspicious.
- (6) On 18 May 2018, Loyal Auspicious acquired 100% equity interests in YKDE from Mr. Li at the consideration of MOP300,000. The consideration was determined based on the par value of the transferred shares. The acquisition was legally completed and settled, and YKDE became a direct wholly-owned subsidiary of Loyal Auspicious.
- (7) On 18 May 2018, Loyal Auspicious acquired: (i) 96% equity interests in Keng Chuan from Mr. Li at the consideration of MOP24,000; and (ii) at the direction of Mr. Li, 4% equity interests in Keng Chuan from Mr. Yu at the consideration of MOP1,000. The consideration was determined based on the par value of the transferred shares. The acquisitions were legally completed and settled, and Keng Chuan became a direct wholly-owned subsidiary of Loyal Auspicious.

Acquisition of WHHE (Macau) by Splendor Haze

On 18 May 2018, Splendor Haze acquired: (i) 99% equity interests in WHHE (Macau) from Mr. Li at the consideration of MOP495,000; and (ii) at the direction of Mr. Li, 1% equity interests in WHHE (Macau) from Mr. Yu at the consideration of MOP5,000. The acquisitions were legally completed and settled. Upon completion, Splendor Haze directly held the entire equity interests in WHHE (Macau) and indirectly held the entire equity interests in ZHXC.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Acquisitions of Loyal Auspicious and Splendor Haze by our Company

Pursuant to the Reorganisation Agreement, on 30 May 2018,

- (1) our Company acquired the entire issued share capital of Loyal Auspicious from Mr. Li, and in consideration thereto, our Company issued and allotted, credited as fully paid, 1 Share to Copious Astute (as directed by Mr. Li);
- (2) our Company acquired the entire issued share capital of Splendor Haze from Mr. Li, and in consideration thereto, our Company issued and allotted, credited as fully paid, 1 Share to Copious Astute (as directed by Mr. Li); and
- (3) in consideration of the aforesaid acquisitions, the 898 nil-paid Shares held by Copious Astute were credited as fully paid.

The aforesaid acquisitions and allotments were legally completed and settled on 30 May 2018, upon which, Loyal Auspicious and Splendor Haze became direct wholly-owned subsidiaries of our Company.

[REDACTED] Investment

On 27 February 2018, Mr. Leong entered into a subscription agreement with WHHE (Macau) and Mr. Li (the “**Subscription Agreement**”). Pursuant to the Subscription Agreement, Mr. Leong agreed to subscribe (through Fresh Phoenix) for 100 fully-paid Shares in our Company at the consideration of HK\$15,000,000. Such consideration was determined at an arm’s length negotiation between the parties taking into account, among others, (i) the historical financial performance of our Group (up to 31 December 2017); (ii) the operating performance of our Group; (iii) the business prospects of our Group; and (iv) the then market conditions of the fitting-out industry in Macau. On 24 April 2018, our Company allotted and issued 100 fully-paid Shares to Fresh Phoenix, as directed by Mr. Leong. The subscription had been properly and legally completed and settled on the same day. Upon completion of the [REDACTED] Investment and the Reorganisation, our Company was owned as to 90% by Copious Astute and 10% by Mr. Leong through Fresh Phoenix.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

The following table summarises further details of the [REDACTED] Investment:

Information of the [REDACTED] Investor	<p>Mr. Leong is a private investor having more than 10 years of experience in residential and commercial property investment in Macau. He is currently the shareholder and director of Shining Holding Limited, a limited company incorporated in Macau which is engaged in securities investment.</p> <p>Our Group became acquainted with Mr. Leong after he engaged us for providing fitting-out services for his residential property in Macau in November 2016 through referral from his acquaintances. To the best knowledge and belief of our Directors, Mr. Leong decided to invest in our Group in view of the prospects and growth potential of our Group. The source of funding of Mr. Leong’s investment in our Group was from his personal resources.</p>
Completion date of the [REDACTED] Investment	24 April 2018
Date of payment of consideration	23 April 2018
Number of Shares held by the [REDACTED] Investor upon the Capitalisation Issue	[REDACTED] Shares
Cost per [REDACTED] paid by the [REDACTED] Investor (taking into account the Capitalisation Issue)	HK\$[REDACTED]
Discount to the [REDACTED] range (taking into account the Capitalisation Issue)	Between approximately [REDACTED] and [REDACTED] (based on the [REDACTED] at HK\$[REDACTED] and HK\$[REDACTED] per [REDACTED] respectively)
Shareholding in our Company upon completion of the [REDACTED] Investment and the Reorganisation	10%
Shareholding in our Company upon [REDACTED]	[REDACTED]

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Special rights

Right to appoint a non-executive Director

Subject to compliance with all applicable laws and/or regulations of all applicable jurisdictions and the Stock Exchange, the [REDACTED] Investor shall be entitled to appoint or nominate one non-executive Director to our Company upon completion of the subscription under the Subscription Agreement.

As at the Latest Practicable Date, the [REDACTED] Investor did not nominate any non-executive Director to our Company.

Such special right granted to the [REDACTED] Investor shall cease to have any effect upon (i) cessation of the [REDACTED] Investor to be a Shareholder or (ii) the [REDACTED], whichever is the earlier. Save as the right to appoint a non-executive Director, no other special rights were granted to the [REDACTED] Investor in relation to the [REDACTED] Investment.

[REDACTED] from the [REDACTED] Investment

The [REDACTED] from the [REDACTED] Investment had been used as our general working capital and for other general purposes, which had been fully used up by our Group as at the Latest Practicable Date.

Strategic benefits of the [REDACTED] Investment

At the time of the [REDACTED] Investment, our Directors were of the view that our Group could benefit from the additional capital that would be provided by the [REDACTED] Investor, and the [REDACTED] Investment could strengthen our shareholder base. Our Directors are further of the view that the [REDACTED] Investment serves as an endorsement of the performance, strength and prospects of our Group by the [REDACTED] Investor.

Lock-up and public float

The Shares held by the [REDACTED] Investor are not subject to any lock-up arrangement and will be counted towards the public float of our Company and will rank *pari passu* with the Shares then in issue and to be [REDACTED] on the Stock Exchange.

Mr. Leong was the fifth largest customer of our Group for FY2016, who contributed MOP240,000 to our revenue, representing approximately 0.2% of our total revenue during the same period. Save as the aforesaid and the [REDACTED] Investment, to the best of our Directors' knowledge, information and belief, having made all reasonable enquiries, as at the Latest Practicable Date, Mr. Leong, Fresh Phoenix and their respective associates did not

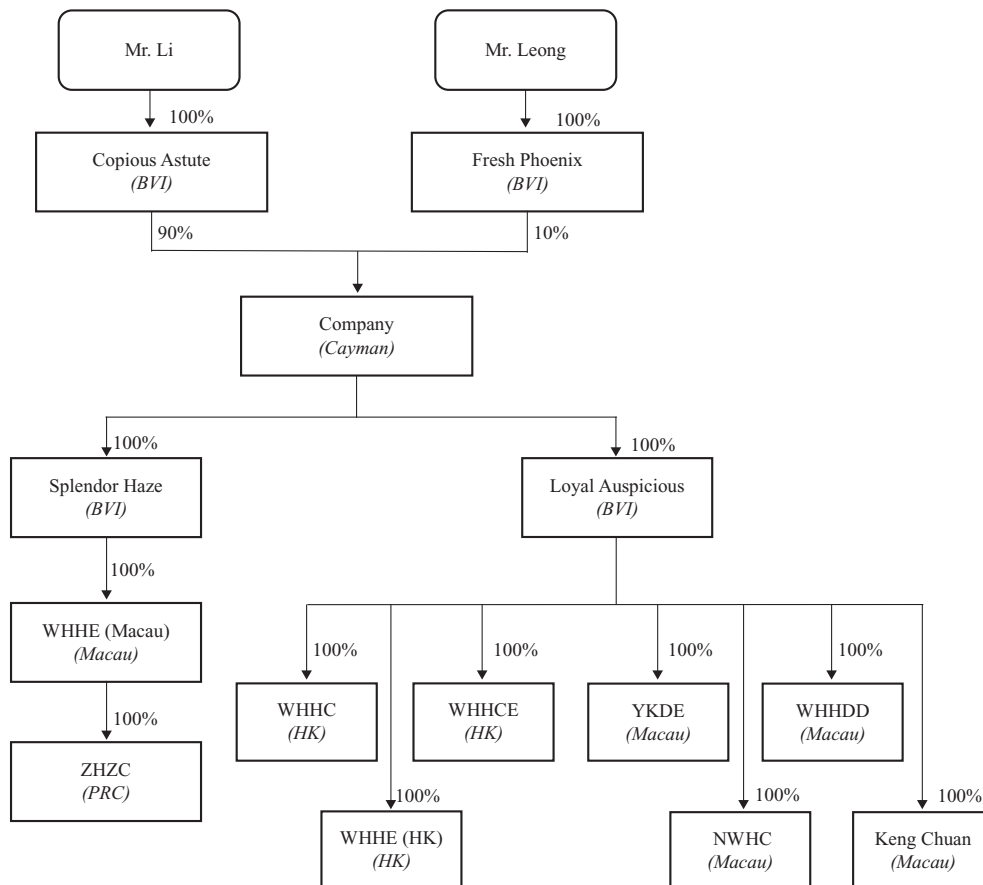
HISTORY, REORGANISATION AND CORPORATE STRUCTURE

have any other past or present relationships, including but not limited to family, trust, business, employment relationships, or any agreements, arrangements or understanding with our Group and/or its connected persons.

Sponsor’s confirmation

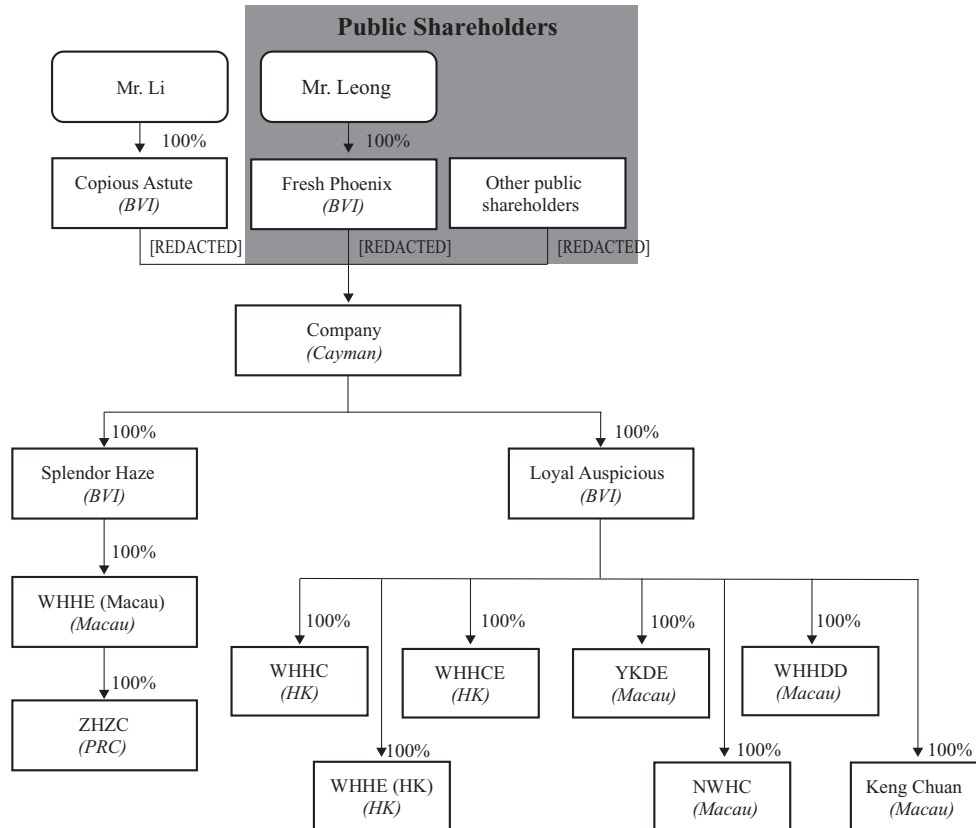
The Sole Sponsor is of the view that the [REDACTED] Investment was in compliance with the guidance letters HKEx-GL29-12 (issued in January 2012 and updated in March 2017) and HKExGL43-12 (issued in October 2012, updated in July 2013 and March 2017) issued by the Stock Exchange and the [REDACTED] Investment has been completed at least 28 clear days before the date of the first submission of the [REDACTED] in respect of the [REDACTED].

CORPORATE STRUCTURE FOLLOWING THE COMPLETION OF THE [REDACTED] INVESTMENT AND THE REORGANISATION



HISTORY, REORGANISATION AND CORPORATE STRUCTURE

CORPORATE STRUCTURE IMMEDIATELY AFTER THE COMPLETION OF THE [REDACTED] (WITHOUT TAKING INTO ACCOUNT ANY SHARES THAT MAY BE ALLOTTED AND ISSUED UPON THE EXERCISE OF THE [REDACTED] AND THE OPTIONS THAT MAY BE GRANTED UNDER THE SHARE OPTION SCHEME)



BUSINESS

OVERVIEW

We are a contractor providing fitting-out services and repair and maintenance services in Macau. Our 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. For FY2015, FY2016, FY2017 and FY2018, our total revenue amounted to approximately MOP114.0 million, MOP114.7 million, MOP189.1 million and MOP326.8 million, of which revenue generated from providing fitting-out services constituted approximately 95.0%, 96.1%, 99.5% and 99.8% of our total revenue, respectively. Our fitting-out services are provided on a project basis. During the Track Record Period, we had completed 124 fitting-out projects with an aggregate original contract sum amounting to approximately MOP486.7 million. As at the Latest Practicable Date, we had 24 awarded and ongoing fitting-out projects with an aggregate original contract sum amounting to approximately MOP398.9 million.

During the Track Record Period, we have established business relationship with major licensed casino gaming operators in Macau. According to the Frost & Sullivan Report, Customer A, Customer B and Customer H, being our top five customers during the Track Record Period, are group companies of three of the six licensed casino gaming operators in Macau, and the shares of their respective holding companies are listed on the Stock Exchange. The commercial fitting-out market in Macau is relatively concentrated with the top five players contributing to approximately 35.7% of the entire market in terms of revenue in 2017, according to the Frost & Sullivan Report. In terms of revenue, our Group was the third largest commercial fitting-out contractor and the fifth largest fitting-out contractor in Macau in 2017, with a market share of approximately 4.3% and 2.4%, respectively. Our Directors believe that our experienced management team with profound industry knowledge has contributed to establishing our reputation in the fitting-out industry in Macau and our continued success. It also contributed to maintaining long-term business relationships with our major customers and a stable pool of suppliers and subcontractors.

According to the Frost & Sullivan Report, revenue of the fitting-out industry registered a robust growth from approximately MOP2,172.6 million in 2012 to approximately MOP7,949.4 million in 2017, at a CAGR of approximately 29.6%. It is expected that the revenue of the fitting-out industry in Macau would reach approximately MOP12,372.6 million in 2022, growing at a CAGR of approximately 8.6% from 2018 to 2022. Revenue of the fitting-out industry in the commercial segment, the segment which we mainly focus on, increased from approximately MOP1,174.3 million in 2012 to MOP4,283.9 million in 2017, representing a CAGR of approximately 29.5%. The commercial segment is forecasted to maintain a steady growth. By the end of 2022, revenue of the fitting-out industry in the commercial segment is estimated to reach approximately MOP6,557.5 million, with a CAGR of approximately 7.1% from 2018 to 2022.

BUSINESS

COMPETITIVE STRENGTHS

Our Directors believe the following competitive strengths contribute to our continued success and potential for growth:

Well-established reputation with proven track record

We believe a strong track record with long-standing reputation is preferred by customers in the fitting-out market in Macau. We have built a reputation in the fitting-out industry in Macau throughout our operating history, including over 13 years of experience in the fitting-out industry in Macau. According to the Frost & Sullivan Report, in terms of revenue, our Group was the third largest commercial fitting-out contractor and the fifth largest fitting-out contractor in Macau in 2017, with a market share of approximately 4.3% and 2.4%, respectively. We have a proven track record of delivering our services and completing our projects on time and to the satisfaction of our customers. Our Directors believe that our professional and quality services have been well recognised in the fitting-out industry in Macau. Our Directors further believe that our well-established reputation and proven track record will continue to attract customers that can provide us with continuing business opportunities.

Established business relationships with group companies of major licensed casino gaming operators in Macau

According to the Frost & Sullivan Report, fitting-out projects in the commercial segment are mainly initiated by the six licensed casino gaming operators who contribute to the majority of market share in terms of revenue, including, Customer A, Customer B and Customer H, being our top five customers during the Track Record Period, are group companies of three of the six licensed casino gaming operators in Macau, and the shares of their respective holding companies are listed on the Stock Exchange. We have built a solid business relationship with our major customers over the years. In particular, our business relationship with Customer A, Customer B and Customer H, has been established since 2011, 2008 and 2013, respectively. Our Directors believe that sizeable casino gaming operators are inclined to invite tenders and/or quotations from fitting-out contractors whom they are familiar with and who have a proven track record in providing quality services and works in a timely manner. During the Track Record Period, we had undertaken 98 fitting-out projects that were awarded by Customer A, our largest customer during the Track Record Period, through tender/quotation, with an aggregate original contract sum of approximately MOP615.4 million.

Our Directors believe good relationship with customers places us at a competitive position to secure service contracts in Macau, where the fitting-out market is mainly driven by the gaming and tourism industry. We believe our established relationships with our major customers have been and will continue to be our valuable assets that cannot be easily replaced by peers in the same industry. Such established relationships enable us to attract more tender invitations from our customers, which increases our chances of securing new projects.

BUSINESS

Stable pool of reliable suppliers and subcontractors

We have over 13 years of operation in the fitting-out industry in Macau. Overtime, we have built a stable pool of reliable suppliers and subcontractors. We maintain an internal list of approved suppliers and subcontractors whom we are familiar with and have stable business relationships. Our Directors consider that maintaining a stable pool of reliable suppliers and subcontractors ensures quality of our fitting-out works. In particular, a stable pool of suppliers enables us to source quality supply of fitting-out materials for our projects while a stable pool of subcontractors whom we are familiar with facilitates efficient project management, thereby ensuring the performance of our subcontractors meets our customers’ requirements. Further, having a pool of subcontractors whom we are familiar with and have long-term business relationships allow us to acquaint ourselves with their specialties and abilities. This shortens our response time and enhances the accuracy of our responses to our customers’ queries. We believe a stable pool of reliable suppliers and subcontractors is crucial to securing new businesses and fosters long-term relationships with our customers.

Experienced and professional management team with extensive industry knowledge

According to the Frost & Sullivan Report, successful delivery of fitting-out services relies on competency in project management and sizeable fitting-out projects are usually undertaken by contractors with proven track record in project management and coordination. Our Directors consider that our management team possesses the necessary expertise, knowledge and experience in executing our fitting-out projects. The majority of our executive Directors and members of our senior management has industry experience of over 15 years.

Most integral to our success is Mr. Li, our founder and executive Director, and Mr. Yu, our executive Director, who have over 40 years and 18 years of experience in the fitting-out industry, respectively, and have facilitated our Group in establishing long term relationships with our customers, suppliers and subcontractors. For details of the profile of our management team, please refer to the section headed “Directors, Senior Management and Employees” in this document.

Under the leadership of our management team, we have built up our capacity, expanded our scope of services and enhanced our market presence in Macau. The broad know-how and industry knowledge acquired and accumulated over the years by our management team have been and will continue to be crucial to our business and prospects.

BUSINESS STRATEGIES

According to the Frost & Sullivan Report, given the policies of the Macau Government in promoting diversified tourism development, the pace of construction and refurbishment of buildings and facilities are expected to increase, which in turn is expected to lead to an increase in demand for fitting-out works. It is expected that the revenue of the fitting-out industry in Macau would reach approximately MOP12,372.6 million in 2022, growing at a CAGR of approximately 8.6% from 2018 to 2022. In particular, the commercial segment is forecasted to keep a steady growth. By the end of 2022, the revenue of the fitting-out industry in the commercial segment is likely to reach approximately MOP6,557.5 million,

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with a CAGR of approximately 7.1% from 2018 to 2022. For FY2015, FY2016, FY2017 and FY2018, our total revenue amounted to approximately MOP114.0 million, MOP114.7 million, MOP189.1 million and MOP326.8 million, of which revenue generated from providing fitting-out services constituted approximately 95.0%, 96.1%, 99.5% and 99.8% of our total revenue, respectively.

While the forecasted growth of the fitting-out industry in Macau from 2018 to 2022 at a CAGR of approximately 8.6% is not as significant as the historical growth from 2012 to 2015 at a CAGR of approximately 46.5%, the overall economy of Macau has displayed a steady to good growth trend despite the slowdown in the gaming industry, according to the Frost & Sullivan Report. The opening of the Hong Kong-Zhuhai-Macau Bridge is expected to play a critical link to the implementation of the strategy of the Greater Bay Area of Guangdong, Hong Kong, and Macau. It will facilitate Hong Kong and Macau to integrate into the overall development of the country, deepen the cooperation between the PRC, Hong Kong and Macau, and further promote the tourism industry by upgrading regional transport development. In addition, the diversified economic development will promote and facilitate trade, logistics and tourism in the region and bring about new development opportunities for the fitting-out and construction industries.

In particular, some of the forthcoming major construction projects for hotels and casinos to be completed during the forecasted period are expected to serve as drivers to the construction and fitting-out market in Macau from 2018 to 2022, according to the Frost & Sullivan Report. As we primarily focus on providing fitting-out services for the commercial segment, in particular facilities located within integrated resorts in Macau, some of the forthcoming major construction projects for hotels and casinos to be completed will represent opportunities that are in line with our business strategies as set out below. For example, our Directors expect that the completion of the extension of Galaxy Macau Phase 3 and Phase 4 (澳門銀河擴建第三及第四期) project in 2019 and 2020, being an extension project of an existing integrated resort in Macau with an investment amount of approximately MOP50.0 billion, will entail higher demand for fitting-out services in Macau. For particulars of other forthcoming major construction projects for hotels and casinos, please refer to the section headed “Industry Overview – Overview of fitting-out market in Macau – Market size” in this document. Our Directors are optimistic that these major construction projects, coupled with some of the market drivers of the fitting-out industry, will continue to bring new business opportunities in support of our expansion plan to strengthen our market position as discussed below. These market drivers include (i) sustained investment in integrated resorts in Macau as a result of increased competition in the gaming and tourism industries; (ii) development of Macau as an integrated resort city in light of the 13th Five Year Plan of the PRC to position Macau as the World Centre of Tourism and Leisure and foster Macau as a city for leisure tourism, thereby enhancing the overall development of the tourism industry and promoting new development of cultural tourism; and (iii) increasing demand from diversified tourism development as promoted by the Macau Government and set out in the Tourism Industry Development Master Plan Consultation Paper released by the Macau Government in 2016. For further details of these market drivers, please refer to the section headed “Industry Overview – Overview of fitting-out market in Macau – Market drivers and trends” in this document.

BUSINESS

In terms of revenue, our Group was the third largest commercial fitting-out contractor and the fifth largest fitting-out contractor in Macau in 2017, with a market share of approximately 4.3% and 2.4%, respectively. Taking advantage of the forecasted growth in the fitting-out industry in Macau, we aim to further strengthen our market position by (i) strengthening our financial position to undertake more sizeable fitting-out projects; (ii) diversifying our customers base; and (iii) strengthening our manpower. With a strengthened financial position, we shall be in a better position to tender for more sizeable fitting-out projects with large contract sums given that (a) we can satisfy project upfront costs requirements of sizeable fitting-out projects from customers; and (b) we will be able to adopt a more competitive pricing strategy in tendering for fitting-out projects from new customers to capture new business opportunities even when there are performance bond requirements thereby further expanding our market share amid the growing fitting-out industry in Macau. We will continue to focus on projects on a selective and prudent basis which are profitable and sizeable in nature when implementing our tender/quotation strategy. With such flexibility in allocating our financial resources, we believe we can effectively implement the tender and pricing strategies which our management has formulated from time to time. On the other hand, with an expanded workforce, we will have more capacity to take up more sizeable fitting-out contracts from both existing and new customers.

For further details on how we intend to implement the below strategies, please refer to the section headed “Future Plans and Use of [REDACTED] – Implementation plan” in this document.

Strengthening our financial position to undertake more sizeable fitting-out projects

Our Directors consider that it is important to strengthen our financial position in order to take up more sizeable fitting-out projects with larger contract sums. According to the Frost & Sullivan Report, the fitting-out business is considered as a capital intensive business due to the fact that preparation works such as purchase of specialised fitting-out materials, fees payable to subcontractors, recruitment of direct labour and issuance of performance bond constitute key working capital items for contractors. In particular, substantial working capital investment is often required for making prepayment or deposits to suppliers and subcontractors and for providing performance bonds to customers.

Due to our business nature, we may experience net cash outflows before we are awarded a project and at the initial stage of a project after project commencement. These upfront costs come in two forms. They include (i) prepayments made to our subcontractors before we are awarded a project in order to secure their services should our tender be successful; and (ii) project startup costs at the initial stage of a project which include subcontracting fees for work done by subcontractors, payments made to suppliers for materials and direct labour costs. For details of our prepayments made to subcontractors, please refer to the paragraph headed “Our subcontractors – Prepayment to our subcontractors” in this section and the section headed “Financial Information – Analysis of various items from the consolidated statements of financial position – Other receivables, deposits and prepayments” in this document.

BUSINESS

The cash flow requirement before a project is awarded to us and at the initial stage of a project after the project has commenced constraints the number and size of projects which we can undertake at the same time due to our limited resources. Going forward, we intend to strengthen our cash position and available financial resources to satisfy the requirements for the upfront costs of our projects in the future and in order to undertake more sizeable fitting-out projects in Macau. In the process of identifying and capturing emerging opportunities, we will continue to focus on projects on a selective and prudent basis which are profitable and sizeable in nature. In addition, we will continue to focus on maintaining adequate cash flow for our ongoing capital requirements.

Diversifying our customer base

For FY2015, FY2016, FY2017 and FY2018, revenue attributable to Customer A, being our largest customer during the Track Record Period, amounted to approximately MOP96.2 million, MOP95.9 million, MOP155.4 million and MOP263.9 million, representing approximately 84.4%, 83.6%, 82.2% and 80.8% of our total revenue, respectively. Although our Directors consider that our business is sustainable despite concentration among our major customers during the Track Record Period for the reasons set out in the paragraph headed “Our customers – Sustainability of our business in view of customer concentration” in this section, we believe it is beneficial to diversify our customer base in order to capture a larger market share in the fitting-out industry in Macau.

According to the Frost & Sullivan Report, financial capability is one of the key factors that determines the scale of operation and projects which contractors are able to undertake, which further affects potential profitability of contractors. As such, capital strength is considered to be one of the most important competitive strengths of contractors in the fitting-out industry in Macau. In particular as performance bonds would typically be required for new contractors with limited past working relationship with the contract owners, our Directors had been hesitant in submitting tenders for projects to new customers which require performance bonds during the Track Record Period. This is reflected in revenue concentration among our major customers during the Track Record Period. Attributable to our long-term established relationship with both Customer A and Customer B, being our top five customers during the Track Record Period, we were not required to obtain performance bonds for the projects we had undertaken with them during the Track Record Period. Save for customers who are individuals, and engaged us to provide fitting-out services to individual residential properties (the contract sums for individual residential property projects were smaller compared to our other projects and unlikely to be recurring), during the Track Record Period, we were only able to secure 5 fitting-out projects from new major customers (namely Customer C, Customer D and Customer I, being our new top five customers during the Track Record Period and 2 fitting-out projects from another new customer). Among the 7 fitting-out projects, we were required to provide performance bonds for 3 projects, and the total amount of performance bonds to be provided amounted to approximately MOP13.8 million, representing 10.0% of the original contract sums of such projects. For details, please refer to the paragraph headed “Our customers – Performance bond” in this section. Our Directors consider that if we were to diversify our customer base to capture a larger market share in the fitting-out industry in Macau, it is vital to consider tendering for fitting-out projects from new customers that require us to provide performance

BUSINESS

bonds. We will continue to closely monitor our capital and cash positions and carefully manage key areas such as subcontracting fees and cash flow while seeking to diversify our customer base.

As our business expansion plan, our financial position and manpower relies on [REDACTED] from the [REDACTED], our tender strategy going forward would be to strike a balance between (i) maintaining our existing long-term business relationship with Customer A and Customer B, being our top five customers during the Track Record Period; and (ii) diversifying our customer base through actively competing for projects from new customers. With a strengthened financial position and increased manpower capacity after the [REDACTED], it will become more flexible for us to effectively implement such tender strategy as we are less constrained by our financial resources and will be able to offer a more competitive tender price to secure the project we desire to undertake when we receive invitations from customers to tender for projects. Specific factors which we take into account when selecting our projects going forward include, among others, (i) contract sum of the project; (ii) our past relationship with the potential customer; (iii) property type and profitability of the project; (iv) location of the project site; and (v) whether there are performance bond requirements. The contract sum of the project is an important criteria because we target to undertake more sizeable fitting-out projects with contract sum of MOP10.0 million or above as undertaking sizeable fitting-out projects will enhance our reputation in the fitting-out industry in Macau as well as our job references. We also take into account our past relationship with the potential customer as we need to maintain our long-term business relationship with existing customers while seeking to diversify our customer base through establishing initial business relationship with new customers. On one hand, undertaking projects from customers whom we have worked with will enhance our efficiency as we do not have to spend extra time getting familiar with their internal system and processes in managing a project. On the other hand, we are mindful of not concentrating on undertaking projects from a few customers as we need to spare our resources to continuously explore new business opportunities from new customers in the market. While Macau is a small region, we do take into account location of the project site when selecting projects as there is a higher chance that we will be able to secure our future projects within the same integrated resort if we have already secured and/or are working on an existing project in the resort given that based on our Directors' experience, customers tend to award a series of projects, subject to successful tenders/quotations, to the same contractor for fitting-out works. Finally, while our Directors had been hesitant in submitting tenders for projects to new customers which require performance bonds during the Track Record Period, going forward, we will closely monitor our capital and cash positions while at the same time actively consider tendering for fitting-out projects from new customers that require us to provide performance bonds as discussed above.

BUSINESS

Strengthening our manpower

We strategically subcontract on-site labour intensive works to our subcontractors, while maintaining overall project management and implementation. As at the Latest Practicable Date, we had 80 full-time employees located in Macau, Hong Kong and the PRC of which 35 of our employees located in Macau were from our project department. Limited by the manpower of our current project management team, in particular project managers and site managers who supervise our subcontractors at the project sites, we believe it is crucial to expand our in-house team of staff in order to cater for the increasing number of sizeable fitting-out projects to be undertaken by us.

OUR SERVICES

We are a contractor providing fitting-out services and repair and maintenance services in Macau. For FY2015, FY2016, FY2017 and FY2018, our total revenue amounted to approximately MOP114.0 million, MOP114.7 million, MOP189.1 million and MOP326.8 million, of which approximately 95.0%, 96.1%, 99.5% and 99.8% was derived from our fitting-out services, respectively.

The following table sets forth a breakdown of our revenue during the Track Record Period by business segment:

	FY2015		FY2016		FY2017		FY2018	
	MOP'000	%	MOP'000	%	MOP'000	%	MOP'000	%
Fitting-out services	108,314	95.0	110,247	96.1	188,118	99.5	326,272	99.8
Repair and maintenance services	5,659	5.0	4,429	3.9	993	0.5	502	0.2
Total	113,973	100.0	114,676	100.0	189,111	100.0	326,774	100.0

Fitting-out services

Our 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. Services provided under our fitting-out projects may include demolition of the original fixtures and finishes and supply and/or installation of building services systems, joineries, metal works, wall finishes, ceiling finishes and floor finishes in the designated areas.

BUSINESS

The following table sets forth a breakdown of our revenue attributable to fitting-out works during the Track Record Period by property type:

	FY2015		FY2016		FY2017		FY2018	
	MOP'000	%	MOP'000	%	MOP'000	%	MOP'000	%
Casinos	74,631	68.9	63,216	57.4	119,918	63.7	255,047	78.2
Retail areas	1,257	1.2	38,662	35.1	45,492	24.2	7,488	2.3
Hotels	5,301	4.9	4,218	3.8	7,807	4.2	24,309	7.5
Restaurants	2,012	1.8	602	0.5	6,523	3.5	377	0.1
Commercial properties	25,113	23.2	2,796	2.5	6,158	3.2	35,482	10.9
Residential properties	–	–	753	0.7	2,220	1.2	3,569	1.0
Total	108,314	100.0	110,247	100.0	188,118	100.0	326,272	100.0

Casinos

Fitting-out projects for casinos are awarded to us by integrated resort operators, whom are also casino gaming operators, in Macau. These projects typically involve refitting works for certain designated gaming areas within an existing casino, such as mass and VIP gaming areas, casino entrances, smoking rooms, lavatories and multi-function rooms.

Retail areas

Fitting-out projects for retail areas are awarded to us by integrated resort operators in Macau. These projects typically involve refitting works for certain designated retail areas located within an integrated resort, such as shops, lavatories and common areas.

Hotels

Fitting-out projects for hotels are awarded to us by integrated resort operators and fitting-out contractors in Macau. These projects typically involve both first fit-out and refitting works for certain designated areas within a hotel, such as hotel rooms, corridors and health clubs.

Restaurants

Fitting-out projects for restaurants are awarded to us by integrated resort operators in Macau. These projects typically involve refitting works for certain designated areas within restaurants located within integrated resorts, such as kitchen and bar areas.

Commercial properties

Fitting-out projects for commercial properties are awarded to us by integrated resort operators and a fitting-out contractor and fitting-out works are done within commercial areas, such as the back offices of integrated resorts and a yacht club in Macau. These projects involve both first fit-out and refitting works for certain designated areas such as receptions, pantries and employees facilities.

BUSINESS

Residential properties

Fitting-out projects for residential properties involve refitting works for existing individual residential properties in Macau.

Repair and maintenance services

During the Track Record Period, we had completed two repair and maintenance service contracts awarded by Customer B, being an integrated resort operator and one of our top five customers during the Track Record Period. One of the repair and maintenance service contracts was awarded in September 2014 for a period of three years commencing from September 2014 to September 2017 and covers repair and maintenance services such as painting, plastering wall finishes, touch up and varnishing furniture and fixtures, and reapplying damaged sealant where necessary, for two hotels in Macau. Payments are made to us by our customer based on the number of rooms we have repaired in a particular month upon request by our customer. The other repair and maintenance service contract was awarded in May 2018 for a period of one month commencing from June 2018 to July 2018 and covers repair and maintenance services such as supplying and installing steel supporting frames, new finishes, concealed doors, lighting points, power and data outlets and demolishing brick walls for a casino in Macau. For details of the salient terms of these service contracts, please refer to the paragraph headed “Our customers – Salient terms of our repair and maintenance service contracts” in this section.

During the Track Record Period, we undertook projects as both main contractor and subcontractor. The majority of our revenue during the Track Record Period was derived from projects in which we were engaged as main contractor by major licensed casino gaming operators in Macau. To a lesser extent, we were also engaged as subcontractor by other fitting-out contractors in Macau. The following table sets forth a breakdown of our revenue by reference to our role in our projects during the Track Record Period:

	FY2015			FY2016			FY2017			FY2018		
	No. of projects	Revenue MOP'000	%	No. of projects	Revenue MOP'000	%	No. of projects	Revenue MOP'000	%	No. of projects	Revenue MOP'000	%
Main contractor	56	113,973	100.0	25	114,676	100.0	56	181,304	95.9	59	304,109	93.1
Subcontractor	—	—	—	—	—	—	2	7,807	4.1	3	22,665	6.9
Total	56	113,973	100.0	25	114,676	100.0	58	189,111	100.0	62	326,774	100.0

BUSINESS

OUR PROJECTS

Fitting-out projects completed during the Track Record Period and up to the Latest Practicable Date

For FY2015, FY2016, FY2017 and FY2018, we had completed 34, 15, 39 and 36 fitting-out projects, respectively. Among these projects, 2, 3, 4 and 4 projects had an original contract sum of over MOP10.0 million each, with an aggregate original contract sum of approximately MOP76.7 million, MOP42.9 million, MOP146.0 million and MOP83.2 million for the same periods, respectively, while 32, 12, 35 and 32 projects had an original contract sum below MOP10.0 million each, with an aggregated original contract sum of approximately MOP22.0 million, MOP26.4 million, MOP29.9 million and MOP59.5 million for the same periods, respectively.

For the period subsequent to the Track Record Period and up to the Latest Practicable Date, we had completed 6 fitting-out projects, and all 6 projects had an original contract sum below MOP10.0 million each, with aggregated original contract sum of approximately MOP0.6 million.

The following table sets forth a breakdown of our projects completed during the Track Record Period and up to the Latest Practicable Date with an original contract sum of over MOP10.0 million each in descending order by accumulated revenue recognised:

	Main contractor/ subcontractor	Customer	Property type	Duration (Note 1)	Original contract sum (Note 2)	Revenue recognised (Note 3)				Accumulated revenue recognised (Note 4, 9)
						FY2015	FY2016	FY2017	FY2018	
					MOP'000	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000
Track Record Period										
1.	Main contractor	Customer A	Casino	August 2017 to November 2017	71,000	–	–	72,915	3,208	76,123 ^(Note 5)
2.	Main contractor	Customer A	Casino	March 2015 to December 2015	49,300	55,871	5,242	246	–	61,359 ^(Note 6)
3.	Main contractor	Customer A	Casino	November 2016 to January 2017	40,894	–	38,259	4,246	–	42,505
4.	Main contractor	Customer A	Casino	November 2014 to January 2015	27,405	8,508	20	–	–	31,360
5.	Main contractor	Customer A	Retail areas	June 2016 to October 2016	13,769	–	21,717	1,734	–	23,451 ^(Note 7)
6.	Main contractor	Customer A	Retail areas	May 2017 to December 2017	21,501	–	–	23,063	1,341	24,404 ^(Note 8)
7.	Main contractor	Customer A	Casino	March 2016 to August 2016	18,130	–	16,840	925	–	17,765
8.	Main contractor	Customer B	Casino	May 2014 to August 2016	11,020	8,990	2,513	116	–	15,022
9.	Main contractor	Customer A	Retail area	April 2017 to December 2017	12,630	–	–	12,005	834	12,839
10.	Main contractor	Customer A	Casino	December 2017 to January 2018	37,332	–	–	32,203	2,725	34,928

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	Main contractor/ subcontractor	Customer	Property type	Duration (Note 1)	Original contract sum (Note 2)	Revenue recognised (Note 3)				Accumulated revenue recognised (Note 4, 9)
					MOP'000	FY2015 MOP'000	FY2016 MOP'000	FY2017 MOP'000	FY2018 MOP'000	MOP'000
11.	Subcontractor	Customer C	Hotel	October 2017 to April 2018	15,000	–	–	6,253	8,747	15,000
12.	Main contractor	Customer B	Casino	May 2018 to June 2018	10,823	–	–	–	10,823	10,823
13.	Main contractor	Customer A	Commercial property	June 2018 to October 2018	20,056	–	–	–	15,161	15,161

Notes:

- The commencement date of a project is determined based on the commencement date stated in the letter of acceptance or the date of the first invoice while the completion date of a project is determined based on the completion date as stated in the completion certificate or the date of the invoice for 100% work done.
- The original contract sum of a project as set out in the respective contract without taking into account variation orders.
- The revenue recognised for the financial year includes variation orders, where relevant.
- The accumulated revenue recognised may deviate from the original contract sum due to variation orders.
- The variation order for this project amounted to approximately MOP5.1 million, representing approximately 7.2% of the original contract sum. This was attributable to change of design and additional work scope as requested by Customer A.
- The variation orders for this project amounted to approximately MOP12.1 million, representing approximately 24.5% of the original contract sum. This was attributable to change of design and additional work scope as requested by Customer A.
- The variation orders for this project amounted to approximately MOP9.7 million, representing approximately 70.3% of the original contract sum. This was attributable to change of design and additional work scope as requested by Customer A.
- The variation orders for this project amounted to approximately MOP2.9 million, representing approximately 13.5% of the original contract sum. This was attributable to change of design and additional work scope as requested by Customer A.
- The revenue recognised after the Track Record Period is not shown in the above table.

As at the Latest Practicable Date, we had 24 awarded and ongoing fitting-out projects, which include projects that have been commenced but not yet completed and projects that have been awarded but not yet commenced.

					Original contract sum	Revenue recognised during the Track Record Period				Estimated revenue to be recognised
Main contractor/ subcontractor	Customer	Property type	Duration		FY2015 <i>MOP'000</i>	FY2016 <i>MOP'000</i>	FY2017 <i>MOP'000</i>	FY2018 <i>MOP'000</i>	<i>MOP'000</i> (unaudited)	
1.	Main contractor	Customer A	Casino	March 2018 to June 2019	160,392	-	-	-	181,863	328
2.	Main contractor	Customer D	Commercial property	June 2019 to December 2019	61,236	-	-	-	-	61,236
3.	Subcontractor	New customer	Residential	May 2019 to April 2020	53,240	-	-	-	-	53,240
4.	Main contractor	Customer A	Casino	March 2019 to October 2019	32,880	-	-	-	-	32,880
5.	Subcontractor	New customer	Residential	May 2019 to September 2020	23,017	-	-	-	-	23,017
6.	Main contractor	Customer A	Casino	October 2018 to April 2019	22,731	-	-	-	14,053	8,678
7.	Main contractor	Customer B	Casino	December 2018 to May 2019	7,548	-	-	-	2,341	5,207
8.	Subcontractor	Customer I	Hotel	August 2018 to March 2019	7,146	-	-	1,554	7,017	1,244
9.	Main contractor	Customer B	Hotel	December 2018 to April 2019	5,173	-	-	-	1,644	3,529
10.	Main contractor	Customer A	Commercial property	January 2019 to June 2019	4,911	-	-	-	2,646	2,265
11.	Main contractor	Customer B	Casino	June 2018 to March 2019	3,348	-	-	-	3,110	-
12.	Main contractor	Customer A	Casino	December 2018 to March 2019	3,085	-	-	-	1,491	1,594
13.	Main contractor	Customer A	Casino	October 2018 to March 2019	2,800	-	-	-	784	2,016
14.	Main contractor	Customer B	Casino	December 2018 to March 2019	2,380	-	-	-	-	2,380
15.	Main contractor	Customer B	Casino	November 2018 to May 2019	1,788	-	-	-	533	1,255
16.	Main contractor	Customer B	Hotel	January 2019 to March 2019	1,551	-	-	-	-	1,551
17.	Main contractor	Customer B	Casino	January 2019 to March 2019	1,531	-	-	-	-	1,531
18.	Main contractor	Customer B	Casino	December 2018 to April 2019	1,098	-	-	-	-	1,098
19.	Main contractor	Customer A & B ^(Note)	Casino ^(Note)	June 2018 to May 2019 ^(Note)	3,094 ^(Note)	-	-	-	1,418	1,416
								Total		204,465

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Movement in our number of projects

The following table^(Note 1) sets forth movement in our number of fitting-out projects during the Track Record Period, with a breakdown of the number of new projects awarded during the year/period and the number of projects completed during the year/period:

	FY2015		FY2016		FY2017		FY2018		Subsequent to the Track Record Period and up to the Latest Practicable Date	Aggregated original contract sum
		Aggregated original contract sum MOP'000		Aggregated original contract sum MOP'000		Aggregated original contract sum MOP'000		Aggregated original contract sum MOP'000		Aggregated original contract sum MOP'000
Number of ongoing projects at the beginning of the year/period	8	40,717	5	16,976	5	45,978	8	78,923	23	365,296
Number of new projects awarded during the year/period	31	74,938	15	98,305	42	208,856	51 ^(Note 2)	429,132	7 ^(Note 3)	34,279
Number of projects completed during the year/period	34	98,679	15	69,303	39	175,911	36	142,759	6	625
Number of ongoing projects as at the end of the year/period	5	16,976	5	45,978	8	78,923	23	365,296	24	398,950

Notes:

- (1) From time to time, after the award of a contract by our customer, our Group may be required to submit a separate quotation for subsequent variation orders related to such contract. For the avoidance of doubt and for the purpose of this table, the number of projects do not treat such variation order as a separate project.
- (2) Included 3 projects which we have earmarked to apply our [REDACTED] towards the relevant upfront costs and performance bonds requirements. For further details, please refer to the section headed “Future Plans and [REDACTED] – [REDACTED] – Earmarked projects” in this document.
- (3) For the 7 new projects awarded subsequent to the Track Record Period and up to the Latest Practicable Date, the tenders of 2 new projects were submitted during the Track Record Period, and the remaining 5 tenders were submitted subsequent to the Track Record Period.

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The following table sets forth the movement in the outstanding contract value of our fitting-out and repair and maintenance contracts during the Track Record Period and up to the Latest Practicable Date.

	FY2015	FY2016	FY2017	FY2018	Subsequent to the Track Record Period and up to the Latest Practicable Date
	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>
Outstanding contract value at the beginning of the year/ period	36,873	21,567	13,506	33,695	162,755
Outstanding contract value of new contracts and variation orders	98,667	106,615	209,300	455,834	42,085
Revenue recognised	<u>113,973</u>	<u>114,676</u>	<u>189,111</u>	<u>326,774</u>	<u>52,668</u>
Outstanding contract value at the end of year/ period	<u>21,567</u>	<u>13,506</u>	<u>33,695</u>	<u>162,755</u>	<u>152,172</u>

Number of projects by range of original contract sum

The following table sets forth a breakdown of the number of fitting-out projects which our Group derived revenue from during the Track Record Period by range of original contract sum without taking into account variation orders:

	FY2015	FY2016	FY2017	FY2018
	<i>Number of projects</i>	<i>Number of projects</i>	<i>Number of projects</i>	<i>Number of projects</i>
Original contract sum				
MOP50.0 million or above	–	–	1	2
MOP10.0 million to below MOP50.0 million	5	6	9	7
MOP1.0 million to below MOP10.0 million	12	9	16	28
Below MOP1.0 million	38	9	31	24
Total^(Note)	55	24	57	61
Average original contract sum	MOP2.9 million	MOP8.8 million	MOP6.5 million	MOP8.0 million

Note: There were 12 projects which our Group derived revenue from during both FY2015 and FY2016. There were 13 projects which our Group derived revenue from during both FY2016 and FY2017. There were 19 projects which our Group derived revenue from during both FY2017 and FY2018.

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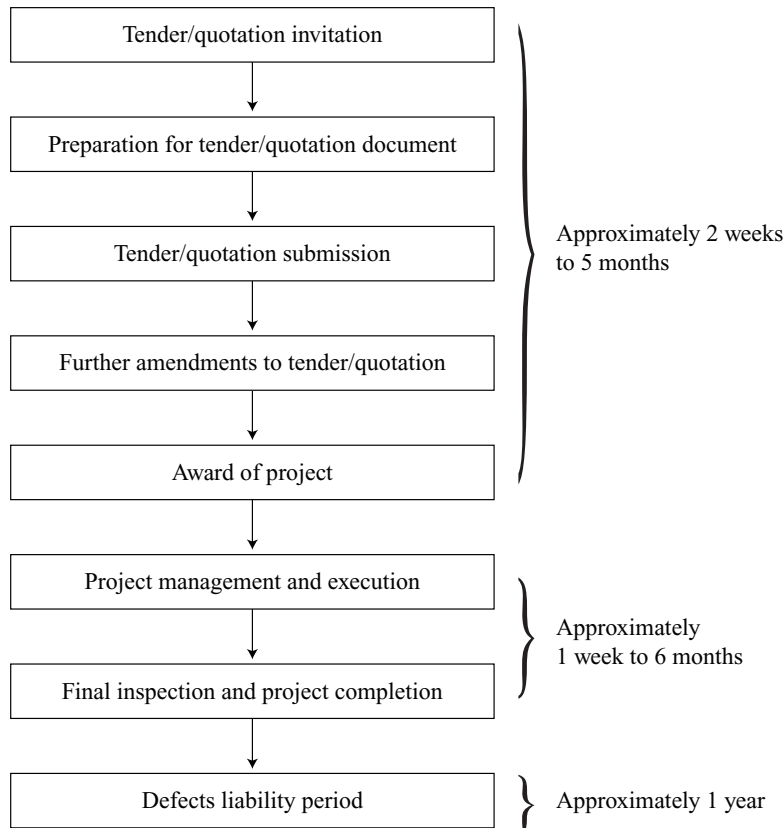
During the Track Record Period and up to the Latest Practicable Date, we had not experienced any material project delays nor had we incurred any material losses under any of our projects.

OPERATION PROCEDURES

The operation procedures described below are carried out by our employees in Macau, Hong Kong and the PRC. Our employees in Macau are responsible for project management and execution. Our employees in Hong Kong are responsible for project planning and administration. Our employees in the PRC are responsible for design support. For details of our employees, please refer to the paragraph headed “Our employees” in this section.

Fitting-out projects

During the Track Record Period, our fitting-out services were provided on a project basis. The duration of such projects from tender/quotation invitation up to project completion (excluding any defects liability period) varies from case to case and generally ranged from 3 weeks to 11 months. Below is a flow chart summarising the usual workflow of a fitting-out project that involves tender/quotation process:



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Tender/quotation invitation

Our customers typically send us tender/quotation invitations for fitting-out projects. Along with the invitation, they would provide us with a document with information of the project, which generally includes schedule of rates, location, expected timetable, scope of works, interior design construction drawings, phasing plan, material requirements and other technical specifications. In general, our customers require us to submit a tender/quotation within a prescribed period upon receiving their invitations. Occasionally, we may be required to submit documents for pre-qualification. The pre-qualification process generally includes, among others, background check, organisation chart, business registration, job reference and recommendation letters issued by our existing customers.

Preparation for tender/quotation document

Upon receiving an invitation for tender/quotation, our project management department, design department and quantity surveying department, led by our executive Director, Mr. Yu, will work together to assess and evaluate the potential project in terms of (i) the scope of works; (ii) complexity of the potential project; (iii) schedule of works; (iv) manpower needed; and (v) availability of resources.

In preparing for a tender/quotation, we may amend or add items or quantities which were omitted but necessary for completing the projects in our tender/quotation. We may submit additional schedules of quantities and rates which we consider necessary for the customer to consider.

With respect to the specifications provided by our customers, the tender/quotation for a fitting-out project generally includes (i) the offer price with breakdown of work items and materials required; (ii) estimation of the time required for completing each task; and (iii) management team structure.

In addition, we will obtain quotations and select subcontractors from our approved list to carry out different tasks of the potential projects. We may occasionally make prepayments to our subcontractors before we are awarded a project by our customer in order to secure their availability. For details, please refer to the paragraph headed “Our subcontractors – Prepayments to our subcontractors” in this section and the section headed “Financial Information – Analysis of various items from the consolidated statements of financial position – Other receivables, deposits and prepayments” in this document.

Tender/quotation submission

The time allowed for preparing a tender/quotation varies from case to case, and depending on any specific requirements and standards, we generally submit the tender/quotation within the period prescribed in the document provided by our customers. Generally, we have to abide by our submitted tender/quotation for a specified period and would be bound by the offer we made if the customer accepts our tender within such period. This binding period varies from project-to-project, but generally ranges from 30 days to 90 days.

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The following table summarises the number of tenders/quotations submitted, number of successful tenders/quotations and success rate of our tenders/quotations during the Track Record Period:

	FY2015	FY2016	FY2017	FY2018
Number of tenders/quotations submitted	177	99	159	132
Number of successful tenders/quotations <i>(Note 1)</i>	33	17	50	45
Success rate <i>(Note 2)</i>	18.6%	17.2%	31.4%	34.1%

Notes:

1. The number of successful tenders/quotations for a financial year is determined based on the number of tenders/quotations submitted during that financial year (regardless of whether they were awarded in the same financial year or subsequently).
2. The success rate for a financial year is calculated based on the number of successful tenders/quotations (regardless of whether they were awarded in the same financial year or subsequently) in respect of the tender/quotation submitted during that financial year.

For the period subsequent to the Track Record Period and up to the Latest Practicable Date, we were successful in 5 (excluding projects the tenders/quotations of which were not submitted during such period) out of our 21 tenders and quotations submitted, resulting in a success rate of approximately 23.8%. The original contract sum of the 5 projects awarded to us during such period amounted to approximately MOP33.2 million. The tender/quotation status of the remaining 16 projects were pending as at the Latest Practicable Date.

Taking into account the number of tenders/quotations submitted and number of successful tenders/quotations for FY2018, our success rate remained largely stable as compared to FY2017. During the Track Record Period, we did not respond to a total of 9 tender/quotation invitations due to insufficient capital resources and/or manpower capacity. The potential projects were for the provision of fitting-out services for casinos, retail areas, hotels and commercial properties. The aggregate contract value of these potential projects amounted to approximately MOP481.1 million. Out of the 9 projects we did not respond to, 3 projects were from a potential new customer with original contract sum of MOP35.0 million, MOP45.0 million and MOP90.0 million, respectively, and each required us to provide a performance bond amounting to 10.0% of the original contract sum.

The higher success rate for FY2017 and FY2018 were primarily attributable to a more competitive pricing strategy adopted by our Group for the respective years. We adopted a more competitive pricing strategy by generally offering a more competitive price under our tenders/quotations submitted during FY2017 and FY2018 as compared to FY2015 and FY2016 with the intention to undertake more sizeable fitting-out projects to generate higher revenue. In line with our business strategy to further strengthen our market position, we will continue to focus on projects on a selective and prudent basis which are profitable and sizeable in nature when implementing our tender/quotation strategy. For details of our tender/quotation strategy going forward, please refer to the paragraph headed “Business strategies – Diversifying our customer base” in this section.

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As at the Latest Practicable Date, the aggregate contract sum of the 102 tenders submitted by us which the results are pending amounted to approximately MOP1,545.5 million. Out of these 102 submitted tenders, 3 tenders of which the aggregate contract sum amounted to approximately MOP238.9 million are the earmarked potential projects set out in the section headed “Future Plans and [REDACTED] – Earmarked projects” in this document. The aggregate contract sum of the tenders which we intend to submit by the end of FY2019 amounted to not less than MOP274.5 million.

Further amendments to tender/quotation

Our customers may occasionally review and evaluate our tender/quotation more than once. We may need to address post tender or quotation queries from our customers and make changes to the existing tender/quotation if required, and submit the amended tender/quotation to our customers for their further consideration. In some cases, we may also be required to attend interviews to clarify the details in relation to our tender/quotation.

Award of project

If our customers decide to award a project to us, they will issue a letter of acceptance to us.

Project management and execution

For every fitting-out project, we generally designate a project manager to supervise the entire project and a site manager to oversee the on-site progress. The project manager is responsible for all aspects of the project including, without limitation, general project management, communication with customers and subcontractors, quality control, supervision of work progress, problem solving and budget controlling. The project manager will work together with our project management team, design team and quantity surveying team on the purchase of materials.

From time-to-time, we may suggest alternatives to the designs given by our customers or solutions to technical issues encountered, if necessary. For instance, our design team, which has extensive experience working with hotel and casino designers and relevant design expertise, may suggest enhancement to original designs from customers to enhance their esthetics and uniqueness. Our project management team also provides suggestions and solutions from engineering and structural aspects, and formulate feasible implementation plans. We also follow the entire implementation process and make sure that the project runs smoothly. If requested by our customers, our quantity surveying team may also assist our customers in controlling budget by suggesting alternative materials that are less costly yet still able to fulfill all the specifications required.

As a whole, apart from engaging subcontractors to carry out the actual fitting-out works, we assist our customers in all aspects to produce the final product. This process involves problem-solving, designing, engineering, planning and coordination works. Our Directors believe that this is the crucial value-added service that distinguishes us from market peers and this is one of the reasons why we are able to maintain a long-term

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business relationship with our major customers, in particular Customer A and Customer B, whom are group companies of significant market players in the casino gaming industry in Macau.

Other major steps involved in the project execution stage of a typical fitting-out project are set out below:

Planning

After receiving various drawings from our customers, we may conduct on-site inspection and measurement in order to acquire a more accurate picture and measurements for the project. With the measurement obtained, we then produce drawings and estimate the quantity of materials needed. We then submit our drawings and samples of materials proposed to be used to our customers for their approval.

Engagement of subcontractors

We engage subcontractors to carry out the actual fitting-out works, such as demolition of the original fixtures and finishes and supply and/or installation of building services systems, joineries, metal works, wall finishes, ceiling finishes and floor finishes in the designated areas. We select our subcontractors with prudence taking into consideration their internal resources level, their workload, their past track record, nature of the works, complexity of the projects and cost effectiveness. We have maintained an internal approved list of subcontractors and only quality subcontractors are shortlisted. For further details of our subcontractors, please refer to paragraph headed “Our subcontractors” in this section.

Procurement of materials

Generally the contracts specify the parties’ responsibility of procurement. In some cases, the materials may be provided by our customers for our installation or further processing while in other cases, our quantity surveying team may be responsible for purchasing the materials. We may also subcontract the procurement process to our subcontractors.

Our customers may limit our choice of suppliers and our final choice needs to be approved by our customers before we proceed to procurement. In some cases, our customers may limit our choice by designating the brand or country of origin of the materials. In addition, for some refitting works to be conducted on top of existing finishes, our choices of suppliers may be restrained as the new materials need to match with the existing finishes.

Our project management team, quantity surveying team and design team will conduct site visits at the project site to estimate the quantity and quality of materials to be used before commencement of the project. This is crucial as any miscalculation or delay in procurement or delivery may lead to project delay.

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Generally, the materials purchased will be delivered to the project site or designated places for further processing. We do not maintain any inventory as projects from our customers are unique and thus materials needed for each project vary. For further details on our suppliers, please refer to paragraph headed "Our suppliers" in this section.

Execution of fitting-out works

Once we receive the letter of acceptance from our customers, we will proceed with the fitting-out works. We assign a project manager and site manager for every project, and they are responsible for overseeing the progress of the entire project. The project manager will communicate and meet with our directors and customers to discuss on the project status on a regular basis so that problems can be resolved at an early stage. Weekly progress reports are also produced to keep abreast with the progress. To ensure the quality and standard of the finished works, the project manager is required to inspect the project site with our customers, designers and engineers of the respective fitting-out projects on a regular basis.

During the Track Record Period and up to the Latest Practicable Date, we did not hire any in-house safety officer. Instead, our Group engages external firms or individuals to provide qualified personnel to fulfill such requirement. These safety officers are responsible for overseeing safety compliance at the work sites. Further, our employees are required to attend safety training from time to time.

During the course of a project, our customers may require additional services or request for modifications to the specifications. These variation orders may result in extra work being done and extra fee charged to our customers. The price for the variation orders may be based on the unit price offered in the original contract or new quotations given to our customers.

Final inspection and project completion

Upon completion of the fitting-out works, our customers will conduct a final inspection. Where there is retention money, half of the retention money will be released upon project completion. The project completion date is agreed between the parties.

Defects liability period

We generally provide a one-year defects liability period to our customers, and such period begins when our project is completed. When defects have been discovered during the defects liability period, we will remedy the defects at our cost.

At the end of the defects liability period, our customers will release the remaining retention money to us. During the Track Record Period, we did not receive any material complaints from our customers regarding our obligation to make good defects during the defects liability period.

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Repair and maintenance service contracts

Our two repair maintenance service contracts completed during the Track Record Period were awarded by Customer B in 2014 and 2018 through tender, respectively. The project management and execution process for such contracts are similar to our fitting-out projects as set out above. The contract awarded in September 2014 is not subject to any retention money or defects liability period, while the contract awarded in May 2018 is subject to a 12-month defects liability period and a retention money of 5.0% of the total contract sum.

OUR CUSTOMERS

Major customers

For FY2015, FY2016, FY2017 and FY2018, revenue attributable to our largest customer, Customer A, amounted to approximately MOP96.2 million, MOP95.9 million, MOP155.4 million and MOP263.9 million, representing approximately 84.4%, 83.6%, 82.2% and 80.8% of our total revenue, respectively. Revenue attributable to (i) our top three customers in aggregate amounted to approximately MOP114.0 million, representing 100.0% of our total revenue for FY2015; and (ii) our top five customers in aggregate amounted to approximately MOP114.7 million, MOP187.4 million and MOP323.2 million, representing 100.0%, approximately 99.1% and 98.9% of our total revenue for FY2016, FY2017 and FY2018, respectively.

Save as disclosed below, to the best knowledge of our Directors, our top five customers during the Track Record Period are independent third parties and none of our Directors or their respective close associates or our Shareholders who own more than 5.0% of the issued share capital of our Company had any interest in our top five customers during the Track Record Period.

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The following table sets forth the details of our top five customers, based on the ranking of revenue recognised during the respective years, comprising the Track Record Period:

Customer ^(Notes 1, 3)	Background	Services provided by our Group to the customer	Revenue (percentage of total revenue)								Number of projects	Typical credit term and payment method	Business relationship since
			FY2015		FY2016		FY2017		FY2018				
			MOP'000	(%)	MOP'000	(%)	MOP'000	(%)	MOP'000	(%)			
Customer A	A subsidiary of a developer, owner and operator of gaming and integrated resorts in Macau listed in Hong Kong and the revenue of the listed parent company for FY2017 amounted to HK\$15.4 billion	Fitting-out services	96,243	84.4	95,868	83.6	155,431	82.2	263,917	80.8	98	30 days; Cheque	2011
Customer B	Subsidiaries of a developer, owner and operator of gaming and integrated resorts in Macau listed in Hong Kong and the revenue of the listed parent company for FY2017 amounted to US\$ 7.7 billion	Fitting-out services and repair and maintenance services	15,493	13.6	18,056	15.7	18,546	9.8	31,931	9.8	46	30 days; Bank transfer	2008
Customer C	A contractor incorporated in Macau providing fitting-out services	Fitting-out services		–		–	6,253	3.3	15,648	4.8	2	0 days; Cheque	2017
Customer I	A subsidiary of a fitting-out contractor with business presence in Hong Kong and Macau, and listed in Hong Kong, with the revenue of the parent company for FY2017 amounted to HK\$5.0 billion	Fitting-out services	–	–	–	–	–	–	7,017	2.1	1	30 days; Cheque	2017
Customer D	A company incorporated in Macau engaging in property management and development providing fitting-out services	Fitting-out services		–		–	5,107	2.7	4,694	1.4	1	0 days; Cheque	2017
Customer E	An individual customer	Fitting-out services		–		–	2,033	1.1	–	–	1	0 days; Cheque	2017
Customer F	An individual customer	Fitting-out services		–	262	0.3		–	–	–	1	0 days; Cheque	2016
Customer G	An individual customer	Fitting-out services		–	250	0.2		–	–	–	1	0 days; Cheque	2016
Mr. Leong	An individual customer ^(Note 1)	Fitting-out services		–	240	0.2		–	–	–	1	0 days; Cheque	2016
Customer H	Subsidiaries of a real estate developer, owner and operator of integrated resort facilities in Asia listed in Hong Kong and the revenue of the listed parent company for the six months ended 30 June 2017 amounted to HK\$20.1 billion	Fitting-out services	2,237	2.0	–	–	–	–	–	–	3	0 days; Cheque	2013
		Top five customers combined ^(Note 2)	113,973	100.0	114,676	100.0	187,370	99.1	323,207	98.9			
		All other customers	–	–	–	–	1,741	0.9	3,567	1.1			
		Total revenue	113,973	100.0	114,676	100.0	189,111	100.0	326,774	100.0			

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Notes:

1. Mr. Leong engaged us for providing fitting-out services for his residential property in Macau in November 2016 through referral from his acquaintances. The project was completed in November 2016. The contract sum was MOP240,000 and our services were provided on normal commercial terms. Since then, we became acquainted with Mr. Leong. Mr. Leong is a private investor having more than 10 years of experience in residential and commercial property investment in Macau. Subsequently, Mr. Leong became our [REDACTED] investor in April 2018. For further details of Mr. Leong’s background and the [REDACTED] Investment, please refer to the section headed “History, Reorganisation and Corporate Structure – Reorganisation – [REDACTED] Investment” in this document. During the Track Record Period and up to the Latest Practicable Date, we had only provided one-off fitting-out services to Mr. Leong.
2. Only figures of our five largest customers for FY2016, FY2017 and FY2018, are shown in the above table. For FY2015, we only had 3 customers with revenue contribution.
3. Each of Customer A, B, C, D, E, F, G, H and I did not give its/his consent for disclosing its/his identity in this document. As advised by our HK Legal Counsel, (i) an obligation to treat certain information as being confidential is frequently expressly imposed by contract, whereas in the absence of express provision, the courts have been willing to imply a term of confidentiality in circumstances where this is clearly called for in the context of the relationship existing between the parties, including commercial relationships; (ii) it is a breach of confidence to use or disclose the information without the consent of the person to whom the duty is owed; and (iii) without the approval from the aforesaid customers for disclosing their identities, there is a real risk of a claim for breach of confidence against our Group from the aforesaid customers if their names are disclosed in this document.

Having considered that (i) the background and principal business, the year(s) of business relationship, the credit terms and payment method of our top five customers as well as the revenue derived from these customers have been disclosed in this document; (ii) the particulars of our trade receivables and contract assets have been disclosed in the section headed “Financial Information” of this document; and (iii) our HK Legal Counsel’s opinion that there is a real risk of a claim for breach of confidence against us from our customers if their names are disclosed in this document without their approval, our Directors consider that the non-disclosure of the identities of our top five customers during the Track Record Period would be in the interests of our Group as a whole.

Our relationship with Customer A

For FY2015, FY2016, FY2017 and FY2018, revenue attributable to Customer A amounted to approximately MOP96.2 million, MOP95.9 million, MOP155.4 million and MOP263.9 million, representing approximately 84.4%, 83.6%, 82.2% and 80.8% of our total revenue, respectively.

Background of Customer A

Customer A is a subsidiary of a leading developer, owner and operator of gaming and integrated resorts and one of the six licensed casino gaming operators in Macau (the “**Parent Company**”, together with its subsidiaries “**Customer Group A**”), the shares of which are listed on the Main Board of the Stock Exchange. According to the website of the Stock Exchange, the Parent Company has a market capitalisation of over HK\$49.0 billion as at 31 December 2018.

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According to the annual report of the Parent Company for FY2017, (a) the principal activities of its subsidiaries include development and operation of (i) casinos; (ii) luxury integrated resorts; (iii) hotels; and (iv) other luxurious amenities, such as restaurants, bars, retail outlets, world-class pool and spa facilities; and (b) Customer Group A has a total revenue of approximately HK\$14.9 billion and HK\$15.4 billion for FY2016 and FY2017, respectively.

According to the Frost & Sullivan Report, the gaming industry in Macau is dominated by a few players and Customer A is one of the major market players in the gaming industry in Macau with a market share of approximately 6.7% in terms of revenue in the year 2017.

Business relationship with Customer A

We have established a long-standing business relationship with Customer A since it first awarded a contract for fitting-out services to us in 2011. During the Track Record Period, we had undertaken 98 fitting-out projects for Customer A which were awarded to us through tenders and quotations, with revenue recognised of approximately MOP96.2 million, MOP95.9 million, MOP155.4 million and MOP263.9 million, for FY2015, FY2016, FY2017 and FY2018, respectively. Our Directors believe that generally only contractors that are recognised and trusted by Customer A are invited for its tender/quotation processes. During FY2015, FY2016, FY2017 and FY2018, we were awarded 27, 14, 34 and 21 projects by Customer A, respectively. Out of our 24 ongoing projects as at the Latest Practicable Date, 9 projects were awarded by Customer A with an aggregate original contract sum of approximately MOP227.9 million. Due to (i) our long-standing business relationship; (ii) our ability to meet Customer A's requirements and internal procedures; and (iii) the high number of projects awarded by Customer A during the Track Record Period, we have therefore been inclined to deepen our business relationship with Customer A.

According to the Frost & Sullivan Report, integrated resort operators in Macau have fixed budgets reserved for refitting their facilities each year and they need to constantly upgrade and refit their facilities in the integrated resorts, such as casinos, hotels, and retail areas in order to compete with other market peers and satisfy customers' needs. Further, integrated resort operators in Macau tend to outsource their fitting-out projects to contractors that have proven track records of high-quality work and on-time project completion, especially the contractors whom they have previously collaborated with. Our Directors consider that Customer A, being a major market player with a market share of approximately 6.7% in the casino gaming industry in Macau in 2017, would have substantial demand for fitting-out services, and therefore it is mutually beneficial and complementary for Customer A and us to maintain a close and stable business relationship with each other given the above.

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Sustainability of our business in view of customer concentration

For FY2015, FY2016, FY2017 and FY2018, revenue attributable to Customer A amounted to approximately MOP96.2 million, MOP95.9 million, MOP155.4 million and MOP263.9 million, representing approximately 84.4%, 83.6%, 82.2% and 80.8% of our total revenue, respectively. Revenue attributable to (i) our top three customers in aggregate amounted to approximately MOP114.0 million, representing 100.0% of our total revenue for FY2015; and (ii) our top five customers in aggregate amounted to approximately MOP114.7 million, MOP187.4 million and MOP323.2 million, representing 100.0%, approximately 99.1% and 98.9% of our total revenue for FY2016, FY2017 and FY2018, respectively.

Our Directors consider that our business is sustainable in view of the following despite concentration among our major customers during the Track Record Period.

Concentration among our major customers was mainly attributable to sizeable projects

Our Directors consider that concentration among our major customers during the Track Record Period was mainly attributable to several sizeable fitting-out projects, in terms of revenue contribution, undertaken by us. Hence customers of these sizeable projects would easily become our major customers. In addition, customers from the casino gaming industry contributed a substantial portion of our revenue during the Track Record Period. As supported by the Frost & Sullivan Report, the fitting-out industry in Macau is dominated by a few sizable integrated resort operators, which limit the customer base of sizeable projects in the industry.

Sizeable fitting-out projects in the commercial segment are mainly initiated by the six licensed casino gaming operators

According to the Frost & Sullivan Report, fitting-out projects in the commercial segment in Macau are mainly initiated by the six licensed casino gaming operators who contribute to the majority of market share in terms of revenue. Sizable fitting-out projects in integrated resorts generate a substantial portion of revenue for the industry, especially for the leading fitting-out contractors in Macau. The leading fitting-out contractors have established and maintained stable working relationships with these six licensed casino gaming operators in Macau. Given that the market is dominated by the six licensed casino gaming operators, it is not uncommon for the leading fitting-out contractors to focus on serving one or more of the six licensed casino gaming operators. During the Track Record Period, we had cooperated with group companies of three of the six licensed casino gaming operators in Macau, including Customer A, Customer B and Customer H.

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We have maintained a close and complementary business relationship with Customer A

According to the Frost & Sullivan Report, successful delivery of fitting-out services relies on competency in project management. In Macau, sizable fitting-out projects are usually undertaken by contractors with proven track record in management and coordination. We have established a stable and strong business relationship with Customer A, who is our largest customer during the Track Record Period. Our business relationship with Customer A was established in 2011 and we have been continuously engaged by Customer A since the beginning of our relationship. Our Directors believe that we have fully acquainted ourselves with the requirements of Customer A and have gained trust from Customer A over the years with a proven track record. This is evidenced by the number of projects awarded by Customer A and the number of projects we had undertaken for Customer A during the Track Record Period. For FY2015, FY2016, FY2017 and FY2018, we were awarded 27, 14, 34 and 21 projects by Customer A, respectively while during the same period, we had undertaken 98 projects for Customer A and recognised revenue of approximately MOP96.2 million, MOP95.9 million, MOP155.4 million and MOP263.9 million, respectively. Based on the above, our Directors believe that it is mutually beneficial and complementary for Customer A and us to maintain a close and stable business relationship.

Revenue of the fitting-out industry in Macau is expected to grow

According to the Frost & Sullivan Report, it is expected that the revenue of the fitting-out industry in Macau would reach approximately MOP12,372.6 million in 2022, growing at a CAGR of approximately 8.6% from 2018 to 2022. The commercial segment is forecasted to keep a steady growth. By the end of 2022, revenue of the fitting-out industry in the commercial segment is estimated to reach approximately MOP6,557.5 million, with a CAGR of approximately 7.1% from 2018 to 2022. Integrated resort operators in Macau have fixed budgets reserved for refitting their facilities each year and they need to constantly upgrade and refit their facilities in the integrated resorts, such as casinos, hotels and retail areas, in order to compete with other market peers and satisfy customers’ needs. With our experience in serving three of the six licensed casino gaming operators in the fitting-out industry, our Directors believe that we are well-equipped to capture the growing business and opportunities in the fitting-out industry in Macau and increase our market share.

Our skills and experience in the fitting-out industry are transferable

We have been providing fitting-out services in Macau for over 13 years. Our established operating history and reputation with a wide range of project references would assist us in securing projects from other major players in the gaming industry in Macau in the event that Customer A’s demand for our services reduces in the future. We have established a good reputation, built a stable pool of subcontractors and suppliers and possessed a broad range of fitting-out experience, which put us at a competitive position in tendering for projects from new customers, in particular other integrated resorts operators in Macau, as evidenced by projects being awarded by Customer B and Customer H, being group companies of two of the six licensed casino gaming operators in Macau.

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Salient terms of our contracts with Customer A

Consistent with our arrangements with other customers, we enter into fitting-out contracts with Customer A on a project basis. Our agreements with Customer A generally contain the following salient terms:

Scope of work	:	The scope of services and type of works to be carried out by us are specified in the contract. The contract may also include the product specifications and requirements as set out by Customer A.
Insurance	:	The project insurance shall be arranged and paid by Customer A, including contractor all risk, third party liability insurance and employees' compensation insurance.
Payment terms	:	Our bills are payable within 30 days upon receipt of our invoices. Such interim payments shall be based on the value of works completed by us and agreed by Customer A.
Retention money	:	Customer A usually withhold up to 10% of the total contract sum as retention money, which will only be fully released upon the expiry of the defects liability period.
Defects liability period	:	We generally provide a one-year defects liability period to Customer A. During the defects liability period, we are responsible for remedial works which may arise from defective works or materials used at our cost.
Liquidated damages	:	The contract usually specifies a daily liquidated damages payable by us if we delay in completion as agreed between Customer A and us.

We have been providing fitting-out services to Customer A every year consecutively since our first contract in 2011. Our Directors confirm that we did not have any material contractual disagreements with Customer A and we did not receive any material complaints from Customer A during the Track Record Period.

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Pricing strategy

We determine the price of our projects on a cost-plus basis. Our pricing strategy is evaluated on a project basis with reference to certain factors, including, among others, (i) the nature, scope and complexity of the project; (ii) working capital requirement; (iii) our operational and financial resources; (iv) the estimated number and types of workers required; (v) the estimated cost of materials required; (vi) the project duration; (vii) the prevailing market conditions; (viii) previous tender record; (ix) awarded tender of similar project; and (x) relationship with our customers.

Performance bond

According to the Frost & Sullivan Report, typically in the fitting-out industry, subject to the property owner's request, main contractors may need to issue performance bonds in favour of the property owners upon awarded fitting-out projects. These performance bonds would be released upon completion of the projects. The amount of performance bond required for each fitting-out project generally would not exceed 10% of the total contract sum. The performance bonds are generally obtained from banks or financial institutions and secured by cash deposits. During the Track Record Period, we tendered for 32 projects with an aggregate original contract sum amounting to approximately MOP2,899.2 million that required us to provide performance bonds, save for 9 of those tenders the results of which were pending, we were only awarded 3 fitting-out projects that required us to provide performance bonds. The total amount of performance bonds to be provided for these 3 projects amounted to approximately MOP13.8 million, representing 10% of the original contract sums of such projects. Such performance bonds shall be provided when the respective project commences. The 3 fitting-out projects consisted of 1 commercial property fitting-out project and 2 residential property fitting-out projects (i.e. Project 2, Project 3 and Project 5 under our list of awarded and ongoing projects as at Latest Practicable Date as set out under the paragraph headed "Our Projects – Awarded and ongoing fitting-out projects as at the Latest Practicable Date" in this section). The commercial property project was awarded by Customer D, being one of our top five customers during the Track Record Period, and the original contract sum amounted to approximately MOP61.2 million. The 2 residential property fitting-out projects were awarded by a new customer, a subsidiary of a fitting-out contractor in Macau listed in Hong Kong and the revenue of the listed parent company FY2017 amounted to approximately MOP482.4 million. The aggregated original contract sum of the 2 residential property fitting-out projects amounted to approximately MOP76.3 million. During the same period, we did not respond to 3 projects from a potential new customer with original contract sum of MOP35.0 million, MOP45.0 million and MOP90.0 million, respectively and each required us to provide a performance bond amounting to 10% of the original contract sum.

Our Directors believe that our failure to secure projects that required performance bonds during the Track Record Period was attributable to the fact that we were not able to offer a competitive contract price under those tenders/quotations as compared to other contractors who submitted tenders/quotations. As the performance bonds required will need to be secured with cash deposits, we generally factor in the additional cash required in the contract price when preparing our tender submissions. As a result, we may not be able to offer a more competitive price as compared to other contractors who have access to

BUSINESS

relatively more financial resources. During the Track Record Period, the total original contract sum of the projects which we submitted less competitive tender prices due to insufficient financial resources as a result of the requirement of performance bonds amounted to approximately MOP1,540.6 million. As performance bond would typically be required for new contracts with limited past working relationship with the contract owners according to the Frost & Sullivan Report, our Directors have been hesitant in submitting tenders for projects to new customers which require performance bonds during the Track Record Period. Out of the 32 tenders submitted during the Track Record Period that required performance bonds, 16 were tender submissions made to new customers while the other 16 were tender submissions to our existing customers. While tenders that require performance bonds were submitted to existing customers with the intention of securing the contract to maintain our relationship with them by actively responding to their tender invitations, those that were submitted to new customers were part of our business strategy to diversify our customer base as our Directors consider that it is vital to consider tendering for fitting-out projects from new customers that require us to provide performance bonds if we were to diversify our customer base to capture a larger market share in the fitting-out industry in Macau. For details, please refer to the paragraph headed “Business strategies – Diversifying our customer base” in this section.

Salient terms of our fitting-out contracts

In line with industry norm, we provide fitting-out services to customers on a project basis instead of entering into long-term contracts. Set out below are the salient contractual terms of a typical fitting-out contract:

Scope of work	:	The scope of services and type of works to be carried out by us are specified in the contract. The contract may also include the product specifications and requirements as set out by our customers.
Insurance	:	The project insurance shall be arranged and paid by the customer including contractor all risks, third party liability insurance and employees’ compensation insurance.
Payment terms	:	For further details regarding the payment terms, please refer to the paragraph headed “Our customers – Credit policy” in this section.
Retention money	:	Our customer usually withhold up to 10% of the total contract sum as retention money, which will only be fully released upon the expiry of the defects liability period.

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Defects liability period	:	We generally provide a one-year defects liability period to our customers. During the defects liability period, we are responsible for remedial works which may arise from defective works or materials used at our cost.
Liquidated damages	:	The contract usually specifies a daily liquidated damages payable by us if we delay in completion as agreed between the customer and us.

Salient terms of our repair and maintenance service contracts

During the Track Record Period, we had completed two repair and maintenance contracts with revenue recognised amounting to approximately MOP5.7 million, MOP4.4 million, MOP1.0 million and MOP0.5 million for FY2015, FY2016, FY2017 and FY2018, respectively. These contracts involved providing repair and maintenance services to hotel rooms in two hotels and a casino located in Macau. These contracts were awarded by Customer B for a period of three years and a period of one month, respectively.

Set out below are the salient contractual terms of the repair and maintenance service contract awarded in 2014:

Scope of work	:	We are required to repair and maintain hotel rooms of two hotels in Macau. Our scope of work includes, among others, painting, plastering wall finishes, touch up and varnishing furniture and fixtures, and reapplying damaged sealant where necessary.
Term	:	From 29 September 2014 to 28 September 2017
Payment terms	:	We are required to submit payment requests to Customer B on a monthly basis. The amount of payment is determined based on the number of rooms we have repaired in a particular month without taking into account the amount of fitting-out works done or fitting-out materials used. The unit rate for hotel rooms of different class is agreed under the contract. Our customer is required to settle our payments within 30 days upon receipt of our payment request.
Insurance	:	Insurance policy is provided and paid by Customer B.

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Set out below are the salient contractual terms of the repair and maintenance service contract awarded in 2018:

Scope of work	:	We are required to provide repair and maintenance services to a casino in Macau. Our scope of work includes, among others, supplying and installing steel supporting frames, new finishes, concealed doors, lighting points, power and data outlets, and demolishing brick walls.
Term	:	From 6 June 2018 to 19 July 2018
Contract sum	:	MOP423,603 (subject to variation orders)
Payment terms	:	We are required to submit payment requests to Customer B on a monthly basis. A deposit amounting to 30.0% of the contract sum is provided. Our customer is required to settle our payments within 30 days upon receipt of our payment request.
Retention Money	:	Customer B withholds 5.0% of the contract sum as initial retention money, half of which shall be released within 90 days after completion of the contract and the remaining half shall be released within 90 days after the end of the defects liability period.
Defects liability period	:	We provide a one-year defects liability period to Customer B. During the defects liability period, we are responsible for remedial works which may arise from defective works used at our cost.
Insurance	:	Insurance policy is provided and paid by Customer B.

Credit policy

For our fitting-out projects, we generally submit payment requests to our customers on a monthly basis, which indicates the aggregate percentage of work we have completed as at that date. Our credit term with customers is generally 0 to 30 days upon receiving our invoices.

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During the Track Record Period, all of our fitting-out contracts are denominated in MOP, and our payments were generally settled by cheques or bank transfers. Our Directors confirm that there had been no dispute between our Group and our customers in respect of project progress or the amount of fees payable to us during the Track Record Period and up to the Latest Practicable Date. Our Directors also confirm that there were no other disputes between our Group and our customers during the Track Record Period and up to the Latest Practicable Date. For further details on our receivable turnover days, please refer to section headed “Financial Information – Analysis of various items from the consolidated statements of financial position – Trade receivables” in this document.

OUR SUPPLIERS

Major suppliers

For FY2015, FY2016, FY2017 and FY2018, purchases attributable to our largest supplier amounted to approximately MOP4.0 million, MOP4.9 million, MOP1.9 million and MOP4.2 million, representing approximately 19.2%, 33.9%, 12.9% and 20.3% of our total purchases, respectively, while purchases attributable to our top five suppliers in aggregate amounted to approximately MOP10.3 million, MOP8.1 million, MOP6.2 million and MOP8.2 million, representing approximately 49.4%, 56.2%, 42.2% and 39.6% of our total purchases, respectively.

To the best knowledge of our Directors, our top five suppliers during the Track Record Period are independent third parties and none of our Directors or their respective close associates or our Shareholders who own more than 5.0% of the issued share capital of our Company had any interest in our top five suppliers during the Track Record Period.

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The following table sets forth the details of our top five suppliers, based on the ranking of costs incurred during the respective year, comprising the Track Record Period:

Supplier	Background	Types of material supplied	Purchases of material costs (percentage of total purchases) <i>(Note 1)</i>								Typical credit term and payment method	Business relationship since
			FY2015		FY2016		FY2017		FY2018			
			MOP'000	(%)	MOP'000	(%)	MOP'000	(%)	MOP'000	(%)		
Supplier B	Subsidiaries within a group listed in Singapore and engaging in the motor vehicles and related operations, property investment, and development, food retailing, home furnishings, engineering and construction, and transportation businesses. The company for FY2017 amounted to SGD52,731 million	Ironmongery	950	4.6	–	–	1,861	12.7	4,213	20.3	0 days; Cheque	2007
Supplier L	A company incorporated in Macau engaging in the supply of wallpaper, fabric and flooring materials	Wall covering and fabric	–	–	–	–	–	–	1,181	5.7	0 days; Cheque	2017
Supplier N	A company incorporated in Macau engaging in the supply of architectural ceramics, tiles, sanitary ware, noted hardware and other home building materials	Sanitary Ware	–	–	–	–	–	–	1,110	5.3	0 days; Cheque	2017
Supplier K	A company incorporated in the PRC engaging in the supply and distribution of flooring materials	Raised floor system	–	–	–	–	–	–	895	4.3	0 days; Bank transfer	2018
Supplier M	A company incorporated in Hong Kong, engaging in the design, manufacturing and installation of glass products	Laminated glass	–	–	–	–	–	–	836	4.0	0 days; Cheque	2017
Supplier A	A company incorporated in Macau engaging in the design and manufacturing of fabric, lamps and furniture	Wall coverings	–	–	–	–	1,888	12.9	–	–	0 days; Cheque	2007
Supplier C	A wallcovering, fabric, carpet and flooring material supplier headquartered in Singapore with business presence in Hong Kong	Wall coverings	–	–	–	–	1,249	8.5	–	–	0 days; Cheque	2012
Supplier D <i>(Note 2)</i>	Companies within a group that engages in the provision of decoration works and art works in relation to construction	Art works, furniture, door leaves, door frames, panels and door accessories	4,001	19.2	4,904	33.9	662	4.5	–	–	0 days; Cheque	2012
Supplier E	A fabric, leather, lighting, furniture, carpet, wallpaper and window accessories supplier incorporated in Hong Kong	Wall coverings	–	–	–	–	522	3.6	–	–	0 days; Cheque	2014
Supplier F <i>(Note 3)</i>	A company incorporated in Macau engaging in the sale and installation of marble	Marble, travertine stones, limestone, and other types of stone	1,397	6.7	1,286	8.9	–	–	–	–	0 days; Cheque	2014
Supplier G	A company incorporated in U.S. engaging in the design and manufacturing of wallcoverings	Wall coverings	–	–	725	5.0	–	–	–	–	0 days; Bank transfer	2008
Supplier H	A company with business locations in Hong Kong and Macau engaging in carpet trading and manufacturing	Carpets	2,512	12.1	625	4.3	–	–	–	–	0 days; Cheque	2012
Supplier I	A company incorporated in Hong Kong engaging in the manufacturing of decorative and architectural lightings	Chandeliers, wall sconces and crystal screens	–	–	599	4.1	–	–	–	–	0 days; Cheque	2012

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Supplier	Background	Types of material supplied	Purchases of material costs (percentage of total purchases) <i>(Note 1)</i>								Typical credit term and payment method	Business relationship since
			FY2015		FY2016		FY2017		FY2018			
			MOP'000	(%)	MOP'000	(%)	MOP'000	(%)	MOP'000	(%)		
Supplier J	A company with business locations in Hong Kong and Macau engaging in the distribution of sanitary-ware and fittings and building materials	Sanitary wares, such as lavatory sensor faucets and auto sensor soap dispensers	1,412	6.8	–	–	–	–	–	–	30 days; Cheque	2008
		Top five suppliers combined	10,272	49.4	8,139	56.2	6,182	42.2	8,235	39.6		
		All other suppliers	10,530	50.6	6,318	43.8	8,476	57.8	12,577	60.4		
		Total purchases	20,802	100.0	14,457	100.0	14,658	100.0	20,812	100.0		

Notes:

- Only figures of our five largest suppliers for FY2015, FY2016, FY2017 and FY2018, are shown in the above table.
- Supplier D is also one of our top five subcontractors during the Track Record Period.
- Supplier F is also one of our top five subcontractors during the Track Record Period.

Basis for selection of suppliers

We maintain an internal list of approved suppliers and such list is updated from time to time. We review the existing list of approved suppliers and determine whether any of them should be removed or replaced based on the quality of their products. We select suppliers based on a number of criteria, including without limitation, their track record, prices, product quality and timely delivery. We generally determine the amount of materials we need prior to submitting a tender and thereafter source materials from suppliers after a contract is awarded.

During the Track Record Period, we did not experience any material shortage or delay in the supply of materials that our Group required. Our Directors consider that the possibility of a material shortage or delay is low given the large pool of suppliers supplying similar materials in the market. In addition, we did not experience any material fluctuations in the prices of materials during the Track Record Period.

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Salient purchase terms

In line with industry norm, we generally make purchase orders on a project basis rather than entering into long-term supply contracts with our suppliers. During the Track Record Period, we purchased from suppliers by placing purchase orders upon receiving a quotation on the required materials from our suppliers. Salient terms of a typical purchase order with our suppliers are shown below:

Material specification	:	Descriptions of the materials required, including the type of material, quantity, unit price, size and specifications of the material, are provided in the purchase order.
Payment terms	:	For further details regarding the payment terms, please refer to the paragraph headed “Our suppliers – Credit policy” in this section.
Delivery	:	Our suppliers generally deliver the goods, at our cost, directly to the worksites or other designated locations.

Pricing of supplies

In general, the price is determined with reference to the quotation of suppliers as agreed on an order-by-order basis, which is generally the market price at the time. However, as we do not place purchase orders with our suppliers until the project has been awarded to us, we may not be able to successfully pass the price difference to our customer if there is any significant price fluctuation after we submit our tender/quotation documents.

Credit policy

During the Track Record Period, purchase orders made by our Group were generally denominated in MOP and HKD. Our credit term with suppliers generally ranges from 0 to 30 days. Some of our suppliers require us to settle their payment in full before delivery of the materials. We usually settle payments by cheque or bank transfer.

OUR SUBCONTRACTORS

Major subcontractors

For FY2015, FY2016, FY2017 and FY2018, subcontracting fees payable to our largest subcontractor amounted to approximately MOP14.8 million, MOP16.6 million, MOP40.0 million and MOP69.3 million, respectively, representing approximately 28.9%, 30.0%, 35.4% and 32.2% of our total subcontracting fees, respectively, while subcontracting fees payable to our top five subcontractors, in aggregate, amounted to approximately MOP44.7 million, MOP43.7 million, MOP89.3 million and MOP159.0 million, respectively, representing approximately 87.4%, 78.9%, 78.9% and 73.9% of our total subcontracting fees, respectively.

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To the best knowledge of our Directors, our top five subcontractors during the Track Record Period are independent third parties and none of our Directors or their respective close associates or our Shareholders who own more than 5.0% of the issued share capital of our Company had any interest in our top five subcontractors during the Track Record Period.

The following table sets forth the details of our top five subcontractors, based on the ranking of costs incurred during the respective year/period, comprising the Track Record Period:

Subcontractor	Background	Services provided to our Group	Subcontracting fee (percentage of total subcontracting fees) <i>(Note 1)</i>								Typical credit term and payment method	Business relationship since
			FY2015	FY2016		FY2017		FY2018				
			MOP'000	(%)	MOP'000	(%)	MOP'000	(%)	MOP'000	(%)		
Subcontractor G	A subsidiary of a multi-national company listed in Hong Kong and the revenue of the listed parent company for FY2017 amounted to approximately HK\$4.6 billion	Supply and installation of heat, ventilation and air-condition system, electrical power system, lighting system, extra low voltage system, plumbing and drainage system, and fire service system	4,388	8.6	–	–	–	–	69,283	32.2	within 14 days after our customer settles our payments; Cheque	2012
Subcontractor B	Companies incorporated in Macau within a group engaging in installation and trading of construction materials	Supply and installation of glass doors and wall finishes	14,788	28.9	10,083	18.2	21,414	18.9	32,027	14.9	payable after our customer settles our payments; Cheque	2006
Subcontractor A	A company incorporated in Macau engaging in construction, electrical and mechanical engineering, ventilation and air-conditioning, electrical, fire services installation, renovation and fitting-out works	Supply and installation of electrical system, heating, ventilation and air-conditioning system and fire service system	10,951	21.4	16,618	30.0	40,014	35.4	25,191	11.7	within 7 days after our customer settles our payments; Cheque	2011
Supplier F	A company incorporated in Macau engaging in the sale and installation of marble	Supply and installation of marble, travertine stones, limestone, and other types of stones	–	–	7,171	12.9	5,950	5.3	17,092	7.9	payable after our customer settles our payments; Cheque	2014
Supplier D	A company incorporated in Hong Kong engaging in provision of decoration works and art works in relation to construction	Supply and installation of door leafs, door frames, panels and door accessories	–	–	–	–	11,819	10.4	15,387	7.2	payable after our customer settles our payments; Cheque	2012
Subcontractor D	A company incorporated in Macau engaging in provision of interior decoration works	Installation of false ceiling, ceiling finishes, wall finishes, advertisement board and road maintenance and improvement	–	–	–	–	10,074	8.9	–	–	0 days; Cheque	2016
Subcontractor E	A company incorporated in Macau engaging in the renovation of wall structure	Supply and/or installation of wall finishes, carpets, wall coverings, ceiling finishes, doors, furniture and sanitary wares	10,917	21.4	7,893	14.2	–	–	–	–	payable after our customer settles our payments; Cheque	2005
Subcontractor F	A company incorporated in Macau engaging in the installation of electrical engineering	Supply and installation of lighting system	–	–	1,974	3.6	–	–	–	–	payable after our customer settles our payments; Cheque	2015

BUSINESS

Subcontractor	Background	Services provided to our Group	Subcontracting fee (percentage of total subcontracting fees) <i>(Note 1)</i>								Typical credit term and payment method	Business relationship since
			FY2015		FY2016		FY2017		FY2018			
			MOP'000	(%)	MOP'000	(%)	MOP'000	(%)	MOP'000	(%)		
Subcontractor H	A company incorporated in Macau engaging in the installation of air-conditioners	Supply and installation of mechanical ventilation and air condition system, electrical and extra low voltage system, plumbing and drainage system and fire service system	3,628	7.1	-	-	-	-	-	-	within 14 days after our customer settles our payments; Cheque	2014
		Top five subcontractors combined	44,672	87.4	43,739	78.9	89,271	78.9	158,980	73.9		
		All other subcontractors	6,442	12.6	11,671	21.1	23,852	21.1	56,108	26.1		
		Total subcontracting fees	51,114	100.0	55,410	100.0	113,123	100.0	215,088	100.0		

Note:

- Only figures of our five largest subcontractors for FY2015, FY2016, FY2017 and FY2018, are shown in the above table.

Reasons for subcontracting arrangement

We strategically subcontract on-site labour intensive works to our subcontractors, while maintaining overall project management and implementation. Subcontracting of works is not uncommon in the Macau fitting-out industry according to the Frost and Sullivan Report. As the entire process of a fitting-out project involves many types of works, it may not be cost effective for us to directly undertake all the works involved. In addition, subcontractors can provide additional labour with different skills without the need for us to keep them under our employment. As such, we subcontract majority of our works to our subcontractors.

Basis for selection of subcontractors

We maintain an internal list of approved subcontractors, which is updated on a regular basis. We review the existing list of approved subcontractors and determine whether any of them should be removed or replaced based on their performance. As at the Latest Practicable Date, we had 89 approved subcontractors and do not place significant reliance on any single subcontractor. While assessing whether a subcontractor is qualified to be on our list, we evaluate them based on their technical capability, job reference, price competitiveness, labour resources and past safety record.

In our fitting-out projects, for each specific task or job, we generally invite subcontractors from our approved list based on their skill sets and experience to provide their fee quotations to us. We will then select the most suitable subcontractor for the task with regard to their availability, fee quotation, proposed delivery time and other commercial and technical terms.

BUSINESS

During the Track Record Period, we did not experience any difficulty in procuring services from our subcontractors and did not receive any material claims from our customers in relation to the standard and quality of services performed by subcontractors engaged by us.

Control on subcontractors

We maintain a project management team to oversee each of our fitting-out projects. In general, we assign a project manager and site manager to each project to monitor and supervise the process of our subcontractors and ensure they meet the regulatory/safety standards. The site manager is also responsible for on-site coordination. Furthermore, the responsible project manager would inspect the work done by our subcontractors on a regular basis to ensure the works are in accordance with the project specifications.

During the Track Record Period, we did not experience any material claims from our customers in relation to the quality of the work performed by the subcontractors.

Prepayment to our subcontractors

For certain potential sizable fitting-out projects with large contract sums, where we consider a particular subcontractor’s services to be important to the potential project and the project schedule is tight, we may, at the request of the subcontractor, make a prepayment based on certain percentage of the contract sum to our subcontractor before the project is awarded to us in order to secure the subcontractor’s services to ensure smooth running of the project and better management of our project schedule. The subcontractors we make prepayments to generally have a long business relationship with our Group. We consider this type of prepayment on a case-by-case basis, taking into consideration the subcontractor’s credit worthiness, its financial position at the relevant time and its length of relationship with us. We generally do not require retention money from the subcontractors who have received our prepayments.

As at 31 December 2015, 2016, 2017 and 2018, the total amount of prepayments we made to our subcontractors amounted to approximately MOP11.5 million, MOP11.6 million, MOP30.6 million and MOP18.2 million, respectively.

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Salient terms of our subcontracting contracts

In line with industry norm, we generally engage subcontractors on a project basis instead of entering into long-term subcontracting agreements with them. Salient terms of a typical subcontracting agreement are shown below:

Scope of work	:	The scope of services and types of works to be carried out by the subcontractor will be specified in the contract.
Payment terms	:	For further details regarding the payment terms, please refer to the paragraph headed “Our subcontractors – Credit policy” in this section.
Defects liability period	:	Our subcontractors generally provide a one-year defects liability period on their work done.
Retention money/ Prepayments	:	We generally withhold up to 10.0% of the total sum of the subcontracting agreement as retention money, which will be fully released upon expiry of the defects liability period.

Where we consider necessary to make prepayments to our subcontractors, we do not withhold any retention money from our subcontractors.

Site manager	:	We generally require our subcontractor to have a site manager on site for ease of communication and management.
Liquidated damages	:	We may specify a daily liquidated damages payable by our subcontractors if they failed to meet the completion date.

Credit policy

During the Track Record Period, a majority of our subcontractors were located in Macau, and most of the subcontracting agreements were denominated in MOP. Our credit term with subcontractors generally ranges from 0 days to within 14 days after our relevant customer settles our payments. We generally settle payments to our subcontractors by cheques.

SEASONALITY

Our Directors consider that save and except for the traditional low season during the Chinese New Year, the demand for our fitting-out services is generally not subject to material seasonality.

BUSINESS

SALES AND MARKETING

We do not maintain a sales and marketing team. During the Track Record Period, we secured new businesses mainly through direct invitation for tender/quotation by customers, which is considered by our Directors to be attributable to our proven track record and well-established presence in the fitting-out industry in Macau.

RESEARCH AND DEVELOPMENT

During the Track Record Period and up to the Latest Practicable Date, our Group had not engaged in any research and development activity nor incurred any research and development expenses.

MAJOR QUALIFICATION AND CERTIFICATIONS

As at the Latest Practicable Date, we had obtained the following licences and qualifications which are material for us to operate our business in Macau:

No.	Year/Date of first grant	Holder/ Recipient	Qualification/ Certifications	Awarding authority/ organisation	Expiry date
1.	2017	WHHDD	Company registration (urban construction)* (公司註冊(都市建築))	DSSOPT	31 December 2019
2.	2013	WHHE (Macau)	Company registration (urban construction)* (公司註冊(都市建築))	DSSOPT	31 December 2019

As advised by our Macau Legal Advisers, the company registration (urban construction) with DSSOPT is subject to renewal on an annual basis. Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, we had satisfied all requirements for the registration and the renewal. Our Macau Legal Advisers are of the view that there is no legal impediment for WHHDD and WHHE (Macau) to renew their respective company registration (urban construction) with DSSOPT based on the documents and materials reviewed.

QUALITY CONTROL

Each of our fitting-out project has a project management team comprising, among others, a project manager and site manager, who are responsible for the overall quality assurance of the project. We generally only engage subcontractors on our approved list of subcontractors and depending on the nature and complexity of each project and the availability of our resources at the time. Our project management team in each project, generally conducts regular on-site inspections and arranges regular meetings with our

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subcontractors to address material issues such as quality issues, to ensure sufficient resources are allocated for each project, and that the works executed at each stage meet the requirements of our customers. For our quality control measures on our subcontractors, please refer to the paragraph headed “Our subcontractors – Control on subcontractors” in this section. During the Track Record Period and up to the Latest Practicable Date, we had not received any material complaints or request for material compensation from our customers due to quality issue of our performance and our subcontractors’ performance.

RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

Key risks relating to our business are set out in the section headed “Risk Factors” in this document. The following sets out the key measures adopted by our Group under our risk management and internal control system for managing the more particular risks relating to our business operation in areas such as (i) customer concentration risk; (ii) quality control system; (iii) environmental compliance; (iv) occupational health and safety; (v) retaining talents; and (vi) corporate governance measures.

Customer concentration risk

Please refer to the paragraphs headed “Our Customers – Business relationship with Customer A” and “Our Customers – Sustainability of our business in view of customer concentration” in this section.

Quality control systems

Please refer to the paragraph headed “Quality control” in this section.

Environmental compliance

Please refer to the paragraph headed “Environmental compliance” in this section.

Occupational health and safety

Please refer to the paragraph headed “Occupational health and safety” in this section.

Retaining talents

Please refer to the paragraph headed “Our employees” in this section.

Corporate governance measures

We will comply with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. We have established three board committees, namely the audit committee, the nomination committee, and the remuneration committee, with respective terms of reference in compliance with the Corporate Governance Code. For details, please refer to the section headed “Directors, Senior Management and Employees – Board committees” in this document.

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INSURANCE

During the Track Record Period, our insurance costs mainly represented insurance policies relating to employees’ compensation for our own employees. For FY2015, FY2016, FY2017 and FY2018, our insurance costs amounted to approximately MOP65,000, MOP67,000, MOP91,000 and MOP122,000, respectively. Insurance policies for our fitting-out projects at the work sites are generally taken out by our customers. Our Directors consider that our Group’s insurance coverage is sufficient and consistent with industry norm having regard to our current operations and the prevailing industry practice.

Although our Directors consider that our existing insurance coverage is adequate for protecting our Group from most of the common liabilities associated with our business, our Group’s insurance coverage may not be sufficient to indemnify all the risks exposed to our Group. Please refer to the section headed “Risk Factors – Risk relating to our Group’s business – Our insurance coverage may not be sufficient to cover all losses or potential claims that we may be exposed to in the future” in this document for details of such associated risk.

OCCUPATIONAL HEALTH AND SAFETY

Occupational health and safety measures

We have adopted an internal safety manual highlighting the general rules and regulations applicable to our normal site operations. We require strict implementation of our safety system with supervision by our Group’s or our subcontractors’ management staff.

Where we have over 100 workers (including our employees and subcontractors’ employees) in a worksite, we would engage at least one external qualified safety officer to station on site, so as to monitor and implement our safety management system. The safety officer would conduct regular safety inspections to ensure our operations are conducted in a manner so as to reduce the risks to persons and properties. Where we have over 20 workers (including our employees and subcontractors’ employees) working in a worksite, we would engage at least one external safety supervisor with relevant safety training and experience to station on site.

We provide safety training to all of our workers at the sites for safety regulations compliance. We also provide all necessary safety and protection equipment to our employees for their proper performance of work. We require our subcontractors to abide by all legislations, codes and guidelines as well as all safety requirements as stated in our safety manuals and project safety plans. If our subcontractors fail to implement our internal safety guidelines, we impose penalty on them as a warning. Relevant penalties will be deducted from the fees payable to the subcontractors. We hold regular meetings with subcontractors to discuss safety issues and to follow up safety measures during the course of projects. We also evaluate our safety measures regularly and in the event of the occurrence of significant accidents, in order to improve safety control and to avoid recurrence of accidents.

BUSINESS

Accidents involving our subcontractors’ employees

During the Track Record Period and up to the Latest Practicable Date, there were nil and 2 work accidents that involved our employees and our subcontractors’ employees at our project sites in the ordinary course of our business, respectively. Of the 2 accidents that involved our subcontractors’ employees, both involved injuries when operating sawing machines and were reported during the calendar year of 2017 and the calendar year of 2018, respectively. There were no fatal accidents during the same period.

LEGAL COMPLIANCE

During the Track Record Period and up to the Latest Practicable Date, our Group did not have any non-compliance incident that is material or systemic in nature.

An ongoing investigation by the HK Buildings Department

WHHC is currently subject to an ongoing investigation (the “**Investigation**”) by the HK Buildings Department in relation to alleged breach of the Buildings Ordinance and the Building (Administration) Regulations.

Background

During the Track Record Period and up to the Latest Practicable Date, (i) our Group has been a fitting-out contractor providing fitting-out services and repair and maintenance services in Macau and has derived all of our revenue from Macau; and (ii) WHHC had been a RGBC registered with the HK Buildings Department under the Buildings Ordinance. For FY2015, FY2016, FY2017 and FY2018, our Group has derived approximately nil, HK\$30,000, HK\$10,000 and nil as “other income” in the consolidated statements of profit or loss from the Project (defined hereafter). Save for these amounts, our Group has not derived any income from Hong Kong during the Track Record Period. Mr. Yu was appointed as the authorised signatory and technical director to act for the purpose of the Buildings Ordinance for WHHC.

In December 2016, there was a fitting-out project (the “**Project**”) in relation to two units of Mai Wo Industrial Building, 90-98 Kwai Cheong Road, Kwai Chung, Hong Kong (the “**Site**”). The scope of work of WHHC as contractor for the Project primarily included supervising a nominated subcontractor (the “**Subcontractor**”) to carry out construction of partition walls and installation of drainage connections and fire rated doors at the Site. In addition, as a RGBC, WHHC had the duty to, among others, continuously supervise the works of the Subcontractor and ensure that the works were carried out in accordance with the requirements of the Buildings Ordinance, the relevant regulations and the plans approved in respect thereof, as well as the supervision plan prepared in compliance with the technical memorandum. The Project was completed in April 2017.

BUSINESS

In early April 2018, WHHC received a letter from the HK Buildings Department (the "**Letter**"), pursuant to which WHHC was suspected of potentially breaching the Buildings Ordinance in the Project. Mr. Yu subsequently attended an interview with the HK Buildings Department in late April 2018 at the request of the HK Buildings Department to assist in the investigation. According to the HK Buildings Department, (i) its officers had conducted a site visit at the Site in July 2016 (i.e. five months before WHHC undertook the Project) and noticed that there were unauthorised building works at the Site; (ii) it had not received any application for demolishing the unauthorised building works at the Site after the aforesaid site visit; and (iii) in order to fulfill the duties of a RGBC to supervise the works conducted at the Site, WHHC shall provide photographs showing the condition of the Site before commencement of any Project work to the HK Buildings Department. Accordingly, the HK Buildings Department alleged that WHHC had failed to observe its duties as a RGBC under, or comply with the requirements of, the Buildings Ordinance, subject to the outcome of the ongoing investigation, WHHC may have breached the following regulations of the Building (Administration) Regulations:

- (a) Regulation 41(1): To give continuous supervision during the carrying out of the buildings work at the Site to ensure that the building works were carried out at the Site in accordance with the provisions of the Buildings Ordinance and the relevant regulations;
- (b) Regulation 41(4): To keep records of activities and information relevant to the supervision of the building works of the Site; and
- (c) Regulation 41(6): To retain the records and information required to be kept under Regulation 41(4) for at least 12 months after the submission of the certificate on completion of the final stage of the building works of the Site.

As set out in the Letter, the HK Buildings Department would consider to bring to the notice of the disciplinary board the above matters and take disciplinary proceeding against WHHC.

As at the Latest Practicable Date, no further action had been initiated by the HK Buildings Department against WHHC and Mr. Yu in respect of the Investigation.

View of our HK Legal Counsel

As advised by our HK Legal Counsel,

- (a) If the Building Authority decides to bring such conduct to the notice of a disciplinary board, it may refer the names of the directors, officers, any person appointed to act for the body corporate for the purposes of the Buildings Ordinance and its partners to the disciplinary board for its consideration and action.

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- (b) Penalties: If, after due inquiry, the disciplinary board is satisfied that the registered contractor or the director or officer or the person appointed by the registered contractor to act on his behalf for the purposes of the Buildings Ordinance has been convicted or done an act or failed to discharge the duties or abide by the requirements mentioned in section 13 of the Buildings Ordinance, the disciplinary board may impose the following penalties:
- (i) order that the name of the registered contractor or the name of the director, officer or person be removed from the relevant register, either permanently or for such period as the disciplinary board thinks fit;
 - (ii) order that the registered contractor or the director, officer or person be fined in the case of building works (other than minor works), a sum not exceeding HK\$250,000;
 - (iii) order that the registered contractor or the director, officer or person be reprimanded;
 - (iv) in the case of a registered contractor who is a registered general building contractor or a registered specialist contractor, order that he be prohibited from certifying or carrying out any minor works commenced under the simplified requirements, either permanently or for such period as the disciplinary board thinks fit; or
 - (v) in the case of a registered contractor who is a registered general building contractor or registered minor works contractor, order that the contractor be prohibited from certifying any prescribed inspection, or certifying or supervising any prescribed repair, in respect of a window in a building, either permanently or for any period that the disciplinary board thinks fit.

In making an order in respect of a director, officer or other person appointed by a registered contractor to act on its behalf, the said disciplinary board may remove the director, officer or other person from any other company with respect to which he is registered under the Buildings Ordinance.

- (c) The Investigation is still at the preliminary stage. The presently available evidence is not sufficient for our HK Legal Counsel to form any substantive views at this stage. In light of the penalty options that the disciplinary board may impose, our HK Legal Counsel opines that it is still at a premature stage to give a realistic estimate of whether WHHC will be found to have breached Regulation 41 of the Building Regulations and whether it will be caught under Section 13 of the Buildings Ordinance when further information surrounding the subject incident is not available. That said, it is to be emphasised that the abovesaid penalties are all in civil nature. In other words, WHHC and its officer(s) will not be subject to any criminal liability in respect of this matter.

BUSINESS

- (d) Based on the limited information available, our HK Legal Counsel is of the view that the subject matter of the Investigation does not appear to involve wilful or gross negligence or fraudulent breach on the part of our Group. It appears to be a one-off incident. Subject to any evidence to the contrary, our HK Legal Counsel would opine such breach as immaterial non-compliances by our Group.

View of our Company and our Directors

Our Company denies all of the above allegations made by the HK Buildings Department, on the basis that: (i) WHHC had observed its duties as a RGBC under the Buildings Ordinance; (ii) WHHC had provided photographs of the Site showing the condition of which during the carrying out of the Project; and (iii) WHHC did not take any photographs showing the condition of the Site before commencement of any work relating to the Project, as there was no reason to do so given the Site was cleared and it did not notice any unauthorised building works at the Site at the relevant time.

Our Directors, having considered the factors below, are of the view that the impact of the Investigation on our Group is minimal:

- (a) No disciplinary proceedings had been initiated by HK Buildings Department against WHHC and Mr. Yu as at the Latest Practicable Date;
- (b) Our Group is a contractor providing fitting-out services and repair and maintenance services in Macau. During the Track Record Period, all of the revenue of our Group was derived from its business activities in Macau. The Investigation, the potential disciplinary proceedings and penalty against WHHC will not affect our operation in Macau, and thus are not likely to have a material adverse effect on our overall business operation;
- (c) Notwithstanding that WHHC is a RGBC registered with the HK Buildings Department, we have no intention to expand our business presence in Hong Kong or undertake any material fitting-out works in Hong Kong. As at the Latest Practicable Date, we have no ongoing contracts nor have we undertaken to carry out any fitting-out works in Hong Kong. In view of the aforesaid, even if WHHC is suspended from the register as a result of disciplinary proceedings taken by HK Buildings Department, the impact on our Group's business development will be minimal;
- (d) Our Controlling Shareholders entered into the Deed of Indemnity in favour of our Company, pursuant to which our Controlling Shareholders jointly and severally indemnify our Group for, among others, any liabilities, costs and fines suffered by our Group arising from this incident. As such, there will not be any material adverse impact on the financial condition of our Group; and
- (e) Our HK Legal Counsel advised that, even if WHHC and Mr. Yu are found liable to the alleged breach, WHHC and Mr. Yu will not be subject to any criminal liability.

BUSINESS

ENVIRONMENTAL COMPLIANCE

Environmental compliance measures

Our Directors believe that we are environmentally responsible in meeting customers' demand and at the same time society's expectation in maintaining a healthy living and working environment. We are highly concerned about the impact of our business on the environment. To mitigate such effect, we have formulated an in-house environmental policy that contains environmental protection guidelines on chemical management, sewage management, waste management and noise management for our employees and subcontractors. Some of the guidelines are set out below:

Area	Environmental protection guidelines
Chemical management	<ul style="list-style-type: none">● Store all the chemicals in particular locations.● Ensure that chemicals are not disposed of in sewers to avoid water supply contamination.● Use low volatile organic compound coatings to reduce emission of exhaust gas.
Sewage management	<ul style="list-style-type: none">● Avoid discharging unprocessed sewage into storm water drainage.● Ensure the sedimentation tanks are filtered and processed before discharging into sewers.
Waste management	<ul style="list-style-type: none">● Ensure all construction wastes are classified before disposal.● All building waste is transported to designated landfills by qualified transportation companies.
Noise management	<ul style="list-style-type: none">● Turn off machines or turn down the operating speed of machines during breaks.● Relocate machines to less noise-sensitive places.● Use sound-proof covers or noise barriers or quiet device.

During the Track Record Period, we did not incur any material costs in relation to compliance with applicable environmental laws and regulations.

BUSINESS

LITIGATION

As at the Latest Practicable Date, our Group was not involved in any litigation, arbitration or claim of material importance. In addition, our Directors are not aware of any litigation, arbitration or claim pending or threatened by or against us which may have a material adverse effect on our business, financial condition or results of operations.

OUR EMPLOYEES

Number of employees by function

As at 31 December 2015, 2016, 2017, 2018 and as at the Latest Practicable Date, we had 36, 37, 57, 80 and 80 full-time employees who were directly employed by us in Macau, Hong Kong and the PRC. The following table sets out the number of our full-time employees who were directly employed by us in Macau, Hong Kong and the PRC by their functional role:

	As at 31 December				As at Latest Practicable Date
	2015	2016	2017	2018	
	Number of employees	Number of employees	Number of employees	Number of employees	Number of employees
Functional role					
Directors	2	2	3	3	3
Senior management	1	1	1	2	2
Project management	20	21	35	49	49
Quantity surveying	7	6	9	16	16
Accounting, human resources and administration	6	7	9	10	10
Total:	<u>36</u>	<u>37</u>	<u>57</u>	<u>80</u>	<u>80</u>

Relationship with our staff

Our Directors consider that our Group has maintained good relationship with our employees. We did not experience any significant disputes with our employees or disruption to our operations due to labour disputes nor had our Group experienced any difficulties in the recruitment and retention of experienced staff or skilled personnel during the Track Record Period.

Recruitment policy

We generally recruit employees through placing advertisements through open market. We make effort to attract and retain appropriate and suitable personnel to serve our Group. We assess the available human resources on a continuous basis and will determine whether additional personnel are required to cope with the business development of our Group.

BUSINESS

Training and remuneration policy

We provide various training to our employees and sponsor our employees to attend various training courses, such as those on occupational health and safety in relation to our work. Such training courses include our internal training as well as courses by external parties.

The remuneration packages we offer to employees include salary and discretionary bonuses. In general, we determine employees’ salaries based on each employee’s qualifications, position and seniority. We have designed an annual review system to assess the performance of our employees, which forms the basis of determining salary raises, bonuses and promotions.

PROPERTIES

Leased properties

As at the Latest Practicable Date, we had leased 10 properties in Macau, 3 properties in Hong Kong and 1 property in the PRC that are material to our business operation, details of which are set out below:

No.	Address	Usage	Approximate size	Term	Rental type
1.	Alameda Dr. Carlos d’Assumpção, Nos 258, Praça Kin Heng Long-Heng Hoi Kwok, Kin Fu Kuok, F16, G16, H16, Macau	Office	787.2 sq.ft. per unit	From 1 November 2016 to 31 December 2020	<p>From 1 November 2016 to 31 December 2018: HK\$40,500 per month for all three units</p> <p>From 1 January 2019 to 31 December 2019: HK\$43,740 per month for all three units</p> <p>From 1 January 2020 to 31 December 2020: HK\$47,239 per month for all three units</p>


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No.	Address	Usage	Approximate size	Term	Rental type
2.	Alameda Dr. Carlos d'Assumpção, Nos 258, Praça Kin Heng Long-Heng Hoi Kwok, Kin Fu Kuok, K11, Macau	Office	1,342 sq.ft.	From 1 June 2018 to 31 May 2021	From 1 June 2018 to 31 May 2020: HK\$18,800 per month From 1 June 2020 to 31 May 2021: HK\$20,680 per month
3.	Rua de Roma, Nos 51-69, Praça Kin Heng Long-Heng Hoi Kuok, Kin Fu Kok, Rés-do-chão, "Ar/c", No 55, Macau	Carpark	124.4 sq. ft.	From 12 February 2019 to 11 February 2020	HK\$2,200 per month
4.	Alameda Dr. Carlos d'Assumpção, Nos 238-286, Praça Kin Heng Long-Heng Hoi Kwok, Kin Fu Kuok, No. 87, Macau	Carpark	124.4 sq. ft.	From 6 December 2018 to 5 December 2019	HK\$2,200 per month
5.	Alameda Dr. Carlos d'Assumpção, Nos 238-286, Praça Kin Heng Long-Heng Hoi Kwok, Kin Fu Kuok, No. 134, Macau	Carpark	124.4 sq. ft.	From 13 December 2018 to 12 December 2020	HK\$2,200 per month
6.	Alameda Dr. Carlos d'Assumpção, Nos 238-286, Praça Kin Heng Long-Heng Hoi Kwok, Kin Fu Kuok, No. 176, Macau	Carpark	124.4 sq. ft.	From 13 December 2018 to 12 December 2020	HK\$2,200 per month
7.	Travessa De Venceslau De Moraes, Nos 29, Centro Industrial de Macau, 14, Andar D, Macau	Warehouse	3,837.3 sq.ft.	From 5 September 2017 to 4 September 2021	From 5 September 2017 to 4 September 2019: HK\$21,500 per month From 5 September 2019 to 4 September 2021: HK\$24,725 per month
8.	Rua Da Perola Oriental Nos 97, 19, Andar B Macau	Staff dormitory	1,401.4 sq.ft	From 23 March 2018 to 22 March 2020	HK\$15,000 per month
9.	Rua Nora Da Areia Preta Nos 561, The Bayview, 30, Andar B, Macau	Staff dormitory	1,298.0 sq.ft	From 1 August 2018 to 31 July 2019	HK\$15,000 per month

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No.	Address	Usage	Approximate size	Term	Rental type
10.	R.1 de Maio Nos. 352, La Cite, Block 4, 18, Andar IVE, Macau	Staff dormitory	1,643 sq.ft	From 20 June 2018 to 19 June 2020	HK\$14,500 per month
11.	Workshop No. 2 on 5th Floor, Honour Industrial Centre, Chai Wan, No. 6 Sun Yip Street, Hong Kong	Showroom, storage and ancillary office	1,316 sq.ft.	From 15 March 2018 to 14 March 2020	HK\$19,000 per month
12.	Workshop No. 17 on 6th Floor, Honour Industrial Centre, No. 6 Sun Yip Street, Chai Wan, Hong Kong	Showroom, storage and ancillary office	1,290 sq.ft.	From 1 June 2018 to 31 May 2020	HK\$18,500 per month
13.	Workshop No. 13 on 24th Floor, Honour Industrial Centre, No. 6 Sun Yip Street, Chai Wan, Hong Kong	Showroom, storage and ancillary office	1,430 sq.ft.	From 1 July 2018 to 30 June 2020	HK\$22,000 per month
14.	Room No. 1011-1, 10/F, Ming Men Da Sha, 2188 Yingbin South Road, Xiangzhou District, Zhuhai City, Guangdong Province, the PRC	Office	941.0 sq.ft.	From 10 June 2018 to 9 June 2019	RMB5,246 per month

INTELLECTUAL PROPERTY RIGHTS

As at the Latest Practicable Date, we have registered our trademark  in Macau, Hong Kong and the PRC. We have also registered one domain name, which is currently used by our Group.

As at the Latest Practicable Date, we have not received any material claims against us for infringement of any intellectual property rights nor were we aware of any pending or threatened claims in relation to any such infringement, nor had any material claims been made by us against third parties in relation to the infringement of our intellectual property rights.

Please refer to the paragraph headed “B. Further information about the business of our Group – 2. Intellectual property rights” in Appendix IV to this document for further details of the registration of our trademarks and domain name.

CONTINUING CONNECTED TRANSACTIONS

OVERVIEW

We have entered into a transaction with a party who is our connected person and such transaction will continue following the [REDACTED], thereby constitutes a continuing connected transaction of our Group under Chapter 14A of the Listing Rules.

EXEMPT CONTINUING CONNECTED TRANSACTION

Set out below is a summary of such continuing connected transaction which is fully exempt from the relevant reporting, announcement and independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules. Our Directors confirm that such transaction has been entered into in the ordinary and usual course of business of our Group, is on normal commercial terms and is fair and reasonable and in the interest of our Company and our Shareholders as a whole.

The Lease Agreement

On 20 June 2018, a lease agreement (the “**New Lease Agreement**”) was entered into between Ms. Ng Suk Fun (“**Ms. Ng**”), as the landlord, and WHHE (HK), as the tenant, in respect of the property located at Workshop No. 13, 24th floor, Honour Industrial Centre, No. 6 Sun Yip Street, Hong Kong (the “**Premises**”) with a gross floor area of approximately 1,430 sq.ft.. Under the New Lease Agreement, Ms. Ng leased the Premises to WHHE (HK) for a term commencing from 1 July 2018 to 30 June 2020, at a monthly rent of HK\$22,000, exclusive of water, electricity, gas charges and management fee which are payable by the tenant. The monthly rent of the Premises for the term of the lease was determined after arm’s length negotiation between the parties with reference to the market rent of the Premises as assessed by an independent property valuer.

During the Track Record Period, WHHE (HK) rented the Premises from Ms. Ng. Pursuant to a lease agreement (the “**Lease Agreement**”) dated 1 January 2018 entered into between Ms. Ng, as the landlord, and WHHE (HK), as the tenant, the Premises was leased to WHHE (HK) at a monthly rent of HK\$33,000 from 1 January 2018 to 31 December 2018. The Lease Agreement was terminated and replaced by the New Lease Agreement on 1 July 2018. For FY2015, FY2016, FY2017 and FY2018, the historical rental paid by WHHE (HK) to Ms. Ng amounted to HK\$360,000, HK\$360,000, HK\$360,000 and HK\$312,000 (equivalent to approximately MOP371,000, MOP371,000, MOP371,000 and MOP321,000), respectively. The proposed annual caps of the rent under the New Lease Agreement are set out below:

	For the year ending 31 December 2019	For the six months ending 30 June 2020
Proposed annual cap	HK\$264,000 (equivalent to approximately MOP272,000)	HK\$132,000 (equivalent to approximately MOP136,000)

CONTINUING CONNECTED TRANSACTIONS

As Ms. Ng is the spouse of Mr. Li and Mr. Li is our executive Director and a controlling Shareholder, Ms. Ng is a connected person pursuant to the Listing Rules. Accordingly, the New Lease Agreement, which took effect on 1 July 2018 and will continue after the [REDACTED], will constitute a continuing connected transaction entered into by us under the Listing Rules. As the relevant applicable percentage ratios with respect to the transaction contemplated under the New Lease Agreement on an annual basis are less than 5% and less than HK\$3,000,000, such transaction will, pursuant to Rule 14A.76(1) of the Listing Rules, constitute a *de minimis* continuing connected transaction which will be fully exempt from the relevant reporting, announcement and independent Shareholders’ approval requirements.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

DIRECTORS AND SENIOR MANAGEMENT

Our Board consists of six Directors comprising two executive Directors, one non-executive Director and three independent non-executive Directors. Our Board is responsible and has general powers for the management and conduct of our business.

Members of our Board

The following table sets forth the information regarding the members of our Board.

Name	Age	Position	Date of joining our Group	Date of appointment	Roles and responsibilities in our Group	Relationship with the other Directors and senior management
Mr. Li Kam Hung (李錦鴻先生)	64	Executive Director, chairman of the Board and chief executive officer	29 August 1996	9 April 2018	The overall strategic planning, project management and business direction of our Group	Father of Mr. Li Chun Ho
Mr. Yu Ming Ho (余銘濠先生)	41	Executive Director	1 September 2000	9 April 2018	The overall management, administrative matters and daily operations of our Group	N/A
Mr. Li Chun Ho (李俊豪先生)	28	Non-executive Director	15 June 2018	15 June 2018	Providing management and marketing advice to our Group	Son of Mr. Li
Ms. Rita Botelho dos Santos (嫻桃絲女士)	58	Independent non-executive Director	15 March 2019	15 March 2019	Overseeing our Group with an independent perspective and judgment	N/A
Mr. Wu Chou Kit (胡祖杰先生)	50	Independent non-executive Director	15 March 2019	15 March 2019	Overseeing our Group with an independent perspective and judgment	N/A
Mr. Lam Chi Wing (林至灝先生)	39	Independent non-executive Director	15 March 2019	15 March 2019	Overseeing our Group with an independent perspective and judgment	N/A

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Senior Management

The following table sets forth the information regarding our senior management.

Name	Age	Position	Date of joining our Group	Roles and responsibilities in our Group	Relationship with the other Directors and senior management
Mr. Yau Yan Yuen (邱欣源先生)	31	Chief financial officer and company secretary	21 February 2018	Overall financial management of our Group	N/A
Mr. Tong Bing Kuen (唐炳權先生)	66	Senior project director	3 January 2013	Overall management of our Group’s fitting-out projects in Macau	N/A

EXECUTIVE DIRECTORS

Mr. Li Kam Hung (李錦鴻先生), aged 64, founded our Group in August 1996. He was appointed as our Director on 9 April 2018, and was re-designated as our executive Director, chairman of the Board and chief executive officer on 15 June 2018. He also serves as a director of each subsidiary of our Company, except ZHJC. Mr. Li is responsible for the overall strategic planning, project management and business direction of our Group.

Mr. Li has over 40 years of experience in the fitting-out industry. After finishing his secondary education, Mr. Li entered the fitting-out industry as an apprentice at construction sites in the early 1970s and was promoted as a project manager since the 1980s. He later founded WHHE (HK) in August 1996 running a fitting-out business of his own and expanded the business to Macau by incorporating WHHE (Macau) in May 2005.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Mr. Li was a director of the following companies which were incorporated in Hong Kong prior to their respective dissolution:

Name of the relevant company	Nature of principal business prior to the cessation of business	Date of dissolution	Means of dissolution
Asia Smarter Investment Limited (豪亞投資有限公司)	Engineering	26 March 2004	Deregistration
Canford Engineering Limited (建輝工程有限公司)	Engineering	23 June 2000	Deregistration
Gold Power Steel Engineering Limited (金力鋼鐵工程有限公司)	Engineering	27 December 2002	Deregistration
Hung Jak Engineering Company Limited (鴻澤工程有限公司)	Engineering	13 November 2009	Deregistration
Hoi Chung Engineering Limited (海忠工程有限公司)	Engineering	25 October 2002	Striking Off

Each of the above companies was solvent prior to its dissolution, and had no outstanding claims, disputes or liabilities on or before its dissolution.

Mr. Li does not hold any current or past directorships in the last three years preceding the date of this document in any public companies listed on any securities market in Hong Kong or overseas.

Mr. Yu Ming Ho (余銘濠先生), aged 41, was appointed as our Director on 9 April 2018, and was re-designated as an executive Director on 15 June 2018. Mr. Yu is responsible for the overall management, administrative matters and daily operations of our Group. He also serves as a director of each subsidiary of our Company.

Mr. Yu obtained a Higher Diploma in Building Technology and Management at the Hong Kong Polytechnic University in 1999 and a degree of Bachelor of Science in Building Engineering and Management at the Hong Kong Polytechnic University in 2005.

Mr. Yu joined our Group in September 2000 as a quantity surveyor and was promoted as a commercial director in July 2012. Mr. Yu has accumulated extensive experience and handled a number of fitting-out projects conducted by our Group since then.

Mr. Yu does not hold any current or past directorships in the last three years preceding the date of this document in any public companies listed on any securities market in Hong Kong or overseas.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

NON-EXECUTIVE DIRECTOR

Mr. Li Chun Ho (李俊豪先生), aged 28, joined our Group as a non-executive Director on 15 June 2018. He is responsible for providing management and marketing advice to our Group.

Mr. Li Chun Ho obtained a Bachelor of Commerce degree at the University of Melbourne in 2011. He served as an assistant relationship manager at the Standard Chartered Bank (Hong Kong) Limited from October 2012 to September 2013, and an associate consultant in the banking team at Randstad (Hong Kong) Limited from March 2015 to March 2016. Since April 2016, he has served as a business consultant at Wang Pou Trading (Macau) Limited, a company which is principally engaged in the trading of construction materials in Macau.

Mr. Li Chun Ho does not hold any current or past directorships in the last three years preceding the date of this document in any public companies listed on any securities market in Hong Kong or overseas.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Rita Botelho dos Santos (嫻桃絲女士), aged 58, joined our Group and was appointed as an independent non-executive Director on 15 March 2019. Ms. Santos is primarily responsible for overseeing our Group with an independent perspective and judgment.

Ms. Santos obtained a Master of Business Administration degree at the University of East Asia, Macau in 1991. She has been a registered auditor in Macau since 1991.

Ms. Santos had served as a civil servant of the government of Macau and had extensive experience in accounting and participation of politics and public affairs. She had served as an account auditor at the Secretariat for Economy and Finance of Macau* (澳門經濟財政司), an accounting and financial technical assistant at the corporate tax department of the Financial Services Bureau of Macau* (澳門財政局) and the chief director of the economic and financial division of the Municipal Council of Municipality of das Ilhas of Macau* (澳門海島市政廳). She also acted as the chief officer of the executive and financial division of the Provisional Municipal Council of Macau* (澳門臨時市政廳) between July 2000 and December 2001, a member of the administration committee of the Civic and Municipal Affairs Bureau of Macau* (澳門民政總署) between January 2002 and December 2003, the coordinator of the support office of the Permanent Secretariat of the Forum for Economic and Trade Co-operation between China and Portuguese-speaking Countries (Macao) (中國與葡語國家經貿合作論壇常設秘書處輔助辦公室) between March 2004 and March 2015. In November 2015, Ms. Santos was awarded the Medal for Community Service (勞績獎章) from the government of Macau.

Ms. Santos served as the president of the supervisory board of the Macau Civil Servant's Association (澳門公職人員協會) when it was founded in 1987 and the president of the sixth council of the aforesaid association. She has been the president of the member assembly of the aforesaid association since April 2000.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Ms. Santos was an election member to the representatives of Macau at the Tenth, Eleventh and Twelfth National People’s Congress (中國第十屆、第十一屆及第十二屆全國人民代表大會代表選舉會議成員).

Ms. Santos does not hold any current or past directorships in the last three years preceding the date of this document in any public companies listed on any securities market in Hong Kong or overseas.

Mr. Wu Chou Kit (胡祖杰先生), aged 50, joined our Group and was appointed as an independent non-executive Director on 15 March 2019. Mr. Wu is primarily responsible for overseeing our Group with an independent perspective and judgment.

Mr. Wu obtained a Bachelor of Civil Engineering degree at the National Taiwan University in 1993. Subsequently, Mr. Wu obtained a Master of Business Administration degree at the Macau University of Science and Technology in 2005.

Mr. Wu is a registered civil engineer in Macau. He is a member of the Macau Institute of Engineers and has served as the president since 2017. Mr. Wu is also a member of the Royal Institution of Chartered Surveyors.

From June 1996 to May 2013, Mr. Wu worked in the Macao Post and Telecommunications Bureau (澳門郵電局), with his last position being a senior technical consultant. Since June 2013, Mr. Wu has been the managing director of Kit & Partners Consulting Engineering Limited.

Mr. Wu is currently an appointed member by the Chief Executive to the Sixth Legislative Assembly of Macau from 2017 to 2021 (澳門第六屆立法會特首委任議員), a committee member of the Town Planning Committee of Macau* (澳門城市規劃委員會), and a committee member of the Environment Consultation Committee of Macau* (澳門環境諮詢委員會委員).

Mr. Wu was a member of the Tenth and the Eleventh Nanning Committee of the Chinese People’s Political Consultative Conference* (中國人民政治協商會議第十屆及第十一屆南寧市委員), a member of the Third Jiangmen Committee of the Chinese People’s Political Consultative Conference* (中國人民政治協商會議第三屆廣東省江門市委員), a member of the Eighth Shaoguan Committee of the Chinese People’s Political Consultative Conference* (中國人民政治協商會議第八屆廣東省韶關市委員).

Mr. Wu does not hold any current or past directorships in the last three years preceding the date of this document in any public companies listed on any securities market in Hong Kong or overseas.

Mr. Lam Chi Wing (林至穎先生), aged 39, joined our Group and was appointed as an independent non-executive Director on 15 March 2019. Mr. Lam is primarily responsible for overseeing our Group with an independent perspective and judgment.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Mr. Lam obtained a Bachelor of Business Administration degree in Accounting and Finance at the University of Hong Kong in 2003, a Master of Science degree in Knowledge Management at the Hong Kong Polytechnic University in 2006 and a Master of Business Administration degree at the Chinese University of Hong Kong in 2010.

Mr. Lam joined Li & Fung Group in September 2003, where he served as the Group Chief Representative and General Manager, Southern China of Li & Fung Development (China) Limited prior to his departure in July 2015.

Mr. Lam is a member of the Twelfth Guangdong Committee of the Chinese People’s Political Consultative Conference* (中國人民政治協商會議第十二屆廣東省委員) and the Eleventh & Twelfth Zhongshan Committee of the Chinese People’s Political Consultative Conference* (中國人民政治協商會議第十一屆、十二屆中山市委員). Mr. Lam served as a part-time member of the Central Policy Unit of the HK Government from 2011 to 2012, and currently serves as an advisory committee of the Sustainable Agricultural Development Fund of the HK Government, and a committee member of the Appeal Panel (Housing) of the HK Government.

Mr. Lam is currently the vice chairman of the Guangdong Society of Commercial Economy (廣東省商業經濟學會) and an Adjunct Professor at the School of Business of the Renmin University of China (中國人民大學商學院).

Mr. Lam has served as an independent non-executive director as well as a member of the audit committee, remuneration committee and nomination committee of Common Splendor International Health Industry Group Limited, a company whose shares are currently listed on the Main Board of the Stock Exchange (stock code: 0286) since 2016.

Save as disclosed in this section, each of our Directors confirms with respect to him or her that: (i) he/she did not have any other relationships with any Directors, senior management or Substantial Shareholders or Controlling Shareholders of our Company as at the Latest Practicable Date; and (ii) he/she did not hold any other positions in our Company or other members of our Group as at the Latest Practicable Date. As at the Latest Practicable Date, save as disclosed in the section headed “Substantial Shareholders” and the paragraph headed “C. Further information about our Directors and Substantial Shareholders” in Appendix IV to this document, each of our Directors did not have any interests in our Shares within the meaning of Part XV of the SFO.

Except as disclosed in this section, to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, there were no other matters that need to be brought to the attention of our Shareholders in connection with the appointment of our Directors, and there was no information relating to our Directors required to be disclosed under Rule 13.51(2) of the Listing Rules as at the Latest Practicable Date.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

SENIOR MANAGEMENT

Mr. Yau Yan Yuen (邱欣源先生), aged 31, joined our Group as the chief financial officer on 21 February 2018. Mr. Yau is primarily responsible for the overall financial management of our Group.

Mr. Yau obtained a degree of Bachelor of Business Administration in Accountancy from the Hong Kong Polytechnic University in October 2011. He has been a certified public accountant of the Hong Kong Institute of Certified Public Accountants since January 2018.

Prior to joining our Group, Mr. Yau had worked in audit and assurance of Deloitte Touche Tohmatsu since September 2011, and served as a manager before his departure in February 2018.

Mr. Yau has served as an independent non-executive director of Creative China Holdings Limited, a company whose shares are currently listed on GEM of the Stock Exchange (stock code: 8368) since July 2018.

Save as disclosed above, Mr. Yau does not hold any current or past directorships in the last three years preceding the date of this document in any public companies listed on any securities market in Hong Kong or overseas.

Mr. Tong Bing Kuen (唐炳權先生), aged 66, joined our Group in January 2013 and was appointed as the senior project director of our Group in March 2018. Mr. Tong is primarily responsible for the overall management of our Group’s fitting-out projects in Macau. He also serves as a director of WHHE (Macau) and WHHDD.

Prior to joining our Group, Mr. Tong served as a director of Lead Rise Engineering Limited (領昇工程有限公司) from 2005 to 2010, and Loyal Harvest Engineering Limited (鴻豐工程有限公司) from 2003 to 2015, mainly responsible for the project management.

Mr. Tong obtained a Higher Certificate in Civil Engineering at the Hong Kong Polytechnic (currently known as Hong Kong Polytechnic University) in 1977.

Mr. Tong was a director of the following companies which were incorporated in Hong Kong prior to their respective dissolution:

Name of the relevant company	Nature of principal business prior to the cessation of business	Date of dissolution	Means of dissolution
Lead Rise Engineering Limited (領昇工程有限公司)	Construction and decoration works	24 September 2010	Deregistration
Loyal Harvest Engineering Limited (鴻豐工程有限公司)	Construction and decoration works	15 March 2015	Deregistration

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Each of the above companies was solvent prior to its dissolution, and has no outstanding claims, disputes or liabilities on or before its dissolution.

Mr. Tong does not hold any current or past directorships in the last three years preceding the date of this document in any public companies listed on any securities market in Hong Kong or overseas.

COMPANY SECRETARY

Mr. Yau Yan Yuen (邱欣源先生), aged 31, was appointed as the company secretary of our Company on 15 June 2018. Please refer to the paragraph headed “Senior management” above in this section for details of his biography.

REMUNERATION OF DIRECTORS

Our Group reimburses our Directors for expenses which are necessarily and reasonably incurred for providing services to our Group by executing their functions in relation to our Group’s operations. Our Directors receive remuneration in the form of Directors’ salaries, allowances, discretionary bonuses and other benefits in kind as well as contributions to retirement benefit schemes. For FY2015, FY2016, FY2017 and FY2018, the aggregate amount of remuneration paid to our Directors were approximately MOP2.6 million, MOP1.8 million, MOP1.8 million and MOP2.1 million, respectively. Under the arrangements currently in force, the estimated aggregate remuneration, excluding discretionary bonus and share based payments expense, if any, of our Directors for the year ending 31 December 2019 is approximately MOP2.6 million.

The aggregate amount of remuneration (excluding Directors’ salaries, allowances, discretionary bonuses, contributions to retirement benefit schemes, pension and other benefits in kind) attributable to our five highest paid individuals for FY2015, FY2016, FY2017 and FY2018 were approximately MOP3.2 million, MOP4.2 million, MOP9.5 million and MOP4.6 million, respectively. For FY2017, approximately MOP4.4 million out of MOP9.5 million was related to the share based payment to a then employee, details of which are set out in note 23 to the Accountants’ Report in Appendix I to this document.

During the Track Record Period, the remuneration of our Directors was determined with reference to their respective experience, responsibilities with our Group and general market conditions. Any discretionary bonus (if any) payable to our Directors is linked to the performance of our Group and of individual Director. Our Company intends to continue its remuneration policy after the [REDACTED], subject to the review by and the recommendation of the remuneration committee of our Company. None of our Directors or the five highest paid individuals have been paid any sum of money (i) as an inducement to join or upon joining our Company; or (ii) as a compensation for loss of office during the Track Record Period. There were no arrangements under which a Director has waived or agreed to waive any remuneration for the same period.

Further information on the remuneration of each Director during the Track Record Period as well as information on the highest paid individuals is set out in note 6 to the Accountants’ Report in Appendix I to this document.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

SHARE OPTION SCHEME

Our Group has conditionally adopted the Share Option Scheme, pursuant to which, among others, the directors and employees of our Group may be granted options to subscribe for Shares. The principal terms of the Share Option Scheme are summarised in the paragraph headed “D. Share Option Scheme” in Appendix IV to this document.

BOARD COMMITTEES

We have established the following committees in our Board, of which the operation is in accordance with terms of reference established by our Board.

Audit committee

Our Company established an audit committee on 18 March 2019 with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules (the “**Corporate Governance Code**”). The primary duties of the audit committee are to, among other things, make recommendations to our Board on the appointment and removal of external auditor, review the financial statements and provide advice in respect of financial reporting, and oversee internal control procedures of our Company. The audit committee consists of three members, namely, Ms. Rita Botelho dos Santos, Mr. Wu Chou Kit and Mr. Lam Chi Wing. Ms. Rita Botelho dos Santos is the chairperson of the audit committee.

Remuneration committee

Our Company established a remuneration committee on 18 March 2019 with written terms of reference in compliance with Rule 3.25 of the Listing Rules and the Corporate Governance Code. The primary duties of the remuneration committee are to, among other things, make recommendations to our Board on the overall remuneration policy and structure relating to all Directors and senior management of our Group, review performance-based remuneration, and ensure none of our Directors determine their own remuneration. The remuneration committee consists of three members, namely, Mr. Yu, Mr. Wu Chou Kit and Mr. Lam Chi Wing. Mr. Lam Chi Wing is the chairman of the remuneration committee.

Nomination committee

Our Company established a nomination committee on 18 March 2019 with written terms of reference in compliance with the Corporate Governance Code. The primary duties of the nomination committee are to, among other things, review the structure, size, composition and diversity of the Board, assess the independence of independent non-executive Directors, and make recommendations to the Board on relevant matters relating to the appointment of Directors. The nomination committee consists of three members, namely, Mr. Li, Mr. Wu Chou Kit and Mr. Lam Chi Wing. Mr. Li is the chairman of the nomination committee.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

COMPLIANCE ADVISER

In accordance with Rule 3A.19 of the Listing Rules, our Company has appointed Red Sun Capital Limited to be the compliance adviser, who will have access to all relevant records and information relating to our Company that it may reasonably require to properly perform its duties. Pursuant to Rule 3A.23 of the Listing Rules, our Company will consult with and, if necessary, seek advice from the compliance adviser on a timely basis in the following circumstances:

- (i) before the publication of any regulatory announcement, circular or financial report;
- (ii) where a transaction, which might be a notifiable or connected transaction, is contemplated by our Company, including share issues and share repurchases;
- (iii) where our Company proposes to use the [REDACTED] of the [REDACTED] in a manner different from that detailed in this document or where the business activities, developments or results of our Company deviate from any forecast, estimate (if any) or other information in this document; and
- (iv) where the Stock Exchange makes an inquiry of our Company under Rule 13.10 of the Listing Rules.

The terms of appointment shall commence on the [REDACTED] and end on the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of its financial results for the first full financial year commencing after the [REDACTED] and such appointment may be subject to extension by mutual agreement.

CORPORATE GOVERNANCE CODE

Pursuant to code provision A.2.1 of the Corporate Governance Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. However, our Company does not have a separate chairman and chief executive officer and Mr. Li currently performs these two roles. Our 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 our Group and enables more effective and efficient overall strategic planning of our Group. Besides, with three independent non-executive Directors out of a total of six Directors in our Board, there will be sufficient independent voice within our Board to protect the interests of our Company and our Shareholders as a whole. Therefore, our Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable our Company to make and implement decisions promptly and effectively. Our Board will continue to review and consider splitting the roles of chairman of our Board and chief executive officer of our Company at a time when it is appropriate and suitable by taking into account the circumstances of our Group as a whole.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Save as disclosed above, our Company expects to comply with the Corporate Governance Code. Our Directors will review the corporate governance policies of our Group and compliance with the Corporate Governance Code each financial year.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

CONTROLLING SHAREHOLDERS

Immediately following completion of the Capitalisation Issue and the [REDACTED] (without taking into account the exercise of the [REDACTED] and any option which may be granted under the Share Option Scheme), [REDACTED] of the issued share capital of our Company will be owned by Copious Astute, which is in turn wholly owned by Mr. Li. In view of the above, Mr. Li and Copious Astute will be considered to be our Controlling Shareholders within the meaning of the Listing Rules.

RULE 8.10 OF THE LISTING RULES

Our Controlling Shareholders, our Directors and their respective close associates do not have any interest in a business apart from our Group’s business which competes and is likely to compete, directly or indirectly, with our Group’s business that would require disclosure under Rule 8.10 of the Listing Rules.

Mr. Li is the beneficial owner of the entire issued share capital of Chi Sing Construction Engineering Company Limited (“CSCE”), a company incorporated with limited liability in Hong Kong on 23 April 2001. CSCE is in turn interested in approximately 5.26% of the issued share capital of Citylink Design and Build Limited (“Citylink”), a company incorporated in Hong Kong with limited liability on 31 December 2008. Citylink is a subcontractor which conducts design and build work for government minor works projects.

Mr. Li decided not to include CSCE in our Group, and confirmed that he has no intention to inject CSCE into our Group in the future, for the following reasons:

- (i) CSCE is an investment holding company. Apart from holding approximately 5.26% interests in Citylink, CSCE does not have any other investment or engage in any business;
- (ii) There is no direct or indirect competition between the business of our Group, CSCE and Citylink. In contrast to the projects undertaken by our Group which were in Macau, Citylink has been focusing on minor works projects awarded by government departments of Hong Kong. In addition, our Group does not undertake any government projects in Macau and Hong Kong; and
- (iii) Save as CSCE which is a shareholder of Citylink, Mr. Li and his associates are not shareholders or directors of Citylink. CSCE is not a controlling shareholder of Citylink, nor is it the single largest shareholder of Citylink.

Our Directors, having considered the above, are of the view that the business in which Mr. Li is interested as mentioned above is clearly delineated from that of our Group and such business does not and is not likely to compete with that of our Group.

During the Track Record Period, (i) there was no related party transaction between CSCE, Citylink and our Group; and (ii) CSCE was not the subject of any regulatory investigations, material disputes or claims, litigation or legal proceedings. CSCE was validly subsisting as at the Latest Practicable Date.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Our Directors believe that our Group will be able to be independent from our Controlling Shareholders and their respective close associates in management, operation and finance.

Management independence

Our Board and members of our senior management, rather than any single Director, are responsible for the business strategies, management and operation of our Group. Our Board consists of six Directors, comprising two executive Directors, one non-executive Director and three independent nonexecutive Directors. Our Board and members of our senior management operate independently from our Controlling Shareholders. Our Board as a whole deliberates and determines all important corporate acts of our Group.

None of our independent non-executive Directors are connected to our Controlling Shareholders or any of their respective close associates. This can ensure our Board to make independent decisions on any matters even in the case of potential conflicts of interest and/or material interest for any executive Director.

Our Group has also implemented corporate governance procedures to protect the interest of and maximise the value of our Shareholders. Each Director has attended relevant training and is fully aware of his/her fiduciary duties to our Company and will abstain from voting in respect of any matters involving conflicts of interest or potential conflicts of interest for him/her in accordance with the Articles and the Listing Rules. In the event that Mr. Li is required to be abstained from voting at the Board meeting due to potential conflict of interests, the three independent non-executive Directors will be able to form a quorum prescribed under the Articles to ensure that the decisions of our Board are made after due and careful consideration of independent and impartial opinions. Given the substantial experiences of our independent non-executive Directors as set out in the section headed “Directors, Senior Management and Employees – Independent non-executive Directors” in this document, we believe that our Board with the remaining members is still able to function properly when Mr. Li is required to be abstained from voting.

In addition, our Board is supported by members of our senior management in formulating business plans and strategies of our Group. The day-to-day management and operation of our Company is independent from our Controlling Shareholders and their respective close associates.

Operational independence

Our Company has established our own organisational structure, with specific areas of duties and responsibilities assigned to each department of our Company. We have sufficient operational capacity in terms of capital, equipment and human resources to operate and manage our business independently from our Controlling Shareholders and their respective close associates. We have an independent management team which is responsible for our daily operations, as well as our own headcount of employees for our operations and management for human resources.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

We are also in possession of all applicable licenses, approvals and certificates to conduct and operate our business. All the trademarks and domain name material to our business are owned by and registered or being applied for registration in the name(s) of our Group. For details, please refer to the paragraph headed “B. Further information about the business of our Group – 2. Intellectual property rights” in Appendix IV to this document.

As at the Latest Practicable Date, our Group leased a property from Ms. Ng Suk Fun, the spouse of Mr. Li, for the uses as showroom, storage and ancillary office, details of which are set out in the section headed “Continuing Connected Transactions” in this document. Save for the aforesaid and the related party transactions as disclosed in the section headed “Financial Information – Related party transactions” in this document, which were entered into between our Group and entities controlled by our Controlling Shareholders, we have independent access to all of our suppliers, subcontractors and customers during the Track Record Period and up to the Latest Practicable Date.

In view of the above, our Directors consider that there is no operational dependence by us on our Controlling Shareholders and our Group is able to operate independently from our Controlling Shareholders after the [REDACTED].

Financial independence

During the Track Record Period, our Controlling Shareholders and/or entities controlled by them had provided guarantees and securities for certain of our bank borrowings, please see the section headed “Financial Information – Indebtedness” in this document for further details. All such guarantees and securities provided to our Group will be released and replaced by a corporate guarantee provided by our Company upon the [REDACTED].

Our Directors are of the view that our Company is capable of obtaining financing from independent third parties without reliance on our Controlling Shareholders should the need arise. Accordingly, our Directors believe that our Company will have independent access to bank financing after the [REDACTED] through the provision of corporate guarantees and/or other security by our Group. Furthermore, our Directors believe that the sustainability of our business as demonstrated by the performance, results of operation and financial position of our Group during the Track Record Period will enhance our Company’s ability to obtain or renew the loans from financial institutions without recourse to our Controlling Shareholders after the [REDACTED]. In view of the above, our Directors consider that our Company is financially independent of our Controlling Shareholders.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

NON-COMPETITION UNDERTAKINGS BY OUR CONTROLLING SHAREHOLDERS

Each of our Controlling Shareholders (collectively, the “**Covenantors**”), has given certain non-competition undertakings in favour of our Company (for itself and as trustee for each of our subsidiaries) under the Deed of Non-competition, pursuant to which each of the Covenantors irrevocably and unconditionally, jointly and severally, warrants and undertakes with our Company that, from the [REDACTED] and ending on the occurrence of the earlier of,

- (a) any of the Covenantors, and his/its close associates and/or successor, individually and/or collectively, cease to own 30% (or such percentage as may from time to time be specified in the Takeovers Code as being the level for triggering a mandatory general offer) or more of the then issued share capital of our Company directly or indirectly or cease to be deemed as our Controlling Shareholder; or
- (b) the Shares cease to be [REDACTED] on the Stock Exchange (except for temporary suspension of the Shares due to any reason),

he/it will not, and will procure any of his/its close associates and any company directly or indirectly controlled by he/ it (which for the purpose of the Deed of Non-competition, shall not include any member of our Group) not to either on his/its own or in conjunction with any body corporate, partnership, joint venture or other contractual agreement, whether directly or indirectly, whether for profit or not, carry on, participate in, hold, engage in, acquire or operate, or provide any form of assistance to any person, firm or company (except members of our Group) to conduct any business which, directly or indirectly, competes or may compete with the business presently carried on by our Company or any of our subsidiaries or any other business that may be carried on by any of them from time to time during the term of the Deed of Non-competition, in Hong Kong or Macau and such other places as our Company or any of our subsidiaries may conduct or carry on business from time to time, including but not limited to the provision of fitting-out services and repair and maintenance services (the “**Restricted Business**”). Such non-competition undertakings do not apply to:

- (i) the holding of Shares or other securities issued by our Company or any of our subsidiaries from time to time;
- (ii) the holding of shares or other securities in any company which has an involvement in the Restricted Business, provided that such shares or securities are listed on a recognised stock exchange and the aggregate interest of the Covenantor and his/its close associates (as “interest” is construed in accordance with the provisions contained in Part XV of the SFO) does not amount to more than 5% of the relevant share capital of the company in question;
- (iii) the contracts or other agreements entered into between our Group and the Covenantor and/or his/its close associates; and

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- (iv) the involvement, participation or engagement of the Covenantor and/or his/its close associates in the Restricted Business in relation to which our Company has agreed in writing to such involvement, participation or engagement, following a decision by our independent non-executive Directors to allow such involvement, participation or engagement subject to any conditions our independent non-executive Directors may require to be imposed.

New business opportunity

The Covenantors have further undertaken to procure that, any business investment or other commercial opportunity relating to the Restricted Business (the "**New Opportunity**") identified by or offered to the Covenantors and/or any of their close associates (other than members of our Group) (the "**Offeror**") is first referred to us in the following manner:

- (a) the Covenantors are required to, and shall procure their close associates (other than members of our Group) to, refer, or procure the referral of, the New Opportunity to us, and shall give written notice to us of any New Opportunity containing all information reasonably necessary for us to consider whether (i) the New Opportunity would constitute competition with our core business and/or any other new business which our Group may undertake at the relevant time, and (ii) it is in the interest of our Group to pursue the New Opportunity, including but not limited to the nature of the New Opportunity and the details of the investment or acquisition costs (the "**Offer Notice**");
- (b) the Offeror will be entitled to pursue the New Opportunity only if (i) the Offeror has received a written notice from us declining the New Opportunity and confirming that the New Opportunity would not constitute competition with our core business, or (ii) the Offeror has not received the notice from us within ten business days from our receipt of the Offer Notice;
- (c) if there is a material change in the terms and conditions of the New Opportunity pursued by the Offeror, the Offeror will refer to the New Opportunity as so revised to us in the manner as set out above; and
- (d) upon receipt of the Offer Notice, we will seek opinions and decisions from a committee of our Board consisting of Directors who do not have a material interest in the matter (the "**Independent Board Committee**") as to whether (a) such New Opportunity would constitute competition with our core business, and (b) it is in the interest of our Company and our Shareholders as a whole to pursue the New Opportunity.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

General undertakings

To ensure the performance of the above non-competition undertakings given under the Deed of Non-competition, each of the Covenantors shall:

- (a) when required by our Company, provide all information necessary for the Independent Board Committee to conduct annual examination with regard to the compliance of the terms of the Deed of Non-competition and the enforcement thereof;
- (b) procure our Company to disclose to the public either in our annual report or issuing a public announcement in relation to any decisions made by the Independent Board Committee with regard to the compliance of the terms of the Deed of Non-competition and the enforcement of it;
- (c) where the Independent Board Committee shall deem fit, make a declaration in relation to the compliance of the terms of the Deed of Non-competition in our annual report, and ensure that the disclosure of information relating to compliance with the terms of the Deed of Non-competition and the enforcement of it are in accordance with the requirements of the Listing Rules;
- (d) where the Independent Board Committee has rejected the New Opportunity referred to by the Offeror as stipulated above regardless of whether the Offeror would thereafter invest or participate in such New Opportunity, procure our Company to disclose to the public either in the annual or interim report of our Company or an announcement the decision of the Independent Board Committee regarding the decision on the New Opportunity and the basis thereof; and
- (e) that during the period when the Deed of Non-competition is in force, fully and effectually indemnify our Company against any losses, liabilities, damages, costs, fees and expenses as a result of any breach on the part of such Covenantor of any statement, warrant or undertaking made under the Deed of Non-competition.

In respect of the above undertakings, our Company confirms that, if the Independent Board Committee has rejected the New Opportunity referred to by the Offeror as stipulated above regardless of whether the Offeror would thereafter invest or participate in such New Opportunity, it will disclose to the public either in the annual or interim report of our Company or an announcement the decision of the Independent Board Committee regarding the decision on the New Opportunity and the basis thereof.

CORPORATE GOVERNANCE MEASURES

Our Company expects to adopt the following corporate governance measures:

- (a) our Directors will comply with our Articles of Association which requires the interested Director to absent themselves from any resolution of the Board approving any contract or arrangement or other proposal in which he/she or any of his/her close associates is interested. Any such resolution shall only be passed

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

by the affirmative votes of at least half of the total number of the voting Directors who are not associated with any counterparty of the transactions or have any interest therein;

- (b) we have appointed three independent non-executive Directors to ensure the effective exercise of independent judgment on its decision making process and provide independent advice to our Board and Shareholders. The independent non-executive Directors are well-educated and have substantial experience in their profession. Our Directors believe that our independent non-executive Directors are of sufficient caliber, are free of any business or other relationship which may interfere in any material manner with the exercise of their independent judgement and will be able to provide impartial and professional advice to protect the interests of the minority Shareholders. Our Directors also believe that the presence of our Directors from different backgrounds can provide a balance of views and opinions. For details of our independent non-executive Directors, please refer to the section headed “Directors, Senior Management and Employees – Independent non-executive Directors” in this document.

In addition, our Directors, including our independent non-executive Directors, will be able to seek advice from the senior management who are independent from our Controlling Shareholders as well as independent professional advice from external parties (such as financial advisers) where necessary, including but not limited to the situation where our independent non-executive Directors are required to resolve on matters where Mr. Li is required to be abstained from voting due to conflict of interests;

- (c) our independent non-executive Directors will, on an annual basis, review the compliance and enforcement of the Deed of Non-competition executed by our Controlling Shareholders. Our Controlling Shareholders have undertaken that they will and will procure the entities controlled by them and their close associates to provide all information reasonably required by our independent non-executive Directors to assist them in the assessment. We will disclose the review in our annual report or by way of announcement to the public. Our Controlling Shareholders have also undertaken that they will make an annual declaration on the compliance with the Deed of Non-competition and other connected transaction agreements in our annual report;
- (d) our independent non-executive Directors will also review, on an annual basis, all decisions made in relation to any business opportunities which is referred to by our Controlling Shareholders or any of their respective close associates (other than members of our Group) during the year. We will disclose such decisions and basis for them in our annual report or by way of announcement to the public;
- (e) we have appointed Red Sun Capital Limited as our compliance adviser upon [REDACTED] to advise our Group on matters relating to compliance with the Listing Rules; and

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- (f) any transaction between (or proposed to be made between) our Group and connected persons will be required to comply with Chapter 14A of the Listing Rules, including, where applicable, the announcement, reporting, annual review, circular and independent shareholders’ approval requirements and with those conditions imposed by the Stock Exchange for the granting of waiver from strict compliance with the relevant requirements under the Listing Rules.

SUBSTANTIAL SHAREHOLDERS

Immediately following completion of the Capitalisation Issue and the [REDACTED] (without taking into account of the Shares which may be issued pursuant to the exercise of the [REDACTED] and any options that may be granted under the Share Option Scheme), the following persons/entities will have an interest or a short position in the Shares or the underlying Shares which would be required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any other member of our Group:

Name of Shareholder	Capacity/Nature of interest	Number of Shares held immediately after completion of the Capitalisation Issue and the [REDACTED] (Note 1)	Percentage of shareholding held immediately after completion of the Capitalisation Issue and the [REDACTED]
Copious Astute	Beneficial owner (Note 2)	[REDACTED]	[REDACTED]
Mr. Li	Interest of controlled corporation (Note 2)	[REDACTED]	[REDACTED]
Ms. Ng Suk Fun	Interest of spouse (Note 3)	[REDACTED]	[REDACTED]
Mr. Leong	Interest of controlled corporation (Note 4)	[REDACTED]	[REDACTED]
Fresh Phoenix	Beneficial owner (Note 4)	[REDACTED]	[REDACTED]

Notes:

- (1) The Letter “L” denotes the entity/person’s long position in the Shares.
- (2) Immediately following completion of the Capitalisation Issue and the [REDACTED] (without taking into account the Shares which may be issued pursuant to the exercise of the [REDACTED] and the options which may be granted under the Share Option Scheme), our Company will be owned as to [REDACTED] by Copious Astute, which is in turn wholly owned by Mr. Li. Under the SFO, Mr. Li is deemed to be interested in all the Shares which are registered in the name of Copious Astute;
- (3) Ms. Ng Suk Fun is the spouse of Mr. Li. Under the SFO, Ms. Ng Suk Fun is deemed to be interested in the same number of Shares in which Mr. Li is interested;
- (4) Immediately following completion of the Capitalisation Issue and the [REDACTED] (without taking into account the Shares which may be issued pursuant to the exercise of the [REDACTED] and the options which may be granted under the Share Option Scheme), our Company will be owned as to [REDACTED] by Fresh Phoenix, which is in turn wholly owned by Mr. Leong. Under the SFO, Mr. Leong is deemed to be interested in all the Shares which are registered in the name of Fresh Phoenix.

SUBSTANTIAL SHAREHOLDERS

Save as disclosed above, our Directors are not aware of any person who will, immediately following the completion of the Capitalisation Issue and the [REDACTED] (without taking into account of the Shares which may be issued pursuant to the exercise of the [REDACTED] and any options which may be granted under the Share Option Scheme), have an interest or short position in the Shares or the underlying Shares which would be required to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group.

SHARE CAPITAL

SHARE CAPITAL

The following table sets forth information with respect to the share capital of our Company immediately following the Capitalisation Issue and the [REDACTED], without taking into account any Shares which may be issued pursuant to the exercise of the [REDACTED] and any options that may be granted under the Share Option Scheme:

Authorised share capital:

HK\$

<u>1,000,000,000</u>	Shares	<u>10,000,000</u>
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Shares in issue or to be issued, fully paid or credited as fully paid:

1,000	Shares in issue as at the date of this document	10
[REDACTED]	Shares to be issued under the Capitalisation Issue	[REDACTED]
[REDACTED]	Shares to be issued under the [REDACTED]	[REDACTED]
<u>[REDACTED]</u>	Total:	<u>[REDACTED]</u>

Assumptions

The above table assumes the Capitalisation Issue and the [REDACTED] become unconditional and the issue of Shares pursuant thereto is made as described herein. It does not take into account any Shares which may be allotted and issued pursuant to the exercise of the [REDACTED] and any options which may be granted under the Share Option Scheme, or any Shares which may be allotted and issued or repurchased by our Company pursuant to the general mandates granted to our Directors to allot and issue or repurchase Shares referred to in the paragraphs headed “General mandate to issue Shares” or “General mandate to repurchase Shares” below in this section, as the case may be.

Minimum public float

Pursuant to Rule 8.08(1)(a) of the Listing Rules, at the time of the [REDACTED] and at all times thereafter, our Company must maintain the minimum prescribed percentage of 25% of the issued share capital of our Company in the hands of the public (as defined in the Listing Rules).

RANKING

The [REDACTED] and the Shares which may be issued under the [REDACTED] will rank *pari passu* in all respects with all other Shares now in issue or to be issued as mentioned in this document, and will rank in full for all dividends and other distributions hereafter declared, paid or made on the Shares in respect of a record date which falls after the date of this document save for any entitlement under the Capitalisation Issue.

SHARE CAPITAL

CAPITALISATION ISSUE

Pursuant to the resolutions in writing of our Shareholders passed on 18 March 2019, subject to the share premium account of our Company being credited as a result of the [REDACTED], our Directors were authorised to allot and issue a total of [REDACTED] Shares to the holders of shares on the register of members of our Company at the close of business on 18 March 2019 (or as they may direct) in proportion to their respective shareholdings (save that no Shareholder shall be entitled to be allotted or issued any fraction of a Share), credited as fully paid at par by way of capitalisation of the sum of HK\$[REDACTED] standing to the credit of the share premium account of our Company, and the Shares to be allotted and issued pursuant to this resolution shall rank *pari passu* in all respects with the Shares in issue (save for the right to participate in the Capitalisation Issue).

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

The circumstances under which general meeting and class meeting are required are provided in our Articles, a summary of which is set out in the section headed “Summary of the Constitution of our Company and Cayman Islands Company Law” in Appendix III to this document.

SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme, the principal terms of which are summarised in the paragraph headed “D. Share Option Scheme” in Appendix IV to this document. As at the Latest Practicable Date, no option had been granted under the Share Option Scheme.

GENERAL MANDATE TO ISSUE SHARES

Conditional on the conditions as stated in the section headed “Structure and Conditions of the [REDACTED] – Conditions of the [REDACTED]” in this document being fulfilled, our Directors have been granted a general unconditional mandate to allot, issue and deal with the Shares and to make or grant offers, agreements or options which might require such Shares to be allotted and issued or dealt with subject to the requirements that the aggregate number of the Shares so allotted and issued or agreed conditionally or unconditionally to be allotted and issued (otherwise than pursuant to a rights issue, or scrip dividend scheme or similar arrangements, or a specific authority granted by our Shareholders) shall not exceed:

- (a) 20% of the aggregate number of the Shares in issue immediately following completion of the Capitalisation Issue and the [REDACTED] (without taking into account any Shares which may be issued pursuant to the [REDACTED] and any Shares which may be granted under the Share Option Scheme); and
- (b) the aggregate number of the Shares repurchased (if any) pursuant to the authority granted to our Directors as referred to under the paragraph headed “General mandate to repurchase Shares” in this section below.

SHARE CAPITAL

This mandate does not cover the Shares to be allotted, issued, or dealt with under a rights issue or upon the exercise of any options which may be granted under the Share Option Scheme. This general mandate to issue Shares will remain in effect until whichever is the earliest of:

- (a) the conclusion of our Company’s next annual general meeting;
- (b) the expiration of the period within which our Company’s next annual general meeting is required to be held by any applicable laws of the Cayman Islands or the Articles; or
- (c) it is varied or revoked by an ordinary resolution of our Shareholders in general meeting.

For further details of this general mandate, please refer to the paragraph headed “Written resolutions of our Shareholders passed on 18 March 2019” in Appendix IV to this document.

GENERAL MANDATE TO REPURCHASE SHARES

Conditional on the fulfillment of the conditions as stated in the section headed “Structure and Conditions of the [REDACTED] – Conditions of the [REDACTED]” in this document, our Directors have been granted a general unconditional mandate to exercise all the powers to repurchase Shares with an aggregate number of not more than 10% of the aggregate number of the Shares in issue immediately following completion of the Capitalisation Issue and the [REDACTED] (without taking into account any Shares which may be issued upon the exercise of the [REDACTED] and any options that may be granted under the Share Option Scheme).

This mandate only relates to repurchases made on the Stock Exchange or on any other stock exchange on which the Shares may be [REDACTED] as recognised by the SFC and the Stock Exchange for this purpose and made in connection with all applicable laws, rules and regulations and the requirements of the Listing Rules. A summary of the relevant Listing Rules is set out in the paragraph headed “Repurchase by our Company of our own securities” in Appendix IV to this document.

The general mandate to repurchase Shares will remain in effect until whichever is the earliest of:

- (a) the conclusion of our Company’s next annual general meeting;
- (b) the expiration of the period within which our Company’s next annual general meeting is required to be held by any applicable laws of the Cayman Islands or the Articles; or
- (c) it is varied or revoked by an ordinary resolution of our Shareholders in general meeting.

SHARE CAPITAL

For further details of this general mandate, please refer to the paragraph headed “Written resolutions of our Shareholders passed on 18 March 2019” in Appendix IV to this document.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

FINANCIAL INFORMATION

You should read this section in conjunction with our audited consolidated financial statements, including the notes thereto, as set forth in the accountants’ report in Appendix I to this document. The accountants’ report has been prepared in accordance with the HKFRSs. You should read the entire accountants’ report and not merely rely on the information contained in this section.

The following discussion and analysis contains certain forward-looking statements that reflect the current views with respect to future events and financial performance. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors that we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and projections depends on a number of risks and uncertainties some of which are beyond our control. For further information, please refer to the section headed “Risk Factors” in this document.

OVERVIEW

We are a contractor providing fitting-out services and repair and maintenance services in Macau. Our 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.

During the Track Record Period, all of our revenue was derived from projects located in Macau. Our revenue amounted to approximately MOP114.0 million, MOP114.7 million, MOP189.1 million and MOP326.8 million and our profit for the year amounted to approximately MOP17.0 million, MOP18.0 million, MOP25.2 million and MOP31.9 million for FY2015, FY2016, FY2017 and FY2018, respectively.

Customer A, being a subsidiary of a developer, owner and operator of gaming and integrated resorts in Macau listed in Hong Kong, was our largest customer during the Track Record Period. We have established a long-standing business relationship with Customer A which dated back to 2011, when our Group was first awarded with a fitting-out contract by Customer A. For FY2015, FY2016, FY2017 and FY2018, revenue attributable to Customer A amounted to approximately MOP96.2 million, MOP95.9 million, MOP155.4 million and MOP263.9 million, representing approximately 84.4%, 83.6%, 82.2% and 80.8% of our Group’s total revenue.

Our fitting-out services are generally provided on a project-by-project basis. During the Track Record Period, we had completed 124 fitting-out projects and 2 repair and maintenance service contracts.

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BASIS OF PRESENTATION

Prior to the [REDACTED], our Group had undergone the Reorganisation after which our Company has become the holding company of the companies now comprising our Group since 30 May 2018. Please refer to the section headed “History, Reorganisation and Corporate Structure” in this document for further details.

The financial information sets out in the Accountants’ Report in Appendix I to this document has been prepared based on the applicable accounting policies which conform with HKFRSs issued by the HKICPA and the principles of merger accounting under Accounting Guideline 5 “Merge Accounting for Common Control Combinations” issued by the HKICPA.

In applying Accounting Guideline 5 “Merger Accounting Under Common Control Combinations” issued by HKICPA, the consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of our Group for the Track Record Period include the results, changes in equity and cash flows of the companies now comprising our Group as if the current group structure had been in existence throughout the Track Record Period, or since their respective dates of incorporation, where there is a shorter period. The consolidated statements of financial position of our Group as at 31 December 2015, 2016, 2017 and 2018 have been prepared to present the assets and liabilities of the companies now comprising our Group as if the current group structure has been in existence at those dates, taken into account the respective dates of incorporation, where applicable.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Our results of operations and financial condition have been and will continue to be affected by a number of factors, including those set out below and in the section headed “Risk Factors” in this document.

Our business is project-based and our profit margin may fluctuate

Our services are generally provided on a project basis. During the Track Record Period, we had completed 124 fitting-out projects and 2 repair and maintenance service contracts. For FY2015, FY2016, FY2017 and FY2018, we derived (i) approximately MOP108.3 million, MOP110.2 million and MOP188.1 million and MOP326.3 million of revenue from fitting-out contracts; and (ii) approximately MOP5.7 million, MOP4.4 million, MOP1.0 million and MOP0.5 million of revenue from the repair and maintenance service contract, respectively. Demand for our services may be affected by external factors beyond our control, such as changes in our customers’ preferences and general market conditions. We cannot assure you that we will be able to secure new contracts with existing or new customers in the future.

Furthermore, the number, type and scale of fitting-out projects awarded to us may vary significantly from period to period. Hence, our revenue and profit margin may vary from project to project. Our revenue and profit margin also depend on other factors such as (i) terms of the contracts; (ii) project duration; (iii) how efficient the works are

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implemented; (iv) variation orders; (v) our ability to control the project cost and progress; and (vi) general market conditions. As such, we cannot assure you that our future projects may continue to be profitable and our revenue and profit margin may fluctuate from time to time.

If there is a significant decrease in the number and/or size of our fitting-out projects or if we are unable to secure projects with a reasonable profit margin in the future, our financial condition and results of operations may be materially and adversely affected.

Costs estimation in our tenders

During the Track Record Period, a majority of our sizeable fitting-out contracts in terms of contract sum were awarded to us on a project basis through tender process. We had to take part in a competitive tender process in order to secure new contracts. Our profitability depends largely on the tender price we submit, which is determined based on the estimated costs plus a mark-up. In preparing a tender, we evaluate and analyse the project in terms of scope of works, complexity of the project, schedule of works, manpower needed and availability of resources. We maintain competitiveness of our tender price while maximising our profit margin. If a significant mark-up is added to the estimated costs, our tender price may become less competitive. On the other hand, if our tender price is too low, our projects may become less profitable.

Without taking into consideration variation orders requested by our customers in the course of project execution, the original contract price of a fitting-out contract is fixed at the time the contract is awarded to us. The actual time and costs for completing a project may be materially and adversely affected by various factors, some of which may be beyond our control, including rise in cost of materials and labour, additional variations to the project plans requested by our customers or due to technical needs, disputes with our subcontractors, accidents and other unforeseen problems or circumstances, and we have to bear the risk of cost fluctuations accordingly. Any of these factors can lead to delays in completing our works, costs overrun or even unilateral termination by our customers due to unsatisfactory performance. We cannot assure you that the actual time and costs incurred would not exceed our estimate. If we are unable to control our costs within our estimation or recover the extra costs incurred, our profit margin and result of operations may be materially and adversely affected.

Our financial performance are affected by the Macau market

During the Track Record Period, our revenue was derived from our operation in Macau. We provide fitting-out services and repair and maintenance services in Macau. Our services extend to casinos, retail areas, hotels, restaurants, commercial properties and residential properties. We primarily focus on providing fitting-out services for facilities in the integrated resorts in Macau. Any unforeseen circumstances, such as natural disasters, economic recession, outbreak of epidemic and any other incidents in Macau may hinder the economic growth in Macau, thereby materially and adversely affecting our business, financial condition and results of operation.

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Escalation of costs including labour, materials, subcontracting and other transaction costs may increase our operating costs and affect our profit margin

According to the Frost & Sullivan Report, mismatch between the demand and supply for skilled labor is a prolonged issue in Macau fitting-out industry. The rapid development of the construction industry has further aggravated the imbalance between the supply and demand for labour, which raises the wages of construction workers and the fitting-out industry in Macau. The average daily wages of fitting-out workers in Macau has risen from approximately MOP572.0 in 2012 to MOP853.1 in 2017, representing a CAGR of approximately 8.2%. In addition, according to Frost & Sullivan Report, given the specific nature of the high-end fitting-out materials, their costs may depend on quality, origin, availability at the relevant time, while the prices for general fitting-out materials experienced a steady increase from 2012 to 2017 which was driven by the rising demand and the development of construction market in Macau. The increase in labour costs and/or material costs may result in an increase in subcontracting fees, thereby reducing our profit margin.

According to Frost & Sullivan Report, apart from labour and materials costs, other indirect costs such as management and administration cost, have increased in recent years in Macau. Such costs may continue to increase due to pressures faced by contractors or subcontractors to implement safety, environmental and health enhancements to maintain a safe work environment, to keep accident rate low, and to improve welfare requirements of workers. Our subcontractors may also pass on the increase in their costs to us by increasing their subcontracting fees. Changes in economic, environmental and government policy may also affect our labour and material costs, subcontracting fees and other costs. In the event that these costs continue to increase and we fail to pass on the cost to our customers, our business, financial condition and results of operations may be materially and adversely affected.

Timing of receipt of progress payments and the release of retention money

We generally receive monthly progress payments from our customers according to the work done or services rendered. Such monthly progress payments would be assessed and agreed by our customers before we issue an invoice to them. For further details of the payment terms granted by our customers, please refer to the section headed “Business – Our customers – Credit policy” in this document.

Our customers generally withhold up to 10% of the total contract sum as retention money. As at 31 December 2015, 2016, 2017 and 2018, our retention money amounted to approximately MOP6.5 million, MOP8.9 million, MOP11.1 million and MOP10.6 million, respectively, which are included in contract assets/contract liabilities. We had not written off any retention money during the Track Record Period.

We cannot assure you that the financial position of our customers will remain solvent or that our customers will settle our progress payments or retention money on time in full or at all in the future. If we are unable to receive our payments, our liquidity and financial position may be materially and adversely affected.

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CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The discussion and analysis of our Group’s financial position and results of operations as included in this document is based on the consolidated financial statements prepared using the significant accounting policies set forth in note 3 of the Accountants’ Report set out in Appendix I to this document, which conform with HKFRSs issued by the Hong Kong Institute of Certified Public Accountants.

In the application of our Group’s accounting policies, the management of our Group is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Below is a summary of certain significant accounting policies and estimates that the Directors consider to be significant, the details of which are set forth in notes 3 and 4 of the Accountants’ Report set out in Appendix I to this document.

Revenue recognition

Revenue is recognised to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which our Group expects to be entitled in exchange for those goods or services. Our Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to customers. Control of the asset may be transferred over time or at a point in time.

If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the asset.

Revenue is measured based on the consideration specified in a contract with customer and excluded amounts collected on behalf of third parties. Our Group recognises revenue when it transfers control of service to a customer. Our Group recognises revenue from two major sources namely: (i) provision of fitting-out services; and (ii) repair and maintenance services.

Provision of fitting-out services and repair and maintenance services

Recognition

Our Group provides fitting-out services and repair and maintenance services under contracts with customers. Such contracts are entered into before the fitting-out services and repair and maintenance services begin. Under the terms of the contracts, our Group’s performance creates and enhances an asset that our customers’ controls which referred as the

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designated areas where the fitting-out services and repair and maintenance services performed. Revenue from provision of fitting-out services and repair and maintenance services is therefore recognised over time, using the input method. Revenue is recognised for these services based on the stage of completion of the contract. Our Directors have assessed that the stage of completion determined as the proportion of the costs incurred for the works (i.e. subcontracting costs, materials costs and direct labour costs incurred) performed to date relative to the estimated total costs to complete the satisfaction of these services and the margin of each project, to the extent that the amount can be measured reliably and its recovery is considered probable.

For details, please refer to note 3 headed “Significant accounting policies – Revenue recognition” to the Accountants’ Report in Appendix I to this document.

Financial assets

Our Group’s financial assets are classified as loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade receivables, other receivables and deposits, amounts due from related parties, pledged bank deposits and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment (see accounting policy on impairment of loans and receivables below).

Impairment of loans and receivables

Loans and receivables are assessed for indicators of impairment at the end of each reporting period. Loans and receivables are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the loans and receivables, the estimated future cash flows of the loans and receivables have been affected.

Objective evidence of impairment could include: (i) significant financial difficulty of the issuer or counterparty; or (ii) default or delinquency in interest or principal payments; or (iii) it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

Objective evidence of impairment for trade receivables could include our Group’s past experience of collecting payments, an increase in the number of delayed payments, observable changes in national or local economic conditions that correlate with default on receivables.

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The amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

For details, please refer to note 3 headed “Significant accounting policies – Financial assets” to the Accountants' Report in Appendix I to this document.

Financial liabilities

Our Group's financial liabilities including trade and other payables and accruals, amounts due to related parties and bank borrowings are subsequently measured at amortised cost, using the effective interest method.

Derecognition

Our Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Our Group derecognises financial liabilities when, and only when, our Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

For details, please refer to note 3 headed “Significant accounting policies – Financial liabilities at amortised cost” to the Accountants' Report in Appendix I to this document.

Sources of estimation uncertainty

For details, please refer to note 4 headed “Key sources of estimation uncertainty – Fitting-out and repair and maintenance contracts” to the Accountants' Report in Appendix I to this document.

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EFFECT OF NEW AND AMENDMENTS TO HKFRSs TO OUR GROUP

HKFRS 9 “Financial instruments”

In the year ended 31 December 2018, our Group has applied HKFRS 9 and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses (“ECL”) for financial assets and contract assets and 3) general hedge accounting.

Our Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening accumulated profits and other components of equity, without restating comparative information.

Based on the assessment by our Directors, the adoption of HKFRS 9 did not have any material impact on our Company’s financial position and performance when compared to that of HKAS 39. Details of the relevant financial effects to our Group are set out in note 2 to the Accountants’ Report in Appendix I to this document.

HKFRS 15 “Revenue from Contracts with Customers”

Our Group has consistently adopted HKFRS 15 throughout the Track Record Period. Having assessed the effects of application of HKFRS 15 on our financial position and performance during the Track Record Period, our Directors consider that the application of HKFRS 15 did not have material impact on our financial position and performance compared to the requirements of HKAS 18.

HKFRS 16 “Leases”

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 “Leases” and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease

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liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, our Group currently presents operating lease payments as operating cash flows. Upon application of HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing and operating cash flows, respectively.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 December 2018, our Group had non-cancellable operating lease commitments of MOP4,182,000 and MOP413,000 as disclosed in note 24 and note 29 respectively headed “Operating lease commitments” and “Related party transactions” to the Accountants’ Report (Appendix I) to this document. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence our Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16.

In addition, our Group currently considers refundable rental deposits paid of MOP390,000 as rights and obligations under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost and such adjustments are considered as additional lease payments. Adjustments to refundable rental deposits paid would be included in the carrying amount of right-of-use assets.

Our Group elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as lease applying HKAS 17 and HK(IFRIC)-Int 4 “Determining whether an arrangement contains a lease” and not apply this standard to contracts that were not previously identified as containing a lease apply HKAS 17 and HK(IFRIC)-Int 4. Therefore, our Group will not reassess whether the contracts are, or contain a lease which already existed prior to the date of initial application. Furthermore, our Group elected the modified retrospective approach for the application of HKFRS 16 as lessee and will recognise the cumulative effect of initial application to opening accumulated profits without restating comparative information.

Furthermore, the application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. The directors of our Company do not anticipate that the application of HKFRS 16 in the future will have a material impact in our Group’s future financial position and performance.

Details of effect of new and amendments to HKFRSs to our Group are set out in note 2 to the Accountants’ Report in Appendix I to this document.

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Except as disclosed in note 2 to the Accountants’ Report in Appendix I to this document, the directors of our Company anticipate that the application of other new and revised HKFRSs and interpretations will have no material impact on our Group’s consolidated financial statements in the future.

SUMMARY OF RESULTS OF OPERATIONS

The table below presents the summary of consolidated statements of profit or loss and other comprehensive income of our Group during the Track Record Period extracted from the Accountant’s Report as set out in Appendix I to this document.

Consolidated statements of profit or loss and other comprehensive income

	Year ended 31 December			
	2015	2016	2017	2018
	MOP’000	MOP’000	MOP’000	MOP’000
Revenue	113,973	114,676	189,111	326,774
Direct costs	<u>(85,885)</u>	<u>(84,860)</u>	<u>(143,924)</u>	<u>(258,865)</u>
Gross profit	28,088	29,816	45,187	67,909
Other income	59	83	37	694
Other losses	(5)	–	(23)	(79)
Administrative expenses	(8,659)	(8,988)	(15,330)	(16,673)
Finance costs	(159)	(76)	(142)	(416)
[REDACTED]	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>
Profit before taxation	19,324	20,835	29,729	39,174
Income tax expense	<u>(2,294)</u>	<u>(2,844)</u>	<u>(4,572)</u>	<u>(7,322)</u>
Profit for the year	<u>17,030</u>	<u>17,991</u>	<u>25,157</u>	<u>31,852</u>
Profit for the year attributable to:				
– Owners of the company	17,030	17,991	23,958	31,831
– Non-controlling interests	<u>–</u>	<u>–</u>	<u>1,199</u>	<u>21</u>
Total comprehensive income for the year	<u>17,030</u>	<u>17,991</u>	<u>25,157</u>	<u>31,852</u>

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PRINCIPAL COMPONENTS OF RESULTS OF OPERATIONS

Revenue

We are a contractor providing fitting-out services; and repair and maintenance services in Macau. For FY2015, FY2016, FY2017 and FY2018, our total revenue amounted to approximately MOP114.0 million, MOP114.7 million, MOP189.1 million and MOP326.8 million, of which (i) approximately MOP108.3 million, MOP110.2 million, MOP188.1 million and MOP326.3 million of revenue was generated from providing fitting-out services, representing approximately 95.0%, 96.1%, 99.5% and 99.8% of our total revenue, respectively; and (ii) the remaining revenue of approximately MOP5.7 million, MOP4.4 million, MOP1.0 million and MOP0.5 million was generated from providing repair and maintenance services, representing approximately 5.0%, 3.9%, 0.5% and 0.2% of our total revenue, respectively.

The following table sets forth a breakdown of our Group’s revenue during the Track Record Period by business segment:

	2015		2016		2017		2018	
	MOP'000	%	MOP'000	%	MOP'000	%	MOP'000	%
Fitting-out services	108,314	95.0	110,247	96.1	188,118	99.5	326,272	99.8
Repair and maintenance services	5,659	5.0	4,429	3.9	993	0.5	502	0.2
Total	<u>113,973</u>	<u>100.0</u>	<u>114,676</u>	<u>100.0</u>	<u>189,111</u>	<u>100.0</u>	<u>326,774</u>	<u>100.0</u>

The following table sets forth a breakdown of our Group’s revenue during the Track Record Period by main contractor/subcontractor:

	2015		2016		2017		2018	
	MOP'000	%	MOP'000	%	MOP'000	%	MOP'000	%
Main contractor	113,973	100.0	114,676	100.0	181,304	95.9	304,109	93.1
Subcontractor	—	—	—	—	7,807	4.1	22,665	6.9
Total	<u>113,973</u>	<u>100.0</u>	<u>114,676</u>	<u>100.0</u>	<u>189,111</u>	<u>100.0</u>	<u>326,774</u>	<u>100.0</u>

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Fitting-out services

Fitting-out services undertaken by us during the Track Record Period can broadly be defined into the following categories, namely casinos, retail areas, hotels, restaurants, commercial properties and residential properties.

	Year ended 31 December							
	2015		2016		2017		2018	
	MOP'000	%	MOP'000	%	MOP'000	%	MOP'000	%
Casinos	74,631	68.9	63,216	57.4	119,918	63.7	255,047	78.2
Retail areas	1,257	1.2	38,662	35.1	45,492	24.2	7,488	2.3
Hotels	5,301	4.9	4,218	3.8	7,807	4.2	24,309	7.5
Restaurants	2,012	1.8	602	0.5	6,523	3.5	377	0.1
Commercial properties	25,113	23.2	2,796	2.5	6,158	3.2	35,482	10.9
Residential properties	—	—	753	0.7	2,220	1.2	3,569	1.0
Total	<u>108,314</u>	<u>100.0</u>	<u>110,247</u>	<u>100.0</u>	<u>188,118</u>	<u>100.0</u>	<u>326,272</u>	<u>100.0</u>

Set out below is a breakdown of the sizeable fitting-out contracts (i.e. with an original contract sum over MOP10.0 million) undertaken by our Group during the Track Record Period:

Year	Revenue recognised from sizeable contracts <i>MOP'000</i>	Revenue recognised from contracts with less than MOP10.0 million original contract sum <i>MOP'000</i>	Total <i>MOP'000</i>
FY2018	248,170	78,102	326,272
FY2017	153,706	34,412	188,118
FY2016	84,591	25,656	110,247
FY2015	73,369	34,945	108,314

As set out in the table above, our Group derived approximately 67.7%, 76.7%, 81.7% and 76.1% of our revenue from sizeable fitting-out contracts for FY2015, FY2016, FY2017 and FY2018, respectively. During the Track Record Period, the original contract sums of our sizeable contracts undertaken by our Group ranged from not less than MOP10.0 million to in excess of MOP160.0 million, the majority of which were completed within one to two financial years.

During the Track Record Period, our Group derived revenue from sizable fitting-out contracts, of which two were in progress and 13 were completed. Among the 13 completed sizable fitting-out contracts, two, three, four and four were completed in FY2015, FY2016, FY2017 and FY2018, respectively.

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For FY2015, FY2016, FY2017 and FY2018, we had been awarded 31, 15, 42 and 51 fitting-out contracts and completed 34, 15, 39 and 36 fitting-out contracts, respectively, details of which are set out in the table below:

	Year ended 31 December			
	2015	2016	2017	2018
Number of on-going projects at the beginning of the year	8	5	5	8
Number of new projects awarded during the year	31	15	42	51
Number of projects completed during the year	<u>34</u>	<u>15</u>	<u>39</u>	<u>36</u>
Number of ongoing projects as at the end of the year	<u>5</u>	<u>5</u>	<u>8</u>	<u>23</u>

As at the Latest Practicable Date, we had 24 awarded and on-going fitting out projects, which include projects that we have commenced but not yet completed and projects that we have been awarded but not yet commenced. Among these projects, the top five largest projects by original contract sum had an aggregate original contract sum of approximately MOP330.8 million and an accumulated revenue recognised of approximately MOP181.9 million, inclusive of variation orders, during the Track Record Period. The remaining projects had an aggregate original contract sum of approximately MOP68.1 million and an accumulated revenue recognised of approximately MOP36.6 million, inclusive of variation orders, during the Track Record Period.

For further details of (i) fitting-out projects completed during the Track Record Period and up to the Latest Practicable Date; and (ii) awarded and on-going fitting-out projects as at the Latest Practicable Date, please refer to section headed "Business – Our projects".

Given the nature of the fitting-out services, we operate on a project-by-project basis. The majority of our fitting-out contracts on hand is not long-term contracts and our Directors expect that the majority of our contracts shall be completed by the end of 2018 and hence we have a relatively short financial visibility.

Repair and maintenance services

During the Track Record Period, pursuant to the 2 contracts entered with Customer B, being a subsidiary of a developer, owner and operator of resorts and casinos in Macau listed in Hong Kong, our Group provided repair and maintenance services for hotel rooms in 2 hotels and 1 casino in Macau. Our scope of work included, among others, painting, plastering wall finishes, touch up and varnishing furniture and fixtures, and reapplying damaged sealant, where required. In this connection, for FY2015, FY2016, FY2017 and FY2018, we derived approximately MOP5.7 million, MOP4.4 million, MOP1.0 million and MOP0.5 million, respectively.

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Direct costs

Our direct costs during the Track Record Period primarily included (i) subcontracting costs; (ii) direct labour costs; (iii) material costs; and (iv) others. The following table set forth a breakdown of our direct costs during the Track Record Period.

	Year ended 31 December							
	2015		2016		2017		2018	
	MOP'000	%	MOP'000	%	MOP'000	%	MOP'000	%
Direct costs								
Subcontracting costs	51,114	59.5	55,410	65.3	113,123	78.6	215,088	83.1
Direct labour costs	12,970	15.1	14,118	16.6	15,607	10.8	22,225	8.6
Material costs	20,802	24.2	14,457	17.0	14,658	10.2	20,812	8.0
Others	999	1.2	875	1.1	536	0.4	740	0.3
Total direct costs	<u>85,885</u>	<u>100.0</u>	<u>84,860</u>	<u>100.0</u>	<u>143,924</u>	<u>100.0</u>	<u>258,865</u>	<u>100.0</u>

Subcontracting costs

Subcontracting costs represented fees paid and payable to subcontractors engaged to carry out specific tasks of our projects. For FY2015, FY2016, FY2017 and FY2018, our subcontracting fees amounted to approximately MOP51.1 million, MOP55.4 million, MOP113.1 million and MOP215.1 million, respectively, representing approximately 59.5%, 65.3%, 78.6% and 83.1% of our total direct costs for the corresponding period, respectively. Given our subcontracting costs contributed a significant part of our direct costs during the Track Record Period, our ability to accurately estimate our subcontracting costs for the inclusion of our tenders and quotations will affect our profitability. As the cost structure of each of our contracts varies, subject to factors such as, scope of works, schedule of works, manpower requirement and availability of our operational and financial resources, the composition of our overall direct costs would fluctuate from year to year.

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The following sensitivity analysis illustrates the impact of hypothetical fluctuations in our subcontracting fees on our gross profit during the Track Record Period. Hypothetical fluctuation rates of increase/decrease of 4.0% and 6.0% are based on the historical fluctuation in inflation rate:

Hypothetical fluctuations in subcontracting costs	+6.0%	+4.0%	−4.0%	−6.0%
	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>
Change in gross profit				
For FY2015	(3,067)	(2,045)	2,045	3,067
For FY2016	(3,325)	(2,216)	2,216	3,325
For FY2017	(6,787)	(4,525)	4,525	6,787
For FY2018	(12,905)	(8,604)	8,604	12,905

Direct labour costs

Direct labour costs represented salaries and other employee related expenses of workers directly employed by us. For FY2015, FY2016, FY2017 and FY2018, our direct labour costs amounted to approximately MOP13.0 million, MOP14.1 million, MOP15.6 million and MOP22.2 million, respectively, representing approximately 15.1%, 16.6%, 10.8% and 8.6% of our total direct costs for the corresponding period, respectively.

The following sensitivity analysis illustrates the impact of hypothetical fluctuations in our direct labour costs on our gross profit during the Track Record Period. Hypothetical fluctuation rates of increase/decrease of 4.0% and 6.0% are based on the historical fluctuation in inflation rate:

Hypothetical fluctuations in direct labour costs	+6.0%	+4.0%	−4.0%	−6.0%
	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>
Change in gross profit				
For FY2015	(778)	(519)	519	778
For FY2016	(847)	(565)	565	847
For FY2017	(936)	(624)	624	936
For FY2018	(1,334)	(889)	889	1,334

Material costs

Material costs mainly represented the costs of fit-out and decorative materials installed/ utilised in our projects. For FY2015, FY2016, FY2017 and FY2018, our material costs amounted to approximately MOP20.8 million, MOP14.5 million, MOP14.7 million and MOP20.8 million, respectively, representing approximately 24.2%, 17.0%, 10.2% and 8.0% of our total direct costs for the corresponding period, respectively.

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The following sensitivity analysis illustrates the impact of hypothetical fluctuations in our material costs on our gross profit during the Track Record Period. Hypothetical fluctuation rates of increase/decrease of 2.0% and 4.0% are based on the historical fluctuation in inflation rate:

**Hypothetical
fluctuations in material
costs**

	+4.0%	+2.0%	-2.0%	-4.0%
	MOP'000	MOP'000	MOP'000	MOP'000

Change in gross profit

For FY2015	(832)	(416)	416	832
For FY2016	(578)	(289)	289	578
For FY2017	(586)	(293)	293	586
For FY2018	(832)	(416)	416	832

Others

The remaining direct costs, amounted to approximately MOP1.0 million, MOP0.9 million, MOP0.5 million and MOP0.7 million for FY2015, FY2016, FY2017 and FY2018, respectively, representing approximately 1.2%, 1.1%, 0.4% and 0.3% of our total direct costs for the corresponding period, respectively.

Gross profit and gross profit margin

The following table sets forth a breakdown of our gross profit during the Track Record Period by services which is equivalent to the segment financial information as set out in the Accountants' Report as set out in Appendix I to this document and our gross profit margin by services type is calculated with respect to the segment results as set out in Appendix I.

	Year ended 31 December							
	2015		2016		2017		2018	
	Gross profit MOP'000	Gross profit margin %	Gross profit MOP'000	Gross profit margin %	Gross profit MOP'000	Gross profit margin %	Gross profit MOP'000	Gross profit margin %
Fitting-out services	26,957	24.9	28,929	26.2	44,988	23.9	67,802	20.8
Repair and maintenance services	1,131	20.0	887	20.0	199	20.0	107	21.3
Gross profit/ Gross profit margin	28,088	24.6	29,816	26.0	45,187	23.9	67,909	20.8

For FY2015, FY2016, FY2017 and FY2018, our gross profit amounted to approximately MOP28.1 million, MOP29.8 million, MOP45.2 million and MOP67.9 million, of which approximately MOP27.0 million, MOP28.9 million, MOP45.0 million and MOP67.8 million was attributable to fitting-out services, representing approximately 96.0%, 97.0%, 99.6% and 99.9% of our total gross profit during the corresponding same periods.

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In respect of our fitting-out services, (i) our gross profit derived from casino fitting-out contracts amounted to approximately MOP18.8 million, MOP18.7 million, MOP32.7 million and MOP50.1 million, representing approximately 69.6%, 64.7%, 72.7% and 73.9% of the total gross profit derived from our fitting-out contracts for FY2015, FY2016, FY2017 and FY2018, respectively; and (ii) our gross profit derived from other fitting-out contracts amounted to approximately MOP8.2 million, MOP10.2 million, MOP12.3 million and MOP17.7 million, representing approximately 30.4%, 35.3%, 27.3% and 26.1% of the total gross profit derived from our fitting-out contracts for FY2015, FY2016, FY2017 and FY2018, respectively.

Other income and losses

Our other income remained largely stable at approximately MOP59,000, MOP83,000 and MOP37,000 for FY2015, FY2016 and FY2017, respectively, of which nil, approximately MOP31,000 and MOP10,000 was derived from a fitting-out project in Hong Kong whereby we acted as a contractor supervising such project.

As for FY2018, our other income has increased to approximately MOP694,000 mainly as a result of approximately MOP126,000 of bank interest income and approximately MOP523,000 of reversal of impairment loss allowance of trade receivables.

Upon the application of HKFRS 9 as at 1 January 2018, our Group applies internal credit rating for its customers for expected credit loss (“ECL”) estimation. The debtors are grouped under a provision matrix into three internal credit rating buckets (namely: low risk, medium risk and high risk) based on the shared credit risk characteristics by reference to past default experience and current past due exposure of the debtor. Different expected credit loss rate is applied to different credit rating buckets.

As at 1 January 2018, trade receivables of approximately MOP44.9 million, MOP5.5 million and MOP6.4 million are grouped under low risk, medium risk and high risk respectively based on our Group’s internal credit rating on respective debtors and resulted a ECL of MOP563,000 as at 1 January 2018. Such ECL allowance is recognised against accumulated profits of MOP563,000 as at 1 January 2018 as disclosed under note 2 headed “Adoption of new and amendments to HKFRSs – Summary of effects arising from initial application of HKFRS 9” of Appendix I to the document. As at 31 December 2018, entire trade receivables are grouped under low risk based on our Group’s internal credit rating on respective debtors and resulted a ECL of MOP40,000 as at 31 December 2018 as disclosed under note 14 headed “Trade Receivables – Impairment assessment on trade receivables subject to ECL model” of Appendix I to the document. As a result, the reversal of impairment losses allowance of MOP523,000 was recognised during the year ended 31 December 2018 and the reversal of impairment loss allowance is mainly due to the debtors with medium risk and high risk internal credit rating buckets have settled their receivables during the year ended 31 December 2018.

Our other losses remained stable at approximately MOP5,000, nil, MOP23,000 and MOP79,000 for FY2015, FY2016, FY2017 and FY2018, respectively.

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Administrative expenses

The following table sets forth a breakdown of our administrative expenses during the Track Record Period:

	Year ended 31 December							
	2015		2016		2017		2018	
	MOP'000	%	MOP'000	%	MOP'000	%	MOP'000	%
Employee benefit expenses	4,465	51.6	4,609	51.3	5,341	34.8	9,493	56.9
Share based payment	–	–	–	–	4,383	28.6	–	–
Rental expenses	1,736	20.0	1,760	19.6	1,601	10.4	2,207	13.2
Marketing expenses	642	7.4	680	7.6	1,135	7.4	1,454	8.7
Office expenses	494	5.7	568	6.3	709	4.6	1,183	7.1
Depreciation	473	5.5	418	4.7	424	2.8	503	3.0
Travelling expenses	140	1.6	197	2.2	177	1.2	425	2.5
Legal and professional fees	43	0.5	92	1.0	38	0.3	155	1.0
General expenses	666	7.7	664	7.3	1,522	9.9	1,253	7.6
Total administrative expenses	<u>8,659</u>	<u>100.0</u>	<u>8,988</u>	<u>100.0</u>	<u>15,330</u>	<u>100.0</u>	<u>16,673</u>	<u>100.0</u>

Administrative expenses amounted to approximately MOP8.7 million, MOP9.0 million, MOP15.3 million and MOP16.7 million for FY2015, FY2016, FY2017 and FY2018, respectively, which accounted for approximately 7.6%, 7.8%, 8.1% and 5.1% of our total revenue during the respective periods. The largest item under administrative expenses was employee benefit expenses (excluding share based payment), being staff costs in nature, which amounted to approximately MOP4.5 million, MOP4.6 million, MOP5.3 million and MOP9.5 million for FY2015, FY2016, FY2017 and FY2018, respectively, which accounted for approximately 51.6%, 51.3%, 34.8% and 56.9% of the total administrative expenses during the respective periods.

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

Finance costs

For FY2015, FY2016, FY2017 and FY2018, our finance costs amounted to approximately MOP159,000, MOP76,000, MOP142,000 and MOP416,000, respectively.

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Income tax

The following table sets forth a breakdown of our income tax expense during the Track Record Period:

	Year ended 31 December			
	2015	2016	2017	2018
	MOP'000	MOP'000	MOP'000	MOP'000
Current Tax:				
Macau Complementary tax	2,294	2,844	4,572	7,116
PRC Enterprise Income Tax	—	—	—	206
	<u>2,294</u>	<u>2,844</u>	<u>4,572</u>	<u>7,322</u>

During the Track Record Period, all of our revenue was derived from Macau and therefore we are subject to the Macau Complementary Tax. Macau Complementary Tax is calculated at 12% of the estimated assessable profits for the Track Record Period.

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 the Track Record Period.

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

	Year ended 31 December			
	2015	2016	2017	2018
	MOP'000	MOP'000	MOP'000	MOP'000
Profit before taxation	<u>19,324</u>	<u>20,835</u>	<u>29,729</u>	<u>39,174</u>
Tax at the domestic income tax rate of 12%	2,319	2,500	3,567	4,701
Tax effect of expense not deductible for tax purpose ^(Note)	277	584	1,224	2,770
Tax effect of tax exemption under Macau Complementary Income Tax	(230)	(166)	(217)	(255)
Tax deductible for dividend declared	(72)	(72)	–	–
Effect of different tax rates of subsidiaries operating in other jurisdiction	–	–	–	106
Others	<u>–</u>	<u>(2)</u>	<u>(2)</u>	<u>–</u>
Income tax expense	<u>2,294</u>	<u>2,844</u>	<u>4,572</u>	<u>7,322</u>
Effective tax rate	11.9%	13.7%	15.4%	18.7%

Note: During the year ended 31 December 2015 and 2016, expenses not deductible for tax purpose primarily consisted of administrative expenses incurred by our Group's Hong Kong subsidiaries without operating profit. During the year ended 31 December 2017, expenses not deductible for tax purpose primarily consisted of (i) share based payment; and (ii) administrative expenses incurred by our Group's Hong Kong subsidiaries without operating profit. During the year ended 31 December 2018, expenses not deductible for tax purpose primarily consisted of administrative expenses incurred by our Group's Hong Kong subsidiaries without operating profit.

For FY2015, FY2016, FY2017 and FY2018, we recorded income tax expenses of approximately MOP2.3 million, MOP2.8 million, MOP4.6 million and MOP7.3 million, representing an effective tax rate of approximately 11.9%, 13.7%, 15.4% and 18.7%, respectively. For further details on tax payables, please refer to paragraph headed “Financial Information – Tax Payable” in this section below.

In connection with FY2016 and FY2017, the tax payable as at the beginning of FY2016 and FY2017 was approximately MOP2.0 million and MOP 4.1 million, respectively, while the income tax paid during FY2016 and FY2017 was approximately MOP0.8 million and MOP0.8 million, respectively. The difference between the tax payable as at the beginning of FY2016 and tax paid during FY2016 of approximately MOP1.2 million was mainly attributable to approximately MOP1.5 million additional tax reported arising from the relevant adjustments for the year of assessment 2015 as detailed under paragraph headed

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“Tax payable” in this section of the document. The difference between the tax payable as at the beginning of FY2017 and tax paid during FY2017 of approximately MOP3.3 million was mainly attributable to (i) the aforesaid approximately MOP1.5 million additional tax reported arising from the relevant adjustments for the year of assessment 2015 remained unsettled as at 31 December 2017; and (ii) approximately MOP1.9 million additional tax reported arising from the relevant adjustments for the year of assessment 2016 also remained unsettled as at 31 December 2017, for further details, please refer to paragraph headed “Tax payable” in this section of the document.

Our Directors confirm that, during the Track Record Period and up to the Latest Practicable Date, our Group had no material dispute with the relevant tax authorities in Macau.

PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

Year ended 31 December 2018 compared with year ended 31 December 2017

Revenue

Our revenue increased by approximately MOP137.7 million or 72.8% from approximately MOP189.1 million for FY2017 to approximately MOP326.8 million for FY2018. Such increase was mainly attributable to the increase in the revenue derived from our fitting-out projects.

The following table sets forth a breakdown of our revenue attributable to fitting-out works during FY2017 and FY2018 by property type:

	FY2017		FY2018	
	MOP'000	%	MOP'000	%
Casinos	119,918	63.7	255,047	78.2
Retail areas	45,492	24.2	7,488	2.3
Hotels	7,807	4.2	24,309	7.5
Restaurants	6,523	3.5	377	0.1
Commercial properties	6,158	3.2	35,482	10.9
Residential properties	2,220	1.2	3,569	1.0
Total	188,118	100.0	326,272	100.0

Our revenue from fitting-out projects increased by approximately MOP138.2 million or 73.5% from approximately MOP188.1 million for FY2017 to approximately MOP326.3 million for FY2018. The increase was mainly attributable to the significant increase in revenue derived from casino fitting-out contracts from approximately MOP119.9 million for FY2017 to approximately MOP255.0 million for FY2018, which was primarily attributable to the commencement of a casino fitting-out contract with Customer A at Customer Group A's New Integrated Resort (defined hereafter) in March 2018, with an original

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contract sum of approximately MOP160.4 million (the “**Casino Fitting-out Contract A**”). Our revenue from repair and maintenance services decreased from approximately MOP1.0 million for FY2017 to approximately MOP0.5 million for FY2018, respectively.

The following table sets forth a breakdown of the number of projects which our Group derived revenue from our fitting-out services FY2017 and FY2018 by range of original contract sum without taking into account variation orders:

	FY2017		FY2018	
	<i>MOP</i>	<i>Number of</i>	<i>MOP</i>	<i>Number of</i>
	<i>'million</i>	<i>project(s)</i>	<i>'million</i>	<i>project(s)</i>
Original contract sum				
MOP50.0 million or above	72.9	1	185.1	2
MOP10.0 million to below				
MOP50.0 million	80.8	9	63.1	7
MOP1.0 million to below				
MOP10.0 million	30.0	16	72.6	28
Below MOP1.0 million	4.4	31	5.5	24
Total revenue/number of projects ^(Note)	<u>188.1</u>	<u>57</u>	<u>326.3</u>	<u>61</u>

Note: There were 19 projects which our Group derived revenue from during FY2017 and FY2018. The above projects included fitting-out projects only.

According to the Frost & Sullivan Report, fitting-out projects in the commercial segment in Macau are mainly initiated by the six licensed casino gaming operators who contribute to the majority of market share in terms of revenue. Sizable fitting-out projects in integrated resorts generate a substantial portion of revenue for the industry, especially for the leading fitting-out contractors in Macau.

Customer A, being our largest customer during the Track Record Period in terms of revenue, is a subsidiary of a leading developer, owner and operator of gaming and integrated resorts and one of the six licensed casino gaming operators in Macau (i.e. the Parent Company, together with its subsidiaries, herein after referred to as “**Customer Group A**”), the shares of which are listed on the Main Board of the Stock Exchange. For further details on Customer A, please refer paragraph headed “Business – Our Customers – Major customers” in this document.

Based on information as set out in the annual report of the Parent Company for the year ended 31 December 2017 and the interim report of the Parent Company for the six months ended 30 June 2018, (i) Customer Group A has two integrated resorts in Macau, the first integrated resort was opened in 2007 with more than 1,100 hotel rooms and suites along with amenities as well as gaming areas of over 30,000 square meters (the “**Existing Integrated Resort**”) and the second integrated resort was opened in 2018 with more than 1,300 hotel rooms and suites along with amenities as well as sizable gaming areas (the “**New Integrated Resort**”); and (ii) Customer Group A was refurbishing key gaming areas

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in its Existing Integrated Resort with a view to improve traffic flow and to capture more high-end mass business as well as continue to improve customer experience by enhancing its hotel rooms, food, beverage, retail and entertainment offerings by expanding and refurbishing the non-gaming areas. Our Directors are of the view that our Group has benefited from these additional fitting-out opportunities arising from Customer Group A's refurbishment exercise to the Existing Integrated Resort as well as the fitting-out contracts related to the New Integrated Resort.

During FY2017, our Group derived revenue from Customer A from (i) 8 sizeable fitting-out contracts (i.e. with an original contract sum over MOP10.0 million) related to fitting-out works for the Existing Integrated Resort; and (ii) no sizeable fitting-out contracts related to fitting-out works for the New Integrated Resort. The original contract sums of such sizeable fitting-out contracts ranged from approximately MOP12.6 million to MOP71.0 million.

During FY2018, our Group derived revenue from Customer A from (i) 5 sizeable fitting-out contracts related to fitting-out works for the Existing Integrated Resort; and (ii) 3 sizeable fitting-out contracts related to fitting-out works for the New Integrated Resort. The original contract sums of such sizeable fitting-out contracts ranged from approximately MOP10.8 million to MOP160.4 million.

For FY2017, out of approximately MOP188.1 million of revenue from fitting-out services, (i) approximately MOP72.9 million was derived from 1 contract with original contract sum over MOP50.0 million; (ii) approximately MOP80.8 million was derived from contracts with original contract sum between MOP10.0 million to below MOP50.0 million; (iii) approximately MOP30.0 million was derived from contracts with original contract sum between MOP1.0 million to below MOP10.0 million; and (iv) approximately MOP4.4 million was derived from contracts with original contract sum below MOP1.0 million.

Furthermore, for FY2018, out of approximately MOP326.3 million of revenue from fitting-out services, (i) approximately MOP185.1 million was derived from 2 contracts with original contract sum above MOP50.0 million; (ii) approximately MOP63.1 million was derived from contracts with original contract sum between MOP10.0 million to below MOP50.0 million; (iii) approximately MOP72.6 million was derived from contracts with original contract sum between MOP1.0 million to below MOP10.0 million; and (iv) approximately MOP5.5 million was derived from contracts with original contract sum below MOP1.0 million.

Direct costs

Our direct costs were approximately MOP143.9 million and MOP258.9 million for FY2017 and FY2018, respectively. Our direct costs for FY2017 mainly consisted of approximately 78.6% of subcontracting fees, approximately 10.8% of direct labour costs and approximately 10.2% of material costs, whereas for FY2018, our direct costs mainly consisted of approximately 83.1% of subcontracting fees, approximately 8.6% of direct labour costs and approximately 8.0% of material costs.

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Our subcontracting costs included labour costs of workers employed by our subcontractors and costs of fit-out and decorative materials procured by our subcontractors. Our material costs represented the costs of fit out and decorative materials installed/utilised by us. Our direct labour costs represented salaries and other employee related expenses of workers directly employed by us. The amount of these three items may vary from project to project, subject to (i) the volume of work subcontracted to and materials procured by our subcontractors (if any); and (ii) the extent of work undertaken by our own workers which would involve procurement of materials by us and settlement of our own labour costs. The total amount of subcontracting fees, materials costs and direct labour costs increased by approximately MOP114.7 million or 80.0% from approximately MOP143.4 million for FY2017 to approximately MOP258.1 million for FY2018, which generally reflected the increase in costs associated with the increase in revenue.

Gross profit and gross profit margin

Our gross profit increased from approximately MOP45.2 million for FY2017 to approximately MOP67.9 million for FY2018, represented an increase of approximately MOP22.7 million. We recorded gross profit margin of approximately 23.9% and 20.8% for FY2017 and FY2018, respectively, which was equivalent to the gross profit margin of our Group calculated based on our segment gross profit. The period-to-period decrease in gross profit margin was mainly attributable to the comparatively lower gross profit margin of sizeable contracts undertaken by our Group during FY2018 compared to FY2017, in particular, the casino fitting-out contract with Customer A with an original contract sum of approximately MOP160.4 million. The abovementioned casino fitting-out contract recorded a relatively low gross profit margin due to (i) our Directors were of the view that our ability to secure such sizeable fitting-out contract would further enhance our Group's reputation and job references in Macau's fitting-out industry and shall be beneficial to our Group in competing for other sizeable contracts with similar scale from other contract owners in the future, thus submitted a competitive tender contract price to secure such contract; and (ii) the relatively short duration of the contract given its size and scale led to higher subcontracting fees incurred by our Group.

For FY2017 and FY2018, we derived approximately 99.6% and 99.8% of gross profit from our fitting-out contracts, of which (i) approximately MOP32.7 million and MOP50.1 million was from our casino fitting-out contracts at gross profit margin of approximately 27.2% and 19.6%, respectively; and (ii) approximately MOP12.3 million and MOP17.7 million was from our other fitting-out contracts (including retail areas, hotels, restaurants, commercial properties and residential properties) at gross profit margin of approximately 18.1% and 24.9%, respectively. For FY2017 and FY2018, our gross profit and gross profit margin were largely driven by our casino fitting-out contracts as they have contributed approximately 72.7% and 73.9% of gross profit derived from our fitting-out contracts, respectively. As the cost structure of each of our fitting-out contracts varies, subject to factors such as, scope of works, schedule of works, manpower requirement and availability of our operational and financial resources at the relevant time, the gross profit of our Group has fluctuated from year to year.

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Other income

Our other income increased by approximately MOP657,000 from approximately MOP37,000 for FY2017 to approximately MOP694,000 for FY2018. Such increase was mainly attributable to the increase in (i) interest income of approximately MOP104,000 due to higher bank balances during the relevant period; and (ii) reversal of impairment loss allowance of trade receivables of approximately MOP523,000.

In view of that other income of approximately MOP37,000 and MOP694,000 for FY2017 and FY2018 represented less than 0.2% of the total revenue for FY2017 and FY2018, respectively, as a percentage to total revenue of our Group, other income for FY2017 and FY2018 as well as the period-on-period movement was largely insignificant.

Administrative expenses

Our administrative expenses increased by approximately MOP1.4 million from approximately MOP15.3 million for FY2017 to approximately MOP16.7 million for FY2018. Such increase was mainly attributable to the effects of (i) an one-off share based payment, which was attributable to the transfer of 5.0% registered capital of WHHE (Macau) from Mr. Li to a former employee in March 2017 of approximately MOP4.4 million; and (ii) increase in employee benefit expenses by approximately MOP4.2 million.

Finance costs

Our finance costs increased by approximately MOP274,000 from approximately MOP142,000 for FY2017 to approximately MOP416,000 for FY2018. Such increase was mainly attributable to the increase in (i) bank charges of approximately MOP234,000; and (ii) interest expenses of approximately MOP40,000.

In view of the finance costs of approximately MOP142,000 and MOP416,000 for FY2017 and FY2018, respectively, represented less than 0.1% of the total operating costs, being the aggregate of direct costs, administrative expenses and finance costs, for FY2017 and FY2018, respectively, as a percentage to our Group's total operating costs, finance costs for FY2017 and FY2018 as well as the period-on-period movement was largely insignificant.

Income tax

Our income tax increased by approximately MOP2.7 million or 58.7% from approximately MOP4.6 million for FY2017 to approximately MOP7.3 million for FY2018. Such increase was mainly attributable to the increase in our profit before taxation from approximately MOP29.7 million for FY2017 to approximately MOP39.2 million for FY2018. Our effective tax rate for FY2017 and FY2018 were approximately 15.4% and 18.7%, respectively, both of which were higher than the domestic income tax rate of 12.0% primarily attributable to non-tax-deductible expenses.

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Profit for the year and net profit margin

Our Group's profit for year increased by approximately MOP6.7 million or 26.6% from approximately MOP25.2 million for FY2017 to approximately MOP31.9 million for FY2018, which was mainly attributable to the combined effect of the (i) increase of revenue generated from sizable projects; and (ii) notable increase in subcontracting fees. Our net profit margin decreased from approximately 13.3% for FY2017 to approximately 9.7% for FY2018. Such decrease was mainly attributable to the composition of the direct costs from approximately MOP143.9 million to approximately MOP258.9 million during the respective years.

For FY2018, the profit for the year (inclusive of [REDACTED]) amounted to approximately MOP31.9 million, representing an increase of approximately MOP6.7 million from approximately MOP25.2 million for FY2017. However, if the profit for the year for FY2018 were to exclude the effects of the [REDACTED] of approximately MOP [REDACTED], the adjusted profit for the year for FY2018, being a non-HKFRS measure, would be approximately MOP44.1 million, compared to approximately MOP25.2 million for FY2017, representing an increase of approximately MOP18.9 million or 75.0%.

Year ended 31 December 2017 compared with year ended 31 December 2016

Revenue

Our revenue increased by approximately MOP74.4 million or 64.9% from approximately MOP114.7 million for FY2016 to approximately MOP189.1 million for FY2017. Such increase was mainly attributable to the increase in the revenue derived from our fitting-out projects.

Revenue from our fitting-out contracts increased by approximately MOP77.9 million or 70.6% from approximately MOP110.2 million for FY2016 to approximately MOP188.1 million for FY2017. Casino fitting-out contracts contributed approximately 57.4% and 63.7% of our revenue derived from fitting-out contracts for FY2016 and FY2017, respectively. In addition, the retail fitting-out contracts also contributed approximately 35.1% and 24.2% of our revenue derived from fitting-out contracts for FY2016 and FY2017, respectively.

The following table sets forth a breakdown of our revenue attributable to fitting-out works during FY2016 and FY2017 by property type:

	FY2016		FY2017	
	MOP'000	%	MOP'000	%
Casinos	63,216	57.4	119,918	63.7
Retail areas	38,662	35.1	45,492	24.2
Hotels	4,218	3.8	7,807	4.2
Restaurants	602	0.5	6,523	3.5
Commercial properties	2,796	2.5	6,158	3.2
Residential properties	753	0.7	2,220	1.2
Total	110,247	100.0	188,118	100.0

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Our Group derived a significant portion of revenue from our five largest fitting-out contracts, which amounted to approximately MOP146.4 million in FY2017 compared to approximately MOP91.6 million in FY2016. Out of our five largest fitting-out contracts in terms of revenue generated during each of FY2016 and FY2017, four of which were awarded by Customer A, respectively. For FY2017, in connection with our five largest fitting-out contracts in terms of revenue generated, two were related to casino fitting-out contracts, two were related to retail areas fitting-out contracts and the remaining one was related to hotel fitting-out contract. For FY2016, in connection with our five largest fitting-out contracts in terms of revenue generated, three were related to retail areas fitting-out contracts and the remaining two were related to casino fitting-out contracts.

Moreover, our Group derived approximately MOP38.3 million in revenue from our largest fitting-out contract in terms of revenue for FY2016, representing approximately 33.4% of our total revenue for FY2016. Such contract was with Customer A, whereby our Group is a main contractor, primarily responsible for carrying fitting-out and related works for a VIP casino gaming area within one of the integrated resorts of Customer A in Macau over the duration of three months from November 2016 to January 2017. While for FY2017, our Group derived approximately MOP72.9 million in revenue from our largest fitting-out contract in terms of revenue for FY2017, representing approximately 38.6% of our total revenue for FY2017. Such contract was with Customer A, whereby our Group is a main contractor, also primarily responsible for carrying fitting-out and related works for a VIP casino gaming area at the Existing Integrated Resort of Customer A in Macau over the duration of four months from August 2017 to November 2017 (the “**Casino Fitting-out Contract B**”). Both of the aforesaid contracts involved fitting-out works for existing buildings, such works are referred to as refitting works under the “Industry Overview” section.

The following table sets forth a breakdown of the number of fitting-out projects which our Group derived revenue from during FY2016 and FY2017 by range of original contract sum without taking into account variation orders:

	FY2016		FY2017	
	<i>MOP 'million</i>	<i>Number of project(s)</i>	<i>MOP 'million</i>	<i>Number of project(s)</i>
Original contract sum				
MOP50.0 million or above	–	–	72.9	1
MOP10.0 million to below				
MOP50.0 million	84.6	6	80.8	9
MOP1.0 million to below				
MOP10.0 million	23.8	9	30.0	16
Below MOP1.0 million	1.8	9	4.4	31
Total revenue/number of projects^(Note)	110.2	24	188.1	57

Note: There were 13 projects which our Group derived revenue from during both FY2016 and FY2017.

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As set out in the table above, size of the original contract sum of our contracts varied notably in terms of revenue contribution during the relevant periods. Sizeable contracts have contributed significant portion of our revenue during FY2016 and FY2017, in particular, Casino Fitting-out Contract B has contributed approximately 38.8% of our revenue during FY2017.

As set out in the annual report of the Parent Company for the year ended 31 December 2017 and disclosed under the sub-section explaining the revenue movement for the year ended 31 December 2018 compared with the year ended 31 December 2017 in this section above, (i) Customer Group A was undergoing refurbishment to its key gaming areas in its Existing Integrated Resort with a view to improve traffic flow and to capture more high-end mass business to its key gaming areas and adding retail offerings and refurbishing its restaurants to maintain its competitiveness in the Macau market; and (ii) the New Integrated Resort was opened in 2018 with more than 1,400 hotel rooms and suites along with amenities as well as sizable gaming areas. It was further noted that net cash used in investing activities of Customer Group A amounted to over HK\$6,700.0 million in 2017 compared to over HK\$6,200.0 million in 2016. The major components of the cash flow used in investing activities related to payments for the construction of New Integrated Resort and renovation work carried out at the Existing Integrated Resort for 2016 and 2017.

Our Group did not derive revenue from sizeable fitting-out contract related to fitting-out works for the New Integrated Resort during FY2016 and FY2017, respectively. However, our Directors were of the view that our Group has benefited from additional fitting-out opportunities arising from Customer Group A's refurbishment exercise to the Existing Integrated Resort as well as the fitting-out contracts related to the New Integrated Resort as such have increased the value of fitting-out contracts from Customer A which our Group can compete for, and as evidenced by (i) during FY2016, our Group derived revenue from 5 sizeable fitting-out contracts related to fitting-out works for the Existing Integrated Resort, the original contract sums of which ranged from approximately MOP13.8 million to MOP49.3 million; and (ii) during FY2017, our Group derived revenue from 8 sizeable fitting-out contracts related to fitting-out works for the Existing Integrated Resort, the original contract sums of which ranged from approximately MOP12.6 million to MOP71.0 million. For FY2016 and FY2017, revenue attributable to Customer A amounted to approximately MOP95.9 million and MOP155.4 million, respectively.

For FY2016, out of approximately MOP110.2 million of revenue from fitting-out services, (i) approximately MOP84.6 million was derived from contracts with original contract sum between MOP10.0 million to below MOP50.0 million; (ii) approximately MOP23.8 million was derived from contracts with original contract sum between MOP1.0 million to below MOP10.0 million; and (iii) approximately MOP1.8 million was derived from contracts with original contract sum below MOP1.0 million.

For FY2017, out of approximately MOP188.1 million of revenue from fitting-out services, (i) approximately MOP72.9 million was derived from the Casino Fitting-out Contract B with original contract sum above MOP50.0 million; (ii) approximately MOP80.8 million was derived from contracts with original contract sum between MOP10.0 million to below MOP50.0 million; (iii) approximately MOP30.0 million was derived from contracts

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with original contract sum between MOP1.0 million to below MOP10.0 million; and (iv) approximately MOP4.4 million was derived from contracts with original contract sum below MOP1.0 million.

In addition to the above, as set out under “Industry Overview – Market Size”, refitting recorded a rapid growth from approximately MOP673.5 million in 2012 to approximately MOP3,179.8 million in 2017 at a CAGR of approximately 36.4%, which are attributable to the construction of integrated resorts from 2012 to 2017 resulting in an increase in the number of hotels and casinos in Macau. With increased competition, renovation cycle of integrated resorts is estimated to be further shortened, which would create demand for refitting and repair and maintenance services. In addition, the increase in revenue was also partly attributable to our Group’s ongoing effort to expand our customer base as evidenced by an increase in number of customers in FY2017. Given the size of our fitting-out contracts varied from project to project, sizeable fitting-out contracts awarded and undertaken in a given financial year would also have an effect on our revenue.

Direct costs

Our direct costs were approximately MOP84.9 million and MOP143.9 million for FY2016 and FY2017, respectively. Our direct costs for FY2016 mainly consisted of approximately 65.3% of subcontracting fees, approximately 17.0% of material costs and approximately 16.6% of direct labour costs, whereas for FY2017, our direct costs mainly consisted of approximately 78.6% of subcontracting fees, approximately 10.2% of material costs and approximately 10.8% of direct labour costs.

Our subcontracting costs included labour costs of workers employed by our subcontractors and costs of fit-out and decorative materials procured by our subcontractors. Our material costs represented the costs of fit-out and decorative materials installed/utilised in our projects. Our direct labour costs represented salaries and other employee related expenses of workers directly employed by us. The amount of these three items may vary from project to project, subject to (i) the volume of work subcontracted to and materials procured by our subcontractors (if any); and (ii) the extent of work undertaken by our own workers which would involve procurement of materials by us and settlement of our own labour costs. The total amount of subcontracting costs, materials costs and direct labour costs increased by approximately MOP59.4 million or 70.7% from approximately MOP84.0 million for FY2016 to approximately MOP143.4 million for FY2017, which generally reflected the increase in costs associated with the increase in revenue.

Gross profit and gross profit margin

Our gross profit increased from approximately MOP29.8 million for FY2016 to approximately MOP45.2 million for FY2017, represented an increase of approximately MOP15.4 million. We recorded gross profit margin of approximately 26.0% and 23.9% for FY2016 and FY2017, respectively.

For FY2016 and FY2017, we derived approximately 97.0% and 99.6% of gross profit from our fitting-out contracts, of which (i) approximately MOP18.7 million and MOP32.7 million was from our casino fitting-out contracts at gross profit margin of approximately

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29.6% and 27.2%, respectively; and (ii) approximately MOP10.2 million and MOP12.3 million was from our other fitting-out contracts (including retail areas, hotels, restaurants, commercial properties and residential properties) at gross profit margin of approximately 21.7% and 18.1%, respectively. For FY2016 and FY2017, our gross profit and gross profit margin were largely driven by our casino fitting-out contracts as they have contributed approximately 64.7% and 72.7% of gross profit derived from our fitting-out contracts, respectively. As the cost structure of each of our fitting-out contracts varies, subject to factors such as, scope of works, schedule of works, manpower requirement and availability of our operational and financial resources at the relevant time, the gross profit of our Group has fluctuated from year to year.

Other income

Our other income decreased by approximately MOP46,000 from approximately MOP83,000 for FY2016 to approximately MOP37,000 for FY2017. Such decrease was mainly attributable to (i) the absence of non-recurring refund project cost of approximately MOP35,000 in FY2017; and (ii) the decrease in project management income of approximately MOP21,000, which was partially offset by the increase in (i) interest income of approximately MOP6,000 attributable to higher bank balances during the relevant period; and (ii) sundry income of approximately MOP4,000.

In view of that other income of approximately MOP83,000 and MOP37,000 for FY2016 and FY2017 represented less than 0.1% of the total revenue for FY2016 and FY2017, respectively, as a percentage to total revenue of our Group, other income for each of FY2016 and FY2017 as well as the year-on-year movement was largely insignificant.

Administrative expenses

Our administrative expenses increased by approximately MOP6.3 million from approximately MOP9.0 million for FY2016 to approximately MOP15.3 million for FY2017. Such increase was mainly attributable to (i) an one-off share based payment, which was attributable to the transfer of 5.0% registered capital of WHHE (Macau) from Mr. Li to a former employee in March 2017 of approximately MOP4.4 million; (ii) an increase in general expenses of approximately MOP0.9 million due to the increase of our operating activities resulted from our business expansion; and (iii) an increase in our employee benefit expenses of approximately MOP0.7 million due to an increase in number of staff. The year-on-year increase in administrative expenses was mainly attributable to the result of the increased operating activities.

Finance costs

Our finance costs increased by approximately MOP66,000 from approximately MOP76,000 for FY2016 to approximately MOP142,000 for FY2017. Such increase was mainly attributable to the increase in (i) bank charges of approximately MOP16,000; and (ii) interest expenses of approximately MOP50,000.

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In view of that finance costs of approximately MOP76,000 and MOP142,000 for FY2016 and FY2017, respectively, represented less than 0.1% of our Group's total operating costs, being the aggregate of direct costs, administrative expenses and finance costs, for FY2016 and FY2017, respectively, as a percentage to our Group's total operating costs, finance costs for each of FY2016 and FY2017 as well as the year-on-year movement was largely insignificant.

Income tax

Our income tax increased by approximately MOP1.8 million or 64.3% from approximately MOP2.8 million for FY2016 to approximately MOP4.6 million for FY2017. Such increase was mainly attributable to the increase in our profit before taxation from approximately MOP20.8 million for FY2016 to approximately MOP29.7 million for FY2017. Our effective tax rate for FY2016 was approximately 13.7%, which was generally in line with the Macau Complementary Tax rate of 12.0%. For FY2017, our effective tax rate increased to approximately 15.4%, which was mainly due to the increase in non tax deductible expenses.

Profit for the year and net profit margin

Our Group's profit for year increased by approximately MOP7.2 million or 39.8% from approximately MOP18.0 million for FY2016 to approximately MOP25.2 million for FY2017, which was mainly attributable to the combined effect of the (i) increase of revenue generated from sizable projects; and (ii) notable increase in subcontracting fees.

Our net profit margin decreased from approximately 15.7% for FY2016 to approximately 13.3% for FY2017. Such decrease was mainly attributable to (i) the composition of the direct costs, in particular, the increase in our subcontracting costs from approximately 48.3% to 59.8% of our revenue; and (ii) the increase in administrative costs, which was mainly due to an one-off share based payment of approximately MOP4.4 million.

Year ended 31 December 2016 compared with year ended 31 December 2015

Revenue

Our revenue increased from approximately MOP114.0 million for FY2015 to approximately MOP114.7 million for FY2016, represented an increase of approximately MOP0.7 million or 0.6%. Such increase was mainly attributable to the increase in the revenue derived from our fitting-out projects.

Revenue from our fitting-out contracts amounted to approximately MOP108.3 million for FY2015 and approximately MOP110.2 million for FY2016, the aforesaid movement was primarily attributable to the net effect of (i) the increase in revenue recognised from retail areas fitting-out contracts of approximately MOP37.4 million; (ii) the decrease in revenue recognised from commercial properties fitting-out contracts of approximately MOP22.3 million; and (iii) the decrease in revenue recognised from casino fitting-out contracts of approximately MOP11.4 million.

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The following table sets forth a breakdown of our revenue attributable to fitting-out works during FY2015 and FY2016 by property type:

	FY2015		FY2016	
	<i>MOP'000</i>	<i>%</i>	<i>MOP'000</i>	<i>%</i>
Casinos	74,631	68.9	63,216	57.4
Retail areas	1,257	1.2	38,662	35.1
Hotels	5,301	4.9	4,218	3.8
Restaurants	2,012	1.8	602	0.5
Commercial properties	25,113	23.2	2,796	2.5
Residential properties	—	—	753	0.7
Total	108,314	100.0	110,247	100.0

Our Group derived approximately MOP91.6 million from our five largest fitting-out contracts in terms of revenue generated during FY2016 compared to approximately MOP91.8 million during FY2015. Out of our five largest fitting-out contracts in terms of revenue generated during FY2015 and FY2016, four of which were awarded by Customer A, respectively. For FY2016, in connection with our five largest fitting-out contracts in terms of revenue generated, three were related to retail areas fitting-out contracts and the remaining two were related to casino fitting-out contracts. For FY2015, in connection with our five largest fitting-out contracts in terms of revenue generated, three were casino fitting-out contracts and the remaining two contracts were commercial properties fitting-out contracts, respectively.

Moreover, our Group derived approximately MOP 55.9 million in revenue from our largest fitting-out contract in terms of revenue for FY2015, representing approximately 49.0% of our total revenue for FY2015. Such contract was with Customer A, whereby our Group is a main contractor, also primarily responsible for carrying fit-out and related works for a casino gaming area within one of the integrated resorts of Customer A in Macau over the duration of nine months from March 2015 to December 2015. While for FY2016, our Group derived approximately MOP38.3 million in revenue from our largest fitting-out contract in terms of revenue, representing approximately 33.4% of our total revenue for FY2016. Such contract was with Customer A, whereby our Group is a main contractor, primarily responsible for carrying fit-out and related works for a casino VIP casino gaming area within one of the integrated resorts of Customer A in Macau over the duration of three months from November 2016 to January 2017.

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The following table sets forth a breakdown of the number of projects which our Group derived revenue from fitting-out services from during FY2015 and FY2016 by range of original contract sum without taking into account variation orders:

	FY2015		FY2016	
	<i>MOP 'million</i>	<i>Number of project(s)</i>	<i>MOP 'million</i>	<i>Number of project(s)</i>
Original contract sum				
MOP10.0 million to below				
MOP50.0 million	77.2	5	84.6	6
MOP1.0 million to below				
MOP10.0 million	28.5	12	23.8	9
Below MOP1.0 million	<u>2.6</u>	<u>38</u>	<u>1.8</u>	<u>9</u>
Total revenue/number of projects^(Note)	<u><u>108.3</u></u>	<u><u>55</u></u>	<u><u>110.2</u></u>	<u><u>24</u></u>

Note: There were 12 projects which our Group derived revenue from during both FY2015 and FY2016.

For FY2015, out of approximately MOP108.3 million of revenue from fitting-out services, (i) approximately MOP77.2 million was derived from contracts with original contract sum between MOP10.0 million to below MOP50.0 million; (ii) approximately MOP28.5 million was derived from contracts with original contract sum between MOP1.0 million to below MOP10.0 million; and (iii) approximately MOP2.6 million was derived from contracts with original contract sum below MOP1.0 million.

For FY2016, out of approximately MOP110.2 million of revenue from fitting-out services, (i) approximately MOP84.6 million was derived from contracts with original contract sum between MOP10.0 million to below MOP50.0 million; (ii) approximately MOP23.8 million was derived from contracts with original contract sum between MOP1.0 million to below MOP10.0 million; and (iii) approximately MOP1.8 million was derived from contracts with original contract sum below MOP1.0 million.

In addition to the above, the slight increase in revenue recognised by our Group of approximately MOP1.9 million was partly attributable to (i) while maintaining similar revenue level derived from Customer A of over MOP95.0 million for each of FY2015 and FY2016, our Group has increased our revenue derived from Customer B from approximately MOP15.5 million for FY2015 to approximately MOP18.1 million for FY2016; (ii) the growth experienced by the fitting out industry in Macau as further detailed in the “Industry Overview” section; (iii) the increase in revenue derived from retail areas fitting-out contracts for FY2016 compared to that of FY2015; and (iv) our Group’s efforts in expanding the customer base. Given the size of our fitting-out contracts varied from project to project, sizeable fitting-out contracts awarded and undertaken in a given financial year would also have an effect on our revenue.

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Direct costs

Our direct costs were approximately MOP85.9 million and MOP84.9 million for FY2015 and FY2016, respectively. Our direct costs for FY2015 mainly consisted of approximately 59.5% of subcontracting fees, approximately 24.2% of material costs and approximately 15.1% of direct labour costs, whereas for FY2016, our direct costs mainly consisted of approximately 65.3% of subcontracting costs, approximately 17.0% of material costs and approximately 16.6% of direct labour costs.

The amount of subcontracting costs, material costs and direct labour costs may vary from project to project, depending on (i) the volume of work subcontracted to and materials procured by our subcontractors (if any); and (ii) the extent of work undertaken by our own workers which would involve procurement of materials by us and settlement of our own labour costs. The total amount of subcontracting fees, materials costs and direct labour costs remained largely stable at MOP84.9 million for FY2015 and approximately MOP84.0 million for FY2016.

Gross profit and gross profit margin

Our gross profit increased by approximately MOP1.7 million or 6.2% from approximately MOP28.1 million for FY2015 to approximately MOP29.8 million for FY2016, while our gross profit margin remained largely stable at approximately 24.6% and 26.0% for FY2015 and FY2016, respectively.

For FY2015 and FY2016, we derived approximately 96.0% and 97.0% of gross profit from our fitting-out contracts, of which (i) approximately MOP18.8 million and MOP18.7 million was from our casino fitting-out contracts, represented a gross profit margin of approximately 25.2% and 29.6%, respectively; and (ii) approximately MOP8.2 million and MOP10.2 million was from our other fitting-out contracts (including retail areas, hotels, restaurants, commercial properties and residential properties) at gross profit margin of approximately 24.2% and 21.7%, respectively. For FY2015 and FY2016, our casino fitting-out contracts contributed approximately 69.6% and 64.7% of the gross profit derived from our fitting-out contracts, thus had contributed notably towards our gross profit margin.

Other income

Our other income increased by approximately MOP24,000 from approximately MOP59,000 for FY2015 to approximately MOP83,000 for FY2016. Such increase was mainly attributable to the increase in (i) interest income of approximately MOP4,000; (ii) refund project cost of approximately MOP3,000; and (iii) project management income of approximately MOP30,000, which was partially offset by the decrease in sundry income of approximately MOP13,000.

In view of that other income of approximately MOP59,000 and MOP83,000 for FY2015 and FY2016 represented less than 0.1% of the total revenue for FY2015 and FY2016, respectively, as a percentage to total revenue of our Group, the amount of other income for each of FY2015 and FY2016 as well as the year-on-year movement is largely insignificant.

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Administrative expenses

Our administrative expenses were largely stable at approximately MOP8.7 million and MOP9.0 million for FY2015 and FY2016, respectively. For FY2015 and FY2016, the largest two items in the administrative expenses were employee benefit expenses and rental expenses, which in aggregate contributed to approximately MOP6.2 million and MOP6.4 million, representing approximately 71.3% and 71.1% of our total administrative expenses, respectively. The remaining administrative expenses mainly consisted of marketing expenses, general expenses and office expenses.

Finance costs

Our finance costs decreased by approximately MOP83,000 from approximately MOP159,000 for FY2015 to approximately MOP76,000 for FY2016. Such decrease was mainly attributable to the decrease in interest expenses of approximately MOP86,000, which was partially offset by the increase in bank charges of approximately MOP3,000.

In view of that finance costs of approximately MOP159,000 and MOP76,000 for FY2015 and FY2016, respectively, represented less than 0.2% of our Group’s total operating costs, being the aggregate of direct costs, administrative expenses and finance costs, for FY2015 and FY2016, respectively, as a percentage to our Group’s total operating costs, finance costs for each of FY2015 and FY2016 as well as the year-on-year movement was largely insignificant.

Income tax

Our income tax increased by approximately MOP0.5 million or 21.7% from approximately MOP2.3 million for FY2015 to approximately MOP2.8 million for FY2016. Such increase was mainly attributable to the increase in our profit before taxation from approximately MOP19.3 million for FY2015 to approximately MOP20.8 million for the year ended 31 December 2016. Our effective tax rate for FY2015 was approximately 11.9% which was generally in line with the Macau Complementary Tax rate of 12.0%. For FY2016, our effective tax rate increased to approximately 13.7%, which was mainly due to increase in non tax deductible expenses.

Profit for the year and net profit margin

As a result of the foregoing factors, our profit for the year increased by approximately MOP1.0 million or 5.6% from approximately MOP17.0 million for FY2015 to approximately MOP18.0 million for FY2016. Our net profit margin increased from approximately 14.9% for FY2015 to approximately 15.7% for FY2016, which was primarily attributable to (i) the change in our revenue mix; and (ii) our direct costs composition.

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LIQUIDITY AND CAPITAL RESOURCES

During the Track Record Period, our operations were generally financed through a combination of internally generated cash flows and borrowings from banks. The Directors believe that in the long term, our operations will be funded by internally generated cash flows and bank borrowings, the [REDACTED] from the [REDACTED] and, if necessary, additional equity financing when the needs come.

Summary of cash flow movements

The following table sets forth a summary of our Group's consolidated statements of cash flows during the Track Record Period:

	Year ended 31 December			
	2015	2016	2017	2018
	MOP'000	MOP'000	MOP'000	MOP'000
Net cash from/(used in) operating activities	17,288	(944)	8,091	30,557
Net cash used in investing activities	(3,825)	(4,739)	(7,482)	(37,938)
Net cash (used in)/from financing activities	(5,133)	(515)	7,534	3,963
Net increase/(decrease) in cash and cash equivalents	8,330	(6,198)	8,143	(3,418)
Cash and cash equivalents at the beginning of the year	4,638	12,968	6,770	14,913
Cash and cash equivalents at the end of the year	12,968	6,770	14,913	11,211

Net cash from/used in operating activities

We derived cash inflow from operating activities primarily from the receipt of payments from our contract works. Our cash outflow from operations primarily included subcontracting costs, material costs and direct labour cost, and all other operating expenses such as employee benefits expenses and rental expenses and marketing expenses. In addition to the above, our cash from/used in operations also take into account movements in working capital which primarily consisted of (i) movement in trade receivables, other receivables, deposits and prepayments; (ii) movement in contract assets/liabilities, net; and (iii) movement in trade and other payables and accruals.

For FY2015, our net cash from operating activities was approximately MOP17.3 million and our operating cash flows before movements in working capital was approximately MOP19.9 million. The net cash from operating activities was mainly attributable to the combined effect of (i) our profit before taxation of approximately MOP19.3 million; (ii) increase in other receivables, deposits and other prepayments of approximately MOP12.9 million; (iii) decrease in trade receivables of approximately

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MOP6.3 million; (iv) increase in trade and other payables and accruals of approximately MOP9.2 million; and (v) cash outflow as a result of the decrease in contract assets/liabilities, net of approximately MOP5.2 million.

For FY2016, our net cash used in operating activities was approximately MOP0.9 million and our operating cash flows before movements in working capital was approximately MOP21.3 million. The net cash used in operating activities was mainly attributable to the combined effect of (i) our profit before taxation of approximately MOP20.8 million; (ii) increase in trade receivables of approximately MOP27.6 million; (iii) increase in other receivables, deposits and prepayments of approximately MOP4.8 million; (iv) increase in cash generated from the movement to contract assets/liabilities, net of approximately MOP8.3 million; and (v) increase in trade and other payables and accruals of approximately MOP2.8 million. As set out above, the main reason for our net cash used in operating activities despite recording a profit before taxation of approximately MOP20.8 million was the increase in trade receivables of approximately MOP27.6 million from 31 December 2015 to 31 December 2016, being primarily attributable to (i) the trade receivables outstanding as at 31 December 2015 having been settled; and (ii) the amount billed to a customer for one casino fitting-out contract in FY2016 remained outstanding, as at 31 December 2016.

For FY2017, our net cash from operating activities was approximately MOP8.1 million and our operating cash flows before movements in working capital was approximately MOP34.7 million. The net cash from operating activities was mainly attributable to the combined effect of (i) our profit before taxation of approximately MOP29.7 million positively adjusted by approximately MOP4.4 million attributable to the share-based payments, being a non-cash item; (ii) increase in trade receivables of approximately MOP20.5 million; (iii) increase in other receivables, deposits and prepayments of approximately MOP17.9 million; (iv) increase in trade and other payables and accruals of approximately MOP14.5 million; and (v) cash outflow due to the decrease in contract assets/liabilities, net of approximately MOP2.9 million.

For FY2018, our net cash from operating activities was approximately MOP30.6 million and our operating cash flows before movements in working capital was approximately MOP39.5 million. The net cash from operating activities was mainly attributable to the combined effect of (i) our profit before taxation of approximately MOP39.2 million; (ii) decrease in trade receivables of approximately MOP16.9 million; (iii) decrease in other receivables, deposits and prepayments of approximately MOP18.0 million; (iv) decrease in trade and other payables and accruals of approximately MOP4.9 million; and (v) net cash outflow from the movement to contract assets/liabilities of approximately MOP30.7 million.

Net cash used in investing activities

During the Track Record Period, our cash used in investing activities was primarily for advance to related parties, the remaining usage included (i) purchases of property and equipment; (ii) deposit paid for acquisition of property and equipment; (iii) placement of pledged bank deposits; and (iv) advance to related parties. Our cash generated from investing activities primarily represented proceeds from bank interest received and repayment from related party.

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For FY2015, we recorded net cash used in investing activities of approximately MOP3.8 million, which was attributable to (i) our purchases of property and equipment of approximately MOP0.4 million; and (ii) advance to related parties of approximately MOP3.4 million.

For FY2016, we recorded net cash used in investing activities of approximately MOP4.7 million, which was attributable to (i) our deposit paid for acquisition of property and equipment of approximately MOP0.6 million; and (ii) advance to related parties of approximately MOP4.2 million.

For FY2017, we recorded net cash used in investing activities of approximately MOP7.5 million, which was attributable to (i) our purchases of property and equipment of approximately MOP0.2 million; (ii) placement of pledged bank deposits of approximately MOP2.3 million; and (iii) advance to related parties of approximately MOP4.9 million.

For FY2018, we recorded net cash used in investing activities of approximately MOP37.9 million, which was primarily attributable to (i) advance to related parties of approximately MOP36.5 million; and (ii) our purchases of property and equipment of approximately MOP1.6 million.

Net cash used in/from financing activities

During the Track Record Period, our cash outflow for financing activities mainly included advance from related parties, repayment to related parties, repayment of bank borrowings, dividends paid and interest paid, while our cash inflow from financing activities mainly included new bank borrowings and advance from related parties.

For FY2015, we recorded net cash used in financing activities of approximately MOP5.1 million, primarily as a result of (i) repayment to related parties of approximately MOP1.1 million; (ii) repayment of bank borrowings of approximately MOP7.4 million; and (iii) new bank borrowings raised of approximately MOP4.1 million.

For FY2016, we recorded net cash used in financing activities of approximately MOP0.5 million, primarily as a result of repayment of bank borrowings of approximately MOP1.2 million and dividend payment of approximately MOP0.6 million, which was partially offset by new bank borrowings raised of approximately MOP1.2 million.

For FY2017, we recorded net cash from financing activities of approximately MOP7.5 million, primarily as a result of advance from related parties of approximately MOP2.6 million, and new bank borrowings raised of approximately MOP7.7 million, which was partially offset by repayment of bank borrowings of approximately MOP2.6 million.

For FY2018, we recorded net cash from financing activities of approximately MOP4.0 million, primarily as a result of (i) proceed from issue of shares of approximately MOP15.5 million; and (ii) new bank borrowings raised of approximately MOP10.3 million, which was partially offset by (i) repayment of bank borrowings of approximately MOP12.9 million; (ii)

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acquisition of non-controlling interest of subsidiaries of approximately MOP3.1 million; (iii) repayment to related parties of approximately MOP2.7 million; and (iv) payments of deferred [REDACTED] of approximately of MOP[REDACTED].

NET CURRENT ASSETS

	As at 31 December				As at 31 January
	2015	2016	2017	2018	2019
	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000
					(Unaudited)
Current assets					
Trade receivables	8,639	36,277	56,787	39,869	46,602
Other receivables, deposits and prepayments	13,825	18,645	36,571	22,932	23,247
Contract assets	7,498	2,698	9,102	33,124	29,639
Amount due from related parties	165	–	18,528	23	23
Pledged bank deposits	–	–	2,319	2,339	2,343
Bank balances and cash	<u>12,968</u>	<u>6,770</u>	<u>14,913</u>	<u>11,211</u>	<u>10,316</u>
	43,095	64,390	138,220	109,498	112,170
Current liabilities					
Trade and other payables and accruals	23,280	26,038	40,519	37,298	34,847
Contract liabilities	721	4,181	7,641	993	987
Amount due to related parties	–	161	3,720	6,342	6,342
Tax payable	2,007	4,062	7,875	8,072	8,785
Lease liabilities	–	–	–	–	2,051*
Bank borrowings	<u>–</u>	<u>–</u>	<u>5,137</u>	<u>2,575</u>	<u>2,575</u>
	<u>26,008</u>	<u>34,442</u>	<u>64,892</u>	<u>55,280</u>	<u>55,587</u>
Net current assets	<u>17,087</u>	<u>29,948</u>	<u>73,328</u>	<u>54,218</u>	<u>56,583</u>

* Upon the initial application of HKFRS 16 as at 1 January 2019, our Group recognised lease liabilities of approximately MOP2.1 million. Our Group elected the modified retrospective approach for the application of HKFRS 16 as lessee without restating comparative information.

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As at 31 December 2015, we recorded net current assets of approximately MOP17.1 million. The key components of our current assets as at 31 December 2015 included (i) trade receivables of approximately MOP8.6 million; (ii) other receivables, deposits and prepayments of approximately MOP13.8 million; (iii) contract assets of approximately MOP7.5 million; (iv) amount due from related parties of approximately MOP0.2 million; and (v) bank balances and cash of approximately MOP13.0 million. The key components of our current liabilities as at 31 December 2015 included (i) trade and other payables and accruals of approximately MOP23.3 million; (ii) contract liabilities of approximately MOP0.7 million; and (iii) tax payable of approximately MOP2.0 million.

As at 31 December 2016, we recorded net current assets of approximately MOP29.9 million. The key components of our current assets as at 31 December 2016 included (i) trade receivables of approximately MOP36.3 million; (ii) other receivables, deposits and prepayments of approximately MOP18.6 million; (iii) contract assets of approximately MOP2.7 million; and (iv) bank balances and cash of approximately MOP6.8 million. The key components of our current liabilities as at 31 December 2016 included trade and other payables and accruals of approximately MOP26.0 million, contract liabilities of approximately MOP4.2 million and tax payable of approximately MOP4.1 million.

As at 31 December 2017, we recorded net current assets of approximately MOP73.3 million. The key components of our current assets as at 31 December 2017 included (i) trade receivables of approximately MOP56.8 million; (ii) other receivables, deposits and prepayments of approximately MOP36.6 million; (iii) contract assets of approximately MOP9.1 million; (iv) amount due from related parties of approximately MOP18.5 million; (v) pledged bank deposits of approximately MOP2.3 million; and (vi) bank balances and cash of approximately MOP14.9 million. The key components of our current liabilities as at 31 December 2017 included (i) trade and other payables and accruals of approximately MOP40.5 million; (ii) contract liabilities of approximately MOP7.6 million; (iii) amount due to related parties of approximately MOP3.7 million; (iv) tax payable of approximately MOP7.9 million; and (v) bank borrowings of approximately MOP5.1 million. We intend to settle all outstanding amount due to and from related parties prior to [REDACTED].

As at 31 December 2018, we recorded net current assets of approximately MOP54.2 million. The key components of our current assets as at 31 December 2018 included (i) trade receivables of approximately MOP39.9 million; (ii) other receivables, deposits and prepayments of approximately MOP22.9 million; (iii) contract assets of approximately MOP33.1 million; (iv) pledged bank deposits of approximately MOP2.3 million; and (v) bank balances and cash of approximately MOP11.2 million. The key components of our current liabilities as at 31 December 2018 included (i) trade and other payables and accruals of approximately MOP37.3 million; (ii) amount due to related parties of approximately MOP6.3 million; (iii) tax payable of approximately MOP8.1 million; and (iv) bank borrowings of approximately MOP2.6 million.

As at 31 January 2019, we recorded net current assets of approximately MOP56.6 million. The key components of our current assets as at 31 January 2019 included (i) trade receivables of approximately MOP46.6 million; (ii) other receivables, deposits and prepayments of approximately MOP23.2 million; (iii) contract assets of approximately MOP29.6 million; (iv) pledged bank deposits of approximately MOP2.3 million; and (v)

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bank balances and cash of approximately MOP10.3 million. The key components of our current liabilities as at 31 January 2019 included (i) trade and other payables and accruals of approximately MOP34.8 million; (ii) amount due to related parties of approximately MOP6.3 million; (iii) tax payable of approximately MOP8.8 million; (iv) lease liabilities of approximately MOP2.1 million; and (v) bank borrowings of approximately MOP2.6 million.

ANALYSIS OF VARIOUS ITEMS FROM THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Trade receivables

Trade receivables represent certified work performed by us and billings raised to our customers but not yet settled. Trade receivables increased from approximately MOP8.6 million as at 31 December 2015 to approximately MOP36.3 million as at 31 December 2016, and further increased to approximately MOP56.8 million as at 31 December 2017. The increase in trade receivables from 31 December 2015 to 31 December 2016 was mainly attributable to the trade receivables outstanding as at 31 December 2015 has been settled and the amount billed to a customer for a casino fitting-out contract in FY2016. The increase in trade receivables from 31 December 2016 to 31 December 2017 was mainly attributable to the trade receivables outstanding as at 31 December 2016 has been settled and the amount billed to a customer for three casino fitting-out contracts in FY2017.

We generally offer our customers a credit period of 0 to 30 days from the date of invoice. Prior to taking up a project, we would assess and consider various factors including but not limited to the relevant customer's size and background, credit history, financial condition and reputation, which we consider are essential factors for us to determine the credibility of such customer and the credit terms to be offered to our customer.

The following table sets forth an aging analysis of trade receivables, based on invoice date as at the end of each reporting period:

	As at 31 December			
	2015	2016	2017	2018
	MOP'000	MOP'000	MOP'000	MOP'000
0-30 days	7,000	34,566	42,230	14,013
31-60 days	339	1,634	14,557	14,094
61-90 days	1,300	–	–	10,979
91-365 days	–	77	–	823
	8,639	36,277	56,787	39,909
Less: Impairment loss allowance	–	–	–	(40)
	<u>8,639</u>	<u>36,277</u>	<u>56,787</u>	<u>39,869</u>

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Ageing analysis of trade receivables which are past due but not impaired:

	As at 31 December			
	2015	2016	2017	2018
	MOP'000	MOP'000	MOP'000	MOP'000
1-30 days	339	1,634	14,557	14,094
31-60 days	1,300	–	–	10,979
61-120 days	–	77	–	823
Over 120 days	–	–	–	–
	<u>1,639</u>	<u>1,711</u>	<u>14,557</u>	<u>25,896</u>

As at 31 December 2018, approximately MOP14.1 million of the outstanding trade receivables were past due between 1-30 day, and approximately MOP11.0 million outstanding trade receivables were past due between 31-60 days, the increase in trade receivables, past due but not impaired, was attributable to the notable period-on-period increase in revenue of our Group.

Receivables which were neither past due nor impaired related to a range of customers for whom there was no recent history of default. Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with us. Based on past experience, our management believes that no impairment allowance is necessary in respect of trade receivable balances as at 31 December 2015, 2016 and 2017 as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

The following table sets forth the turnover days of trade receivables during the Track Record Period:

	For the year ended 31 December			
	2015	2016	2017	2018
Trade receivables turnover days ^(Note)	37.8	71.7	89.8	54.0

Note: Trade receivables turnover days is calculated based on the average of the opening and closing trade receivables balances as at the year end divided by revenue for the year, then multiplied by the number of days of the year (i.e. 365 days for a full year).

The trade receivables turnover days increased from approximately 37.8 days for FY2015 to approximately 71.7 days for FY2016. The longer trade receivables turnover days for the year ended 31 December 2016 was mainly attributable to more progress payment applications were certified near the year end of 2016, which resulted in a higher proportion of trade receivables to revenue being recognised in FY2016, as compared to FY2015. The further increase in trade receivables turnover days to approximately 89.8 days for FY2017 was mainly due to more progress payment applications were certified near the year end of

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2017 in relation to three casino fitting-out contracts. The trade receivables turnover days for FY2018 was approximately 54.0 days, being largely in line with the trade receivables turnover days during the three years ended 31 December 2015, 2016 and 2017.

As at the Latest Practicable Date, approximately MOP21.0 million, representing approximately 52.6%, of the trade receivables outstanding as at 31 December 2018 has been settled.

Other receivables, deposits, and prepayments

The following table sets forth a breakdown of other receivables, deposits and prepayments as at the dates indicated:

	As at 31 December			
	2015	2016	2017	2018
	MOP'000	MOP'000	MOP'000	MOP'000
Rental deposits	247	325	236	367
Deposit paid for acquisition of property and equipment	–	607	23	23
Prepayments to subcontractors	11,477	11,589	30,579	18,244
Receivable for billing in advance	2,195	6,616	5,415	–
Other receivables	69	306	482	358
Deferred [REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Prepaid [REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Total	<u>13,988</u>	<u>19,443</u>	<u>36,735</u>	<u>23,172</u>
Presented as non-current assets	163	798	164	240
Presented as current assets	<u>13,825</u>	<u>18,645</u>	<u>36,571</u>	<u>22,932</u>
Total	<u>13,988</u>	<u>19,443</u>	<u>36,735</u>	<u>23,172</u>

Other receivables, deposits, and prepayments mainly included deposit paid for acquisition of property and equipment, prepayments to subcontractors, receivables for billing in advance and deferred [REDACTED]. As at 31 December 2015, 2016, 2017 and 2018, our other receivables, deposits, and prepayments amounted to approximately MOP14.0 million, MOP19.4 million, MOP36.7 million and MOP23.2 million, respectively. The increase in other receivables, deposits, and prepayments from approximately MOP14.0 million as at 31 December 2015 to approximately MOP19.4 million as at 31 December 2016 was mainly attributable to an increase in receivables for receipt in advance from approximately MOP2.2 million to approximately MOP6.6 million. The increase in other receivables, deposits, and prepayments from approximately MOP19.4 million as at 31 December 2016 to approximately MOP36.7 million as at 31 December 2017 was mainly attributable to the significant increase of prepayments to subcontractors which increase from approximately MOP11.6 million to approximately MOP30.6 million. The decrease in other receivables, deposits and prepayments to approximately MOP23.2 million as at 31 December 2018 was

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mainly attributable to (i) the decrease in prepayment to subcontractors from approximately MOP30.6 million as at 31 December 2017 to approximately MOP18.2 million as at 31 December 2018; (ii) the decrease in receivables for billing in advance from approximately MOP5.4 million as at 31 December 2017 to nil as at 31 December 2018; and (iii) the increase in deferred [REDACTED] by approximately MOP[REDACTED] as at 31 December 2018.

Prepayment to our subcontractors

For certain potential sizable fitting-out projects with large contract sums, where we consider a particular subcontractor's services to be important to the potential project and the project schedule is tight, we may, at the request of the subcontractor, make a prepayment representing certain percentage of the contract sum to our subcontractor before the project is awarded to us in order to secure the subcontractor's services to ensure smooth running of the project and better management of our project schedule. The subcontractors we make prepayments to generally have a long business relationship with our Group. We consider this type of prepayment on a case-by-case basis.

As at 31 December 2015, 2016 and 2017, our aggregated prepayment to our subcontractors amounted to approximately MOP11.5 million, MOP11.6 million and MOP30.6 million, respectively. As at 31 December 2016, our aggregated prepayment to our subcontractors amounted to approximately MOP11.6 million, such prepayment was related to two fitting-out contracts. As the relevant subcontractors' works in connection with these two fitting-out contracts have been completed during FY2017, the entire prepayment to subcontractor amount has been utilised and recognised as subcontracting fee during FY2017.

As at 31 December 2017, approximately MOP30.6 million of the prepayment to subcontractor was related to one casino fitting-out contract with Customer A with a contract sum of approximate MOP160.4 million. As the relevant subcontractor's works in connection with the aforesaid fitting-out contracts have been completed in 2018, the entire prepayment to subcontractor amount has been utilised and recognised as subcontracting fee.

As at 31 December 2018, our aggregated prepayment to our subcontractors amounted to approximately MOP18.2 million, such prepayment was mainly related to three fitting-out contracts, of which the relevant subcontractor's works are expected to be completed and recognised as subcontracting fee in FY2019. Out of approximately MOP18.2 million of prepayment recorded as at 31 December 2018, approximately MOP9.1 million, representing approximately 50.0%, has been recognised as expenses as at the Latest Practicable Date.

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Trade and other payables and accruals

Our trade and other payables and accruals mainly comprise of (i) trade payables; (ii) retention payables; and (iii) accruals for construction costs. The following table sets forth a breakdown of our trade and other payables as at the dates indicated:

	As at 31 December			
	2015	2016	2017	2018
	MOP'000	MOP'000	MOP'000	MOP'000
Trade payables	11,262	11,792	19,667	8,238
Retention payables	2,356	3,447	6,019	11,065
Accruals for subcontracting costs ^(Note)	7,925	8,673	13,434	11,762
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Accruals and other payables	<u>1,737</u>	<u>2,126</u>	<u>1,399</u>	<u>1,593</u>
	<u>23,280</u>	<u>26,038</u>	<u>40,519</u>	<u>37,298</u>

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

Trade payables

Trade payables mainly represent payables to subcontractors and material suppliers such as subcontracting costs and material costs. The increase of our trade payables from approximately MOP11.3 million as at 31 December 2015 to approximately MOP11.8 million as at 31 December 2016 was mainly attributable to the increase in payables to our subcontractors, which was in line with the increase in our subcontracting costs. The increase in our trade payables from approximately MOP11.8 million as at 31 December 2016 to approximately MOP19.7 million as at 31 December 2017 was mainly attributable to the increase in payables to our subcontractors as a result of the increase in our subcontracting fees. The trade payables of approximately MOP8.2 million as at 31 December 2018 was mainly attributable to two of our subcontractors related to two casino projects and one hotel project.

Our credit term with suppliers generally ranges from 0 to 30 days. Our credit term with subcontractors generally ranges from 0 days to within 14 days after relevant customer settles our payments.

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

	As at 31 December			
	2015	2016	2017	2018
	MOP'000	MOP'000	MOP'000	MOP'000
0-30 days	3,946	3,748	6,839	202
31-60 days	50	4	3,174	–
61-90 days	–	4	1,618	–
over 90 days	7,266	8,036	8,036	8,036
	<u>11,262</u>	<u>11,792</u>	<u>19,667</u>	<u>8,238</u>

A portion of our trade payables was aged over 90 days as at 31 December 2015, 2016, 2017 and 2018, as it took relatively long period of time for us to liaise with the relevant subcontractors in finalising the amount approved for settlement. The increase in trade payables aged over 90 days from approximately MOP7.3 million as at 31 December 2015 to approximately MOP8.0 million as at 31 December 2016, 31 December 2017 and 31 December 2018 was mainly attributable to the movement in amount due to two of our subcontractors related to two casino projects and one hotel project.

The following table sets forth our trade payables turnover days during the Track Record Period:

	For the year ended 31 December			
	2015	2016	2017	2018
Trade payables turnover days ^(Note)	38.7	49.7	39.9	19.7

Note: Trade payables turnover days is calculated based on the average of the opening and closing trade payables as at the year end divided by cost of sales for the year, then multiplied by the number of days of the year (i.e. 365 days for a full year).

Trade payables turnover days were approximately 38.7 days, 49.7 days, 39.9 days and 19.7 days for FY2015, FY2016, FY2017 and FY2018, respectively. The increase in trade payables turnover days from approximately 38.7 days for the year ended 31 December 2015 to approximately 49.7 days for the year ended 31 December 2016 was mainly due to the average trade payables for FY2016 being higher than that for FY2015. The decrease in trade payables turnover days to approximately 39.9 days for the year ended 31 December 2017 was mainly due to the notable increase of direct costs from approximately MOP84.9 million for FY2016 to approximately MOP143.9 million for FY2017. The trade payables turnover days for FY2018 was approximately 19.7 days, which was primarily attributable to the decrease in the trade payables by approximately MOP11.4 million.

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As at the Latest Practicable Date, approximately MOP0.2 million, representing approximately 2.4%, of the trade payables outstanding as at 31 December 2018 has been settled.

Retention payables

Retention payables represent the retention money from our subcontractors to secure their due performance of contracts. Retention payables are recognised in respect of the retention money we hold, being up to 10.0% of the total contract sum as retention money, which would only be fully released by us upon the expiry of the defects liability period, generally being approximately 12 months from the date of the certificate of practical completion.

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).

Accruals for construction costs

Accruals for construction costs represent construction costs being incurred which are yet to be billed by the subcontractors, increased from approximately MOP7.9 million as at 31 December 2015 to approximately MOP8.7 million as at 31 December 2016 and further to approximately MOP13.4 million as at 31 December 2017. The aforesaid increase was mainly attributable to the increase in subcontracting costs as a result of our increased revenue during the relevant periods. The accruals for construction costs of approximately MOP11.8 million as at 31 December 2018 was mainly attributable to the work done by five of our subcontractors which we have yet to receive the relevant invoices as at 31 December 2018.

The entire amount of approximately MOP11.8 million of accruals for construction costs recorded as at 31 December 2018, representing approximately 100%, has been recognised as trade payables subsequently and was fully settled as at the Latest Practicable Date.

Accruals and other payables

Accruals and other payables mainly included salaries and direct labour payable and other payables. Our accruals and other payables increased from approximately MOP1.7 million as at 31 December 2015 to approximately MOP2.1 million as at 31 December 2016 and decrease to approximately MOP1.4 million as at 31 December 2017. The accruals and other payables increased to approximately MOP1.6 million as at 31 December 2018. Out of approximately MOP1.6 million of accruals and other payables was recorded as at 31 December 2018, and approximately MOP1.5 million, representing approximately 93.8%, has been settled as at the Latest Practicable Date.

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Contract assets and Contract liabilities

	As at 1 January 2015 <i>MOP'000</i>	2015 <i>MOP'000</i>	As at 31 December 2016 <i>MOP'000</i>	2017 <i>MOP'000</i>	2018 <i>MOP'000</i>
Contract assets					
Fitting-out services	2,047	6,722	2,698	9,102	33,193
Repair and maintenance services	—	776	—	—	10
	2,047	7,498	2,698	9,102	33,203
Less: Impairment loss allowance	—	—	—	—	(79)
	<u>2,047</u>	<u>7,498</u>	<u>2,698</u>	<u>9,102</u>	<u>33,124</u>
Contract liabilities					
Fitting-out services	(467)	(721)	(3,189)	(7,641)	(993)
Repair and maintenance services	—	—	(992)	—	—
	<u>(467)</u>	<u>(721)</u>	<u>(4,181)</u>	<u>(7,641)</u>	<u>(993)</u>

Our Group has rights to considerations from customers for the provision of fitting-out services and repair and maintenance services. Contract assets arise when our Group has right to consideration for completion of fitting-out services and repair and maintenance services and not 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 become 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 our Group recognises a contract liability for the difference.

The carrying amounts of contract assets/contract liabilities comprised of retention money of approximately MOP6.5 million, MOP8.9 million, MOP11.1 million and MOP10.6 million as at 31 December 2015, 2016, 2017 and 2018, respectively. The increase in retention money was mainly attributable to our business expansion. During the Track Record Period, our customers usually withheld up to 10% of the total contract sum as retention money. Retention money represents 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 approximately

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12 months from the date of the certificate of practical completion. During the Track Record Period, we did not experience any material difficulties in collecting retention money from our customers.

	As at 31 December			
	2015	2016	2017	2018
	MOP'000	MOP'000	MOP'000	MOP'000
Contract assets (including of retention receivables)	7,498	2,698	9,102	33,124
Retention receivables (as included in contract assets)	(5,386)	(7,963)	(9,582)	(10,337)
Contract assets (excluding of retention receivables) ^(Note)	2,112	(5,265)	(480)	22,787

Note: Comprised of both negative and positive contract asset balances

The increase in contract assets from approximately MOP2.7 million as at 31 December 2016 to approximately MOP9.1 million as at 31 December 2017 and further to approximately MOP33.1 million as at 31 December 2018 was primarily attributable to the increase in fitting-out works performed by us during the relevant period but not yet submitted our payment application and/or been certified by our customers and not yet invoiced by us as well as retention receivable. For FY2015, FY2016, FY2017 and FY2018, our Group recorded revenue of approximately MOP114.0 million, MOP114.7 million, MOP189.1 million and MOP326.8 million, respectively.

Retention receivables amounted to approximately MOP8.0 million as at 31 December 2016, approximately MOP5.2 million was attributable to four casino fitting-out contracts awarded to us by Customer A and Customer B. During FY2017, the entire outstanding retention receivables balance of approximately MOP8.0 million as at 31 December 2016 was released back to our Group after the expiry of the respective defects liability periods.

Retention receivables amounted to approximately MOP9.6 million as at 31 December 2017, approximately MOP6.9 million was attributable to four casino fitting-out contracts awarded to us by Customer A and Customer B. As at 31 December 2018, approximately MOP8.5 million of the outstanding retention receivables balance as at 31 December 2017 was released by our Customers to our Group and the remaining balance of approximately MOP1.1 million is expected to be released by our Customers to our Group after the expiry of the respective defects liability periods.

The increase in retention receivables from approximately MOP9.6 million as at 31 December 2017 to approximately MOP10.3 million as at 31 December 2018 was mainly attributable to one casino fitting-out project which commenced during FY2018, the retention receivables related to such casino fitting-out project amounted to approximately MOP4.1 million as at 31 December 2018. The retention receivables of approximately MOP10.3 million recognised as at 31 December 2018 is expected to be released during the year ending 31 December 2019.

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Our negative contract assets (excluding retention receivables) of approximately MOP5.3 million and MOP0.5 million as at 31 December 2016 and 2017 was primarily attributable to the timing differences related to work performed by our Group and the certification of payment for such works by our customer.

A negative contract asset was recognised when progress payment from a customer of a given contract exceeded the revenue recognised to date under the accounting standards adopted by our Group, in particular, the input method which recognises revenue on the basis of the subject entity's efforts or inputs to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation. Such circumstance arises when, our customers settle the outstanding progress payment, in particular, for projects with tight deadlines, such may include variation orders which our customer placed with us in a short notice that are yet to be completed by us. The negative contract assets would be recognised as revenue upon the completion of both the fitting-out works and related supplementary works under the input method.

As at the Latest Practicable Date, (i) the negative contract assets balance (excluding retention receivables) of approximately MOP5.3 million recorded as at 31 December 2016 has been settled; (ii) the negative contract assets balance (excluding of retention receivables) of approximately MOP0.5 million recorded as at 31 December 2017 has been settled; (iii) the contract assets balance (including of retention receivables) of approximately MOP8.0 million, out of approximately MOP9.1 million recorded as at 31 December 2017, has been settled; and (iv) out of the contract assets balance (including of retention receivables) of approximately MOP33.1 million as at 31 December 2018, approximately MOP20.9 million, representing approximately 62.8% has been settled; and out of the contract assets balance (excluding of retention receivables) of approximately MOP22.8 million as at 31 December 2018, approximately MOP20.3 million, representing approximately 88.6%, has been settled.

Our Directors confirmed that no revenue had been reversed during the Track Record Period subsequent customer certification.

Amounts due from/to related parties/directors

	As at 31 December			
	2015	2016	2017	2018
	MOP'000	MOP'000	MOP'000	MOP'000
Amounts due from related parties	150	–	–	23
Amounts due from Directors	9,073	13,288	18,528	–
Amounts due to related parties	–	149	3,714	6,342
Amounts due to Directors	–	12	6	–

The outstanding amount due from Directors has been settled in full by way of cash and dividend prior to 31 December 2018.

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Please refer to Note 19 to the Accountants’ Report set out in Appendix I to this document for further details. The amounts due from/to related parties and Directors are non-trade, unsecured, interest free and repayable on demand. All outstanding balances with related parties and Directors shall be settled prior to [REDACTED].

Tax payable

Our income taxes paid were assessed and computed by the Financial Services Bureau of the Macau Government (the “**Financial Services Bureau**”) based on the tax returns filed by our Group for the respective years of assessment, which were reported by our Group under general financial reporting standards (in Portuguese, Normas Sucintas de Relato Financeiro, and in Chinese, 一般財務報告準則) issued by the Macau Government under Administrative Regulation No. 25/2005 on 9 December 2005 (the “**Macau FRS**”). Our Group has settled our tax liabilities as required by the then assessment raised by the Financial Services Bureau which amounted to approximately MOP0.8 million and MOP0.8 million for the year of assessment 2015 and 2016, respectively. Tax return filing for the year of assessment 2017 in Macau was made on 19 June 2018 and currently under assessment by the Financial Services Bureau.

Our Group has adopted HKFRS in preparation of the financial information of our Group for the purpose of the [REDACTED] and relevant adjustments (the “**Relevant Adjustments**”) have been made on the management accounts of our Group to arrive at the Accountants’ Report for FY2015, FY2016, FY2017 and FY2018.

For the historical statutory financial information reported by our Group under the Macau FRS, there were timing differences between our Group’s revenue recognition from fitting-out contracts under the Macau FRS and the HKFRS attributable to the difference between (i) the project budget, which were prepared based on the available project information at the relevant time, including the estimation of variation orders and the related costs; and (ii) the actual project costs incurred and revenue recognised.

The Relevant Adjustments were made to the recognition of revenue and direct costs of the projects undertaken by our Group during FY2015 and FY2016 by reference to the stage of completion of the contract activity at the end of each reporting period in accordance with HKFRS 15 “Revenue from Contracts with Customers” to follow HKFRS. Given the passage of time, the information available to our Group as at the Latest Practicable Date enabled the management to reassess the stage of completion based on actual project costs incurred instead of relying solely on project costs estimation at the time. In view of the above, the Relevant Adjustments were attributable to the differences under Macau FRS and the HKFRS.

As a result of the foregoing, the assessable profit of our Group for FY2015 and FY2016 as set out in the Accountants’ Report was higher than the assessable profit as set out in the statutory financial information of WHHE (Macau) which were used in filing tax return to the Financial Services Bureau for the respective years of assessment, and the resulted tax undercharged were approximately MOP1.5 million and MOP1.9 million for the year of assessment 2015 and 2016, respectively. The provisions for the tax undercharged of approximately MOP1.5 million and MOP1.9 million for FY2015 and FY2016, respectively,

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have been made at the Accountants’ Report. For information purposes, the assessable profit as per the tax refiling of WHHE (Macau) amounted to approximately MOP12.1 million and MOP16.1 million for the year of assessment 2015 and 2016, respectively.

Our Group has made a filing to the Financial Services Bureau for tax reassessment for the years of assessment 2015 and 2016 together with the tax return filing for the year of assessment 2017 (the “**Tax Return Filings**”). In this connection, we have received the tax assessment notice* (收益評定通知書) from the Financial Services Bureau dated 20 July 2018, the assessable profits set out in the tax assessment notice is consistent with the amount submitted in Tax Return Filings submitted by our Group. Furthermore, the Controlling Shareholders have agreed to indemnify our Group in respect of any further tax liability and/or the resulting penalty or surcharge as assessed by the Financial Services Bureau in relation to the tax undercharged for the years of assessment prior to the Track Record Period, 2015, 2016, 2017 and 2018 for which our Group may be liable. For details in relation to the indemnity, please refer to the paragraph headed “E. Other Information – 1. Tax and other indemnities” in Appendix IV to this document.

In this connection, our Group has obtained a Macau legal opinion (the “**Macau Legal Opinion**”) issued by the Macau Legal Advisers. According to the Macau Legal Opinion, the Macau Legal Advisers opine that the previously filed Complementary Tax filing of 2015 and 2016 prepared on Macau FRS complied with the tax regulation and our filing for tax reassessment did not constitute a non-compliance under the laws of Macau as it was caused by accounting adjustments following our adoption of HKFRS as mentioned above. Therefore, in the opinion of the Macau Legal Advisers, such accounting adjustments will likely be accepted by the Financial Services Bureau as valid and legal reason for making our filing for tax reassessment. In any case if the Macau Tax Authority considers that penalty is required for the initial tax filings, with reference to Article 64 of the CT Regulation, inaccurate declarations and verified omissions in CT return will result in penalty of MOP100 to MOP10,000; and if the absence, inaccuracy or omission is verified to be deliberate, the range of penalty will be increased to MOP1,000 to MOP20,000. With reference to Article 65 of the CT Regulation, the absence of proper accounting and finance records in accordance with Group A taxpayer requirements will result in penalty of MOP100 to MOP2,000. In this connection, the maximum penalties will be MOP22,000 per annum.

Related party transactions

For FY2015, FY2016, FY2017 and FY2018, the transaction amount between our Group and related parties amounted to approximately MOP0.4 million, MOP0.4 million, MOP1.4 million and MOP0.3 million, respectively. For FY2017, out of the MOP1.4 million, approximately MOP1.0 million was attributable to fees payable to ZHZC for its design support services for our Group. Please refer to the paragraph headed “Related party transactions” in Note 29 of the Accountants’ Report set out in Appendix I to this document for further details.

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Save for amounts due to/from related parties and Directors, our Directors are of the view that the related party transactions were conducted at arm's length and on normal commercial terms and would not distort our results of operations over the Track Record Period or make our historical results over the Track Record Period not reflective of our future performance.

INDEBTEDNESS

	As at 31 December				As at 31 January
	2015	2016	2017	2018	2019
	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000
					(Unaudited)
Secured and guaranteed bank borrowings repayable within one year	–	–	5,137	2,575	2,575
Unsecured and unguaranteed					
Amounts due to related party(ies)	–	149	3,714	6,342	6,342
Amounts due to Directors	–	12	6	–	–

As at 31 December 2015, 2016, 2017 and 2018, our Group had total indebtedness, consisted of secured and guaranteed bank borrowings, unsecured and unguaranteed amounts due to related parties and Directors, of nil, approximately MOP0.2 million, MOP8.9 million and MOP8.9 million. As at 31 January 2019, our Group had total indebtedness of approximately MOP8.9 million. The bank borrowings are at floating rate which carry interest at MOP prime lending rate plus/minus a spread. The effective interest rate on our Group's bank borrowings was approximately 5.75% per annum, 6.08% per annum and 5.75% per annum as at 31 December 2017, 31 December 2018 and 31 January 2019, respectively. The outstanding external indebtedness as at 31 January 2019 were primarily denominated in MOP. As at 31 January 2019, our Group had unutilised banking facilities, include bank loans and overdraft, of approximately MOP10.6 million.

As set out above, our banking facilities which include bank loans and overdraft which are secured by, among others, the pledged deposits and personal guarantee by Mr. Li and Mr. Yu. As pledged deposits are only part of the securities provided to the banks to secure the banking facilities, the balance of pledged deposits is smaller than the amount of banking facilities granted. The banking facilities obtained by us can be utilised as working capital for our Group at our discretion. The use of bank overdrafts over other forms of financing was primarily due to its flexibility given that there are no specific drawdown procedures or requirements.

As at 31 January 2019, our Group has minimum lease payments under lease liabilities of approximately MOP3.9 million.

Our Directors confirm that there was no material delay or default in repayment of our indebtedness, nor breach of any relevant finance covenant on our part, during the Track Record Period and up to 31 January 2019. There was no material covenant relating to our Group's outstanding debts.

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As at 31 January 2019, being the latest practicable date of our indebtedness statement in this document, our Group did not have any other outstanding debt securities or other similar indebtedness, bank overdrafts, borrowings, mortgages, debentures, finance lease or hire purchase commitments, liabilities under acceptances (other than normal trade bills) or acceptance credits or any guarantees or other material contingent liabilities. Save as disclosed under paragraph headed “Indebtedness” in this section, there is no material adverse change in our indebtedness.

Contingent liabilities

As at 31 January 2019, our Group had no significant contingent liabilities or outstanding litigation.

Our Directors confirmed that there has not been any material adverse change in our indebtedness subsequent to the Track Record Period and up to the Latest Practicable Date. Our Directors confirmed that save as disclosed under paragraph headed “Indebtedness” in this section, we have not raised material external debt financing and unlikely to do so in the near future. Our Directors confirmed that we had neither experienced any difficulties in repayment nor breached any major covenant of our banking facilities during the Track Record Period.

WORKING CAPITAL

During the Track Record Period, we met our working capital and other liquidity requirements principally from cash from operations, bank loans and overdrafts and other borrowings.

Taking into account the financial resources available to our Group, including the internally generated funds, our available credit facilities and the estimated [REDACTED] from the [REDACTED], our Directors are of the view that our working capital is sufficient for our present requirements, that is for at least the next 12 months from the date of this document.

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COMMITMENTS

Operating lease commitments

At the end of each reporting period, we had commitments for future minimum lease payments under non-cancellable operating leases:

	Year ended 31 December			
	2015	2016	2017	2018
	MOP'000	MOP'000	MOP'000	MOP'000
Within one year	1,210	1,377	1,016	2,316
In the second to fifth year inclusive	<u>1,043</u>	<u>2,004</u>	<u>1,916</u>	<u>1,866</u>
	<u>2,253</u>	<u>3,381</u>	<u>2,932</u>	<u>4,182</u>

Leases are negotiated for lease terms ranging from one to three years and rentals are fixed throughout the lease period.

DIVIDENDS

During FY2015, FY2016 and FY2017, our subsidiaries declared and distributed dividends of approximately MOP0.6 million, MOP0.6 million and nil, respectively. During FY2018, our Company declared and distributed a dividend of MOP60.0 million. Out of MOP60.0 million dividend declared and distributed during FY2018, (i) approximately MOP53.7 million attributable to Copius Astute were settled through the current account with Mr. Li and the remaining balance of approximately MOP342,000 dividend payable to Copius Astute shall be settled in cash prior to the [REDACTED]; and (ii) MOP6.0 million dividend payable to Fresh Phoenix will be settled in cash prior to the [REDACTED]. Pursuant to our dividend policy, being effective upon [REDACTED], our Board may propose the payment of dividends, if any, on a per share basis, provided that our Group is profitable and without affecting the normal operations and business of our Group, our 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 our Group; (ii) the general business conditions and strategies of our Group; (iii) the expected working capital requirements, capital expenditure requirements and future expansion plans of our Group; (iv) the retained earnings and distributable reserves of our Company and each of the other members of our Group; (v) the level of our Group's debts to equity ratio and return on equity as well as financial covenants to which our Group is subject; (vi) our Group's liquidity position and future commitments at the time of declaration of dividends; (vii) the statutory and regulatory restrictions which our Group is subject to from time to time; (viii) the general economic conditions, business cycle of our Group's business and other internal or external factors that may have an impact on the business or financial performance and position of our Group; and (ix) any other factors that the Board may deem appropriate. Such declaration and payment of dividends by our Company shall remain to be determined at the sole discretion of our 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

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of dividends may or may not reflect the historical declarations and payments of dividends and will be at the absolute discretion of our Directors. Currently, we do not have any predetermined dividend payout ratio.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As at the Latest Practicable Date, our Group did not have any material off-balance sheet arrangements or commitments.

DISTRIBUTABLE RESERVES

Our Company was incorporated on 9 April 2018 and is an investment holding company. There were no reserves available for distribution to the Shareholders as at the Latest Practicable Date.

SUBSEQUENT EVENTS

For significant events that took place subsequent to 31 December 2018, please refer to Note 33 “Subsequent Events” to the Accountants’ Report set out in Appendix I to this document.

KEY FINANCIAL RATIOS

The following table sets forth the key financial ratios of our Group during the Track Record Period:

	As at/For the year ended 31 December			
	2015	2016	2017	2018
Return on total assets (%) ⁽¹⁾	32.0%	22.7%	18.0%	28.5%
Return on equity (%) ⁽²⁾	62.4%	40.3%	33.8%	56.3%
Current ratio (times) ⁽³⁾	1.7	1.9	2.1	2.0
Quick ratio (times) ⁽⁴⁾	1.7	1.9	2.1	2.0
Gearing ratio (%) ⁽⁵⁾	—	—	6.9%	4.6%
Interest coverage (times) ⁽⁶⁾	122.5	275.1	210.4	95.2

Notes:

1. Return on total assets is calculated by dividing profit for the respective year with total assets as at the end of the respective year multiplied by 100%.
2. Return on equity is calculated by dividing profit for the respective year with total equity as at the end of the respective year multiplied by 100%.
3. Current ratio is calculated by dividing total current assets with total current liabilities as at the end of the respective year.
4. Quick ratio is calculated by dividing total current assets minus inventories by total current liabilities as at the end of the respective year.

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5. Gearing ratio is 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.
6. Interest coverage is calculated by dividing profit before interest and tax with interest expenses for the respective year.

Return on total assets

Our return on total assets were approximately 32.0%, 22.7%, 18.0% and 28.5% for FY2015, FY2016, FY2017 and FY2018, respectively. The decrease was mainly attributable to the rate of increase in the expansion of our total asset being greater than the rate of increase of our profit for the respective year between FY2015 to FY2017. Our return on total assets increased from approximately 18.0% for FY2017 to approximately 28.5% for FY2018, such increase was mainly attributable to the combined effect of (i) increase in our profit for the year by approximately MOP6.7 million from approximately MOP25.2 million for FY2017 to approximately MOP31.9 million for FY2018; (ii) increase in contract assets by approximately MOP24.0 million from approximately MOP9.1 million for FY2017 to approximately MOP33.1 million for FY2018; (iii) decrease in trade receivables by approximately MOP16.9 million from approximately MOP56.8 million for FY2017 to approximately MOP39.9 million for FY2018; and (iv) decrease in other receivables, deposits and prepayments by approximately MOP13.7 million from approximately MOP36.6 million for FY2017 to approximately MOP22.9 million for FY2018.

Return on equity

Our return on equity decreased from approximately 62.4% for FY2015 to approximately 40.3% for FY2016, which was mainly due to the increase of total equity from approximately MOP27.3 million for FY2015 to approximately MOP44.7 million for FY2016. Our return on equity decreased to approximately 33.8% for FY2017, which was primarily due to the notable increase in our total equity from approximately MOP44.7 million for FY2016 to approximately MOP74.5 million for FY2017. Our return on equity increased from approximately 33.8% for FY2017 to approximately 56.3% for FY2018, which was primarily attributable to (i) increase in our profit for the year by approximately MOP6.7 million from approximately MOP25.2 million for FY2017 to approximately MOP31.9 million for FY2018; and (ii) the decrease in our total equity from approximately MOP74.5 million for FY2017 to approximately MOP56.6 million for FY2018.

Current ratio and quick ratio

Our current ratio increased from approximately 1.7 times as at 31 December 2015 to approximately 1.9 times as at 31 December 2016, which was mainly attributable to the increase of trade receivables from approximately MOP8.6 million to approximately MOP36.3 million. Our current ratio further increased to approximately 2.1 times in as at 31 December Y2017, which was mainly attributable to the increase in (i) amounts due from related parties of approximately MOP18.5 million; (ii) trade receivables of approximately MOP20.5 million; and (iii) other receivables, deposits and prepayments of approximately MOP17.9 million. Our current ratio decreased from approximately 2.1 times for as at 31 December 2017 to approximately 2.0 times as at 31 December 2018, which was mainly

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attributable to the combined effect of (i) the decrease in other receivables, deposits and prepayments from approximately MOP36.6 million as at 31 December 2017 to approximately MOP22.9 million as at 31 December 2018; (ii) the increase in contract assets from approximately MOP9.1 million as at 31 December 2017 to approximately MOP33.1 million as at 31 December 2018; (iii) the decrease in amount due from related parties from approximately MOP18.5 million as at 31 December 2017 to approximately MOP23,000 as at 31 December 2018; (iv) the decrease in contract liabilities from approximately MOP7.6 million as at 31 December 2017 to approximately MOP1.0 million as at 31 December 2018; and (v) the increase in amount due to related parties from approximately MOP3.7 million as at 31 December 2017 to approximately MOP6.3 million as at 31 December 2018.

Quick ratio is calculated by dividing total current assets minus inventories by total current liabilities as at the end of the respective year/period. The quick ratio is the same as the current ratio since our Group did not maintain any inventory during the Track Record Period.

Gearing ratio

We recorded gearing ratio of nil, nil, approximately 6.9% and 4.6% as at 31 December 2015, 2016, 2017 and 2018, respectively. Our gearing ratio remained as nil because our Group did not have any outstanding bank borrowings as at 31 December 2015 and 2016, respectively. However, our Group did utilise part of our banking facilities during FY2015 and FY2016. As such amounts were respectively repaid prior to 31 December 2015 and 2016, no outstanding bank borrowings were recorded as at 31 December 2015 and 2016, respectively. The increase in gearing ratio to approximately 6.9% was mainly attributable to the outstanding bank borrowings of approximately MOP5.1 million as at 31 December 2017. Our gearing ratio decreased to approximately 4.6% as at 31 December 2018, which was primarily attributable to the total equity of our Group decreased from approximately MOP74.5 million as at 31 December 2017 to approximately MOP56.6 million as at 31 December 2018, while bank borrowings of our Group were at approximately MOP5.1 million and MOP2.6 million as at 31 December 2017 and 31 December 2018, respectively.

Interest coverage

Our interest coverage ratio increased from approximately 122.5 times for the year ended 31 December 2015 to approximately 275.1 times for the year ended 31 December 2016, which was primarily due to the increase in our profit before interest and tax of approximately 7.3% and decrease in our finance costs of approximately 52.2%. Our interest coverage ratio decreased to approximately 210.4 times for the year ended 31 December 2017, which was primarily due to the increase in our finance costs of approximately 86.8% outweighed the increase in our profit before interest and tax of approximately 42.8%. Our interest coverage ratio decreased to approximately 95.2 times for the year ended 31 December 2018, which was primarily due to the increase in our finance costs of approximately 193.0% outweighed the increase in our profit before interest and tax of approximately 32.5%.

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FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Financial risk management objectives and policies

Our Group’s financial instruments include trade receivables, retention receivables and other receivables, amounts due from/to shareholders, pledged bank deposits, bank balances and cash, trade and other payables and accruals, amounts due from/to related parties and bank borrowings. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management of our Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

We are exposed to, among others, currency risk, credit risk and liquidity risk in the normal course of business. Further details on our financial risk management policies and practices are set out under note of the Accountants’ Report headed “Financial risk management objectives and policies” in Appendix I to this document. A summary of which has been set out below.

Currency risk

Our Group entities collect most of the revenue and incur most of the expenditures in their respective functional currencies. Our 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\$.

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

The carrying amounts of our Group’s HK\$ denominated monetary assets and monetary liabilities at the end of each reporting period are as follows:

	As at 31 December			
	2015	2016	2017	2018
	MOP’000	MOP’000	MOP’000	MOP’000
Monetary assets				
HK\$	3,083	3,109	3,477	1,912
RMB	<u>–</u>	<u>–</u>	<u>–</u>	<u>3,692</u>
Monetary liabilities				
HK\$	<u>554</u>	<u>586</u>	<u>7,761</u>	<u>6,007</u>

The financial assets in RMB represents the bank deposit of the PRC subsidiary, ZHZC.

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As the exchange rate of HK\$/MOP is relatively stable, our Group does not expect any significant foreign currency exposure arising from the fluctuation of the HK\$/MOP exchange rates.

Credit risk

Our credit risk is primarily attributable to trade receivables, retention receivables, loan to an associate and amounts due from related parties and bank balances.

Our Group’s maximum exposure to credit risk which will cause a financial loss to our Group due to failure to discharge the obligations by counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statements of financial position at the end of each reporting period.

Our Group has concentration of credit risks with exposure limited to certain customers. The top three debtors comprised 100%, 100%, 93.2% and 100% of our Group’s trade receivables, 100%, 100%, 99.2% and nil of our Group’s receivable for billing in advance and 100%, 100%, 100% and 88.3% of retention money included in contract assets/contract liabilities as at 31 December 2015, 2016, 2017 and 2018, respectively. The management of our Group closely monitors the subsequent settlement of the customers. In this regard, the management of our Group considers that our Group’s credit risk is significantly reduced.

The credit risk for pledged bank deposits and bank balances is considered not material as such amounts are placed in banks with good reputations.

Our Group has concentration of credit risk on amounts due from related parties as at 31 December 2015, 2016, 2017 and 2018. For further details, please refer to note 19 to the Accountants’ Report set out in Appendix I to this document. The management of our Group considers the counterparties with good credit worthiness based on its past repayment history and subsequent settlement.

Liquidity risk

In relation to the management of liquidity risk, with a view to ensure our Group is able to maintain a level of working capital deemed adequate by management to finance our operations, our Group shall adopt a prudent treasury management policy to (i) manage our Group’s funds ensuring that there is no material shortfall in cash which may cause interruption to our Group’s obligations arising from daily business needs; (ii) maintain sufficient level of funds to settle our Group’s commitment as and when they fall due; (iii) maintain adequate liquidity to cover our Group’s operation cash flow, project expenditures and administrative expenses; and (iv) maintain the relevant financing costs at a reasonable level.

As our revenue increased notably over the Track Record Period, our direct costs have also increased notably from approximately MOP85.9 million, MOP84.9 million, MOP143.9 million to MOP258.9 million for FY2015, FY2016, FY2017 and FY2018, respectively. In order to maintain an adequate level of working capital and meet our Group’s ongoing

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business obligations, our Group shall continue to monitor our operating cash flow position, bank balances and cash and bank borrowings as these have been our main drivers of working capital.

In addition, our Group shall adopt the following measures to manage our working capital requirements:

- (i) monitor our cash flow situation at the project level as well as our Group as a whole and adopt a conservative approach on future working capital requirements, commitments and investments, if any;
- (ii) monitor the amount of our unutilised banking facilities;
- (iii) analyse historical timing of payment approval and settlement patterns related to the subject customer, analysing historical credit terms granted by the subject suppliers and/or subcontractors, responding to requests for prepayment from key subcontractors;
- (iv) draw up project budgets to manage working capital requirements on the project level; and
- (v) follow up any long overdue trade receivables with our customers.

Furthermore, as our Group expects to receive estimated [REDACTED] from [REDACTED] of approximately HK\$[REDACTED] (based on the mid-point of the indicative [REDACTED] range of HK\$[REDACTED] per [REDACTED]), our Group will also monitor our future plan in relation to business expansion and the required capital outflow from time to time.

[REDACTED] ADJUSTED NET TANGIBLE ASSETS

The [REDACTED] adjusted net tangible assets attributable to equity shareholders of our Company has been prepared, for the purpose of illustrating the effect of the [REDACTED] as if it had taken place on 31 December 2018. Please see the paragraph headed “[REDACTED]” in Appendix II to this document for details.

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[REDACTED]

For FY2015, FY2016 and FY2017, we did not record any [REDACTED]. The estimated total [REDACTED] to be borne by our Group, which primarily represent professional fees for our [REDACTED] is non-recurrent in nature, has been estimated to be approximately HK\$[REDACTED] (equivalent to approximately MOP[REDACTED]), assuming an [REDACTED] of HK\$[REDACTED] per [REDACTED], being the mid-point of the indicative [REDACTED] range, of which approximately HK\$[REDACTED] (equivalent to approximately MOP[REDACTED]) is directly attributable to the issue of the [REDACTED] to the public and is to be accounted for as a deduction from equity. Approximately HK\$[REDACTED] (equivalent to approximately MOP[REDACTED]) is charged/expected to be charged to our profit or loss during the year ended/ending 31 December 2018 and 2019. For FY2018, we have recorded approximately MOP[REDACTED] of [REDACTED]. For FY2019, it is estimated that the [REDACTED] would be approximately MOP[REDACTED]. Our Board wishes to inform our Shareholders and potential investors that our Group's financial performance and results of operations for FY2019 will continue to be affected by the estimated expenses in relation to the [REDACTED]. It should be noted that the [REDACTED] are current estimate and for references only.

RECENT DEVELOPMENTS AND MATERIAL ADVERSE CHANGE

Based on our Group's unaudited management accounts made up to the period of one month ended 31 January 2019, the unaudited monthly revenue for the one month ended 31 January 2019 was higher than the monthly average revenue for the year ended 31 December 2018, which was mainly attributable to revenue derived from a casino fitting-out contract with Customer A, with an original contract sum of approximately MOP22.7 million.

Subsequent to the Track Record Period and up to the Latest Practicable Date, we had completed 6 fitting-out contracts with an aggregate original contract sum of approximately MOP0.6 million, of which a total of approximately MOP251,000 was recognised during the Track Record Period.

As at the Latest Practicable Date, we had 24 awarded and ongoing fitting-out projects, which include projects that have been commenced but not yet completed and projects that have been awarded but not yet commenced. Among these projects, the top five largest projects by original contract sum had an aggregate original contract sum of approximately MOP330.8 million and an accumulated revenue recognised of approximately MOP181.9 million, inclusive of variation orders, during the Track Record Period. The remaining projects had an aggregate original contract sum of approximately MOP68.1 million and an accumulated revenue recognised of approximately MOP36.6 million, inclusive of variation orders, during the Track Record Period. The total outstanding contract value of these projects to be recognised after 31 December 2018 amounted to approximately MOP204.5 million.

As at the Latest Practicable Date, the aggregate contract sum of the 102 tenders submitted by us which the results are pending amounted to approximately MOP1,545.5 million. Out of these 102 submitted tenders, 3 tenders of which the aggregate contract sum amounted to approximately MOP238.9 million are the earmarked potential projects set out in

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the section headed “Future Plans and [REDACTED] – Earmarked projects” in this document. The aggregate contract sum of the tenders which we intend to submit by the end of FY2019 amounted to not less than MOP274.5 million.

Subject to various factors, including among others, the progress of our fitting-out contracts, the actual level of cost of sales, including subcontracting costs, direct labour costs and material costs, to be incurred by our Group, based on the information available as at the Latest Practicable Date, barring unforeseen circumstances, partly attributable to our ongoing fitting-out contracts, our Directors expected the gross profit margin of our Group for the year ending 31 December 2019 to be broadly in line with the gross profit margin of approximately 20.8% recorded by our Group during the year ended 31 December 2018.

The indebtedness of our Group as at 31 January 2019, being the latest practicable date for determining the amount of indebtedness in this document, amounted to approximately MOP8.9 million. Further details of our Group’s indebtedness statement as at 31 January 2019 are set out under the paragraph headed “Indebtedness” in this section.

Save for the [REDACTED], of which approximately HK\$[REDACTED] (equivalent to approximately MOP[REDACTED]), was charged to our consolidated income statements for the year ended 31 December 2018 and approximately HK\$[REDACTED] (equivalent to approximately MOP[REDACTED]) is expected to be charged to our profit or loss during FY2019, which would in turn adversely impact our Group’s financial results for FY2019, our Directors confirm that, up to the date of this document, there has been no other material adverse change in the financial or trading position or prospects of our Group since 31 December 2018 (being the date to which the latest audited consolidated financial statements of our Group were prepared), and there is no event since 31 December 2018 which would materially affect the information shown in the Accountants’ Report set out in Appendix I to this document.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors have confirmed that as at the Latest Practicable Date, there were no circumstances which would have given rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

FUTURE PLANS AND [REDACTED]

BUSINESS STRATEGIES

The strategies we aim to pursue to further strengthen our market position in the fitting-out industry in Macau include: (i) strengthening our financial position to undertake more sizeable fitting-out projects; (ii) diversifying our customer base; and (iii) strengthening our manpower. For details of our business strategies, please refer to the section headed “Business – Business strategies” in this document.

[REDACTED]

The table below sets forth the estimated [REDACTED] from the [REDACTED] that we will receive after deducting the related [REDACTED] fees and estimated expenses in connection with the [REDACTED]:

[REDACTED]

We intend to apply the [REDACTED] from the [REDACTED] of approximately MOP[REDACTED] (equivalent to approximately HK\$[REDACTED]) for the following purposes assuming the [REDACTED] is not exercised and assuming an [REDACTED] of HK\$[REDACTED] per [REDACTED], being the mid-point of the [REDACTED] range:

(i) **Payment of upfront costs and obtaining performance bonds**

Upfront costs

- Approximately MOP[REDACTED] (equivalent to approximately HK\$[REDACTED]) or approximately [REDACTED] of the [REDACTED] will be used for upfront costs of our projects including (i) prepayment to subcontractors; and (ii) project startup costs, such as subcontracting fees for work done by subcontractors, material costs and direct labour costs.

FUTURE PLANS AND [REDACTED]

Performance bonds

- Approximately MOP[REDACTED] (equivalent to approximately HK\$[REDACTED]) or approximately [REDACTED] of the [REDACTED], will be used for acquiring performance bonds for potential fitting-out projects from new and/or existing customers.

Our potential sizeable projects subsequent to the Track Record Period and up to the Latest Practicable date

As at the Latest Practicable Date, the aggregate contract sum of the 102 tenders submitted by us which the results are pending amounted to approximately MOP1,545.5 million. Out of these 102 submitted tenders, 3 tenders of which the aggregate contract sum amounted to approximately MOP238.9 million are the earmarked potential projects set out in the paragraph headed “[REDACTED] – Earmarked projects” in this section. The aggregate contract sum of the tenders which we intend to submit by the end of FY2019 amounted to not less than MOP274.5 million.

The following table sets forth particulars of our sizeable tenders subsequent to the Track Record Period and up to the Latest Practicable Date, each with original contract sum over MOP10.0 million (in descending order by original contract sum without taking into account any variation orders):

	Main contractor/ subcontractor	Customer	Property type	Status	Expected project commencement date <i>(Note 1)</i>	Original contract sum <i>(Note 2)</i>	Estimated upfront costs <i>(Note 3)</i>	Estimated performance bond amount <i>(Note 4)</i>	Estimated number of staff required
						MOP'000	MOP'000	MOP'000	
1.	Main contractor	New customer	Hotel	Undergoing the fifth round of tender queries	July 2019	602,000	150,500	60,200	145
2.	Main contractor	New customer	Hotel	Undergoing the fifth round of tender queries	June 2019	139,000	34,750	13,900	35
3.	Main contractor	New customer	Retail area	Undergoing the fourth round of tender queries	June 2019	104,000	26,000	10,400	26
4.	Main contractor	New customer	Casino	Undergoing the fourth round of tender queries	May 2019	85,600	21,400	8,560	22
5.	Main contractor	Customer A	Casino	Undergoing the first round of tender queries	April 2019	78,800	19,700	–	22
6.	Main contractor	New customer	Retail area	Undergoing the thirteenth round of tender queries and attended tender interview	May 2019	77,500	19,375	7,750	21
7.	Main contractor	New customer	Commercial property	Undergoing the first round of tender queries	April 2019	68,000	17,000	6,800	18
8.	Main contractor	New customer	Retail area	Undergoing the fourth round of tender queries	June 2019	49,988	12,497	4,999	14

FUTURE PLANS AND [REDACTED]

	Main contractor/ subcontractor	Customer	Property type	Status	Expected project commencement date <i>(Note 1)</i>	Original contract sum <i>(Note 2)</i>	Estimated upfront costs <i>(Note 3)</i>	Estimated performance bond amount <i>(Note 4)</i>	Estimated number of staff required
						MOP'000	MOP'000	MOP'000	
9.	Main contractor	New customer	Restaurant	Undergoing the first round of tender queries	–	48,515	12,129	4,851	14
10.	Main contractor	New customer	Casino	Undergoing the first round of tender queries	April 2019	46,480	11,620	4,648	13
11.	Main contractor	New customer	Casino	Undergoing the third round of tender queries	–	33,890	8,472	3,389	11
12.	Main contractor	Customer B	Hotel	Pending	–	33,480	8,370	–	11
13.	Main contractor	Customer B	Hotel	Undergoing the first round of tender queries	May 2019	22,350	5,588	–	7
14.	Main contractor	Customer A	Commercial property	Undergoing the first round of tender queries	May 2019	17,480	4,370	–	7
15.	Main contractor	New customer	Commercial property	Undergoing the second round of tender queries	May 2019	13,388	3,347	1,339	5
16.	Main contractor	Customer A	Casino	Undergoing the first round of tender queries	–	12,680	3,170	–	5
17.	Main contractor	Customer H	Hotel	Undergoing the second round of tender queries	–	11,901	2,975	–	5
18.	Main contractor	Customer A	Commercial property	Pending	–	10,630	2,658	–	5
19.	Main contractor	Customer B	Retail	Pending	–	10,328	2,582	–	5

Notes:

1. The expected project commencement date is determined based on the information provided by the potential customer. The project commencement date for some projects were not yet available as at the Latest Practicable Date.
2. For the avoidance of doubt, tenders for contracts with original contract sum less than MOP10.0 million are not included in this table.
3. Estimated based on 25% of the expected contract sum.
4. Estimated based on 10% of the expected contract sum.

In the event that our Group does not have sufficient human and/or financial resources at the stated expected project commencement date for the subject project(s), our Directors will negotiate with the contract owner for a delay in commencement of the subject project(s). In the event that such negotiations are not successful and a delay in commencement date cannot be agreed by the relevant parties, our Group may be subject to penalties imposed by the contract owner and/or termination of our contract by the contract owner.

FUTURE PLANS AND [REDACTED]

Earmarked projects

Our Directors have earmarked 6 projects which we intend to apply our [REDACTED] towards fulfilling the relevant upfront costs and performance bonds requirements. Out of the 6 earmarked projects, (i) 3 of the projects have already been awarded to us as at the Latest Practicable Date with aggregate original contract sum of approximately MOP137.5 million; (ii) one of which was a tender submitted to a new customer for a hotel fitting-out contract, of which we were undergoing the fifth round of tender queries as at the Latest Practicable Date; (iii) one of which was a tender submitted to a new customer for a retail area fitting-out contract, of which we were undergoing the thirteenth round of tender queries as at the Latest Practicable Date; and (iv) the remaining tender was related to a hotel contract with Customer B undergoing the first round of tender queries. Based on our Directors' experience, information available as at the Latest Practicable Date and having considered the factors as set out above, such as we have been through various rounds of tender queries for the relevant tenders and our established relationship in the case of the tender with Customer B, our Directors are confident that our Group shall be able to secure these contracts. The following table sets forth particulars of these projects (in descending order by original contract sum without taking into account any variation orders):

	Main contractor/ subcontractor	Customer	Property type	Status	Expected project commencement date (Note 3)	Original contract sum (MOP'000)	Upfront costs (Note 4) (MOP'000)	Performance bonds (Note 5) (MOP'000)
2.	Main contractor	New customer	Hotel	Undergoing the fifth round of tender queries (Note 2)	June 2019	139,000	34,750	13,900
6.	Main contractor	New customer	Retail area	Undergoing the thirteenth round of tender queries and attended tender interview (Note 2)	May 2019	77,500	19,375	7,750
_(Note 1)	Main contractor	Customer D	Commercial property	Successful (Note 6)	June 2019	61,236	15,309	6,124
_(Note 1)	Subcontractor	New customer	Residential	Successful (Note 6)	May 2019	53,240	13,310	5,324
_(Note 1)	Subcontractor	New customer	Residential	Successful (Note 6)	May 2019	23,017	5,754	2,302
13.	Main contractor	Customer B	Hotel	Undergoing the first round of tender queries (Note 2)	May 2019	22,350	5,588	–
Estimated total amount required							94,086	35,400
Estimated [REDACTED] available for upfront costs/ performance bonds							[REDACTED]	[REDACTED]

Notes:

- These projects were awarded during the Track Record Period and as such they were not included in the table of sizeable tenders subsequent to the Track Record Period and up to the Latest Practicable Date set out above.

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2. Should our tender submissions for these potential projects become unsuccessful, we intend to allocate the portion of the [REDACTED] as upfront costs or for obtaining performance bonds for other potential sizeable projects under the table of potential sizeable projects as set out under the paragraph headed "[REDACTED] – Payment of upfront costs and obtaining performance bonds – Our potential sizeable projects subsequent to the Track Record Period and up to the Latest Practicable date" in this section.
3. The expected project commencement date is determined based on the information provided by the potential customer up to the Latest Practicable Date.
4. Estimated based on 25% of the expected original contract sum.
5. Estimated based on 10% of the expected original contract sum.
6. In the event that our Group does not have sufficient human and/or financial resources at the stated expected project commencement date for these projects, our Directors will negotiate with the contract owner for a delay in commencement of the subject project(s). In the event that such negotiations are not successful and a delay in commencement date cannot be agreed by the relevant parties, our Group may be subject to penalties imposed by the contract owner and/or termination of our contract by the contract owner.

Uncertainty involved in predicting the cash flow requirements of our projects

There is inherent uncertainty involved in predicting which projects we are able to secure through the tender/quotation process and when exactly we are required to make available cash for upfront costs and/or performance bonds. The time required to complete a tender/quotation process and the subsequent award of contract varies depending on the customer and the project size. During the Track Record Period, the usual time required before we were notified of the results of a tender/quotation ranged from approximately 2 weeks to 5 months. However, as the project timetable is determined by the customer, the tenders or quotations we submitted or to be submitted going forward may or may not fall within this time frame.

We cannot assure you that our Directors can accurately estimate when the results for the tenders and quotations we submitted or to be submitted are released or when exactly we are required to bear the upfront costs or obtain performance bonds for our projects awarded. These timelines will depend on, among others, (i) the timetable of the potential project which may or may not be available to us before we submit a tender/quotation; (ii) the particular customer's internal arrangement such as when the specific gaming area within a casino is to be launched which may be affected by market conditions and may or may not adhere to the original project timetable provided to us; (iii) the scope of work of the project which may in turn affect whether and when we are required to make prepayments to suppliers for specific fitting-out materials; (iv) our subcontractors' availability which may in turn affect whether and when we are required to make prepayments to them to secure their services; and (v) our negotiation with existing or new customers which may in turn affect whether and when we are required to obtain performance bonds as well as payment terms for our projects.

In the event that our Group does not have sufficient human and/or financial resources at the project commencement date for a project, our Directors will negotiate with the contract owner for a delay in commencement of the subject project. In the event that such negotiations are not successful and a delay in commencement date cannot be agreed by the relevant parties, our Group may be subject to penalties imposed by the contract owner and/or termination of our contract by the contract owner.

FUTURE PLANS AND [REDACTED]

As such, the allocation of [REDACTED] for upfront costs and performance bonds of our projects will be reviewed regularly depending on the projects in our pipeline from time to time. Our Directors estimate that our business will continue to expand steadily in light of our business strategy to strengthen our market position in the fitting-out industry in Macau based on our performance during the Track Record Period and our awarded and ongoing fitting-out projects as at the Latest Practicable Date.

(ii) Strengthening our manpower

- Approximately MOP[REDACTED] (equivalent to approximately HK\$[REDACTED]) or approximately [REDACTED] of the [REDACTED], will be used for further strengthening our manpower by recruiting 36 additional full-time staff in 2019, including 24 project coordinators and project managers, 10 quantity surveying staff and 2 accounting executives. The following table sets out the preferred qualifications, experience and salaries of the 36 additional staff to be recruited with the [REDACTED] from the [REDACTED]:

Total number of additional staff	Position	Hong Kong	Macau	Preferred experience and qualifications	Monthly salary for each staff [REDACTED] (Approximate MOP) (Approximate MOP'000)	[REDACTED]
18	Project coordinators	3	15	<ul style="list-style-type: none"> – High diploma or certificate academic background in related disciplines – Three to four years experience in construction or fitting-out industries 	20,000-30,000	[REDACTED]
6	Project manager	1	5	<ul style="list-style-type: none"> – Minimum eight years' fitting-out projects management experience – Experience in handling large-scale fitting-out project in Macau 	47,000-57,000	[REDACTED]
8	Junior quantity surveying staff	2	6	<ul style="list-style-type: none"> – Diploma in quantity surveying or appropriate academic background in related disciplines 	12,000-23,000	[REDACTED]
2	Senior quantity surveying staff	–	2	<ul style="list-style-type: none"> – Diploma in quantity surveying or appropriate academic background in related disciplines 	36,000-46,000	[REDACTED]

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Total number of additional staff	Position	Hong Kong	Macau	Preferred experience and qualifications	Monthly salary for each staff [REDACTED] (Approximate MOP) (Approximate MOP'000)
2	Accounting executive	2	–	– Higher diploma or above in accounting or finance related disciplines – Over three years accounting experience in construction or engineering industry	20,000-30,000 [REDACTED]

(iii) General working capital

- Approximately MOP[REDACTED] (equivalent to approximately HK\$[REDACTED]) or approximately [REDACTED] of the [REDACTED] to be our general working capital.

There can be no assurance that the [REDACTED] from the [REDACTED] will be sufficient for fully implementing our business expansion plan. For example (i) the upfront cost requirements for projects awarded to us may exceed the [REDACTED] allocated for such purpose as set out above; (ii) the performance bond requirements for projects awarded to us may exceed the [REDACTED] allocated for such purpose as set out above; and (iii) the number of additional staff we intend to recruit may become insufficient as we continue to take up more sizeable projects so that we need to recruit more staff. In the event that the above occurs or that the [REDACTED] is unsuccessful such that the [REDACTED] become unavailable to us, we may continue to implement our business plan through our internal funds and/or seek alternative source of funding at higher finance costs such as obtaining loans from non-traditional financial institutions.

IMPLEMENTATION PLAN

The following table sets forth a summary of our implementation plan from the [REDACTED] up to and including 31 December 2019:

	[REDACTED] MOP'000	Percentage of [REDACTED] %
Payment of project upfront costs	[REDACTED]	[REDACTED]
Obtaining performance bonds	[REDACTED]	[REDACTED]
Strengthening our manpower	[REDACTED]	[REDACTED]
General working capital	[REDACTED]	[REDACTED]
Total	<u>[REDACTED]</u>	<u>[REDACTED]</u>

FUTURE PLANS AND [REDACTED]

From the [REDACTED] to 31 December 2019

Business strategy	Implementation plan	[REDACTED] MOP'000
Strengthening our financial position	● Payment of project upfront costs	[REDACTED]
Diversifying our customer base	● Obtaining performance bonds	[REDACTED]
Strengthening our manpower	● Hiring 18 project coordinators	[REDACTED]
	● Hiring 6 project manager	
	● Hiring 8 junior quantity surveying staff	
	● Hiring 2 senior quantity surveying staff	
	● Hiring 2 accounting executive	

The above allocation of the [REDACTED] from the [REDACTED] will be adjusted on a pro rata basis in the event that the [REDACTED] is fixed at the high-end or the low-end compared to the mid-point of the indicative [REDACTED] range.

In the event that the [REDACTED] is exercised in full, we intend to apply the additional [REDACTED] from the [REDACTED] for the above uses in the same proportions stated above.

To the extent that the [REDACTED] of the [REDACTED] which are not immediately applied for the above purposes, we currently intend to deposit such [REDACTED] into interest-bearing bank accounts with licensed banks and/or financial institutions in Macau and/or Hong Kong.

We will issue an announcement in the event that there is any material change in the [REDACTED] of the [REDACTED] as set out above.

REASONS FOR THE [REDACTED]

According to the Frost & Sullivan Report, the revenue of the fitting-out industry in the commercial segment is forecasted to keep a steady growth. By the end of 2022, the revenue of the fitting-out industry in the commercial segment is likely to reach approximately MOP6,557.5 million, with a CAGR of approximately 7.1% from 2018 to 2022. Driven by the forecasted growth in the fitting-out industry in Macau, our Directors expect our business to expand steadily going forward.

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Taking advantage of the forecasted growth in the fitting-out industry in Macau, we aim to further strengthen our market position in the fitting-out industry in Macau through (i) strengthening our financial position to undertake more sizeable fitting-out projects; (ii) diversifying our customer base; and (iii) strengthening our manpower. For details on how we intend to implement such strategies, please refer to the paragraph headed “[REDACTED]” in this section.

According to the Frost & Sullivan Report, our Group is the fifth largest fitting-out contractor in Macau in 2017 in terms of revenue, as a number of our competitors are listed companies on the Stock Exchange, our Directors believe that the [REDACTED] of our Shares on the Stock Exchange will facilitate the implementation of our strategies and will further strengthen our market position and market share in the fitting-out industry in Macau for the reasons below.

We have a genuine funding need to expand our business

Our cash level was sufficient to maintain our existing business operation but not adequate for business expansion

We primarily rely on cash generated from our operations and borrowings as our principal source of funds. As at 31 January 2019, our bank balances and cash amounted to approximately MOP10.3 million with unutilised banking facilities of approximately MOP10.6 million. Our bank balances and cash were subject to fluctuations during the Track Record Period and is expected to continue to fluctuate during the course of our business. For details on how we manage our liquidity risk, please refer to the section headed “Financial Information – Financial risk management objectives and policies” in this document. Having considered that (i) our bank and cash balances as at 31 January 2019 only accounted for approximately 2.6% of the aggregate original contract sum of our 24 awarded and ongoing fitting-out projects as at the Latest Practicable Date (being approximately MOP398.9 million); (ii) we have submitted tender/quotation for contracts with aggregate contract sum of approximately MOP1,545.5 million as at the Latest Practicable Date, the results of which are pending; (iii) net cash from operating activities amounted to approximately MOP8.1 million for FY2017 and approximately MOP30.6 million for FY2018; and (iv) based on the financial information for FY2018, our monthly direct costs and administrative expenses already amounted to approximately MOP23.0 million per month, our Directors consider that our Group should maintain a cash level of at least three months of our direct costs and administrative expenses and in view of that our available cash may not be adequate to cater for our business expansion plan. For details of our projects on hand as at the Latest Practicable Date, please refer to the section headed “Business – Our projects – Awarded and ongoing fitting-out projects as at the Latest Practicable Date” in this document.

Our Directors consider that our current cash level would restrict our rate of growth and our ability to further expand by undertaking more sizeable projects with larger contract sums which would inevitably require more available cash for upfront project costs and working capital at the project level. While our Directors consider that our current cash and bank balances will be able to support our existing operations, our cash and bank balances were at a moderate level at approximately MOP10.3 million as at 31 January 2019, and that they cannot provide any significant additional funding for us to fully cater for our increased cash

FUTURE PLANS AND [REDACTED]

flow needs arising from our business expansion in the event our business strategies are fully implemented. We expect that the cash outflow and/or project level working capital requirements for our business operation will further increase correspondingly when the number of sizeable projects we take up increases along with our expansion plan, in particular, our revenue has experienced a compound annual growth rate of approximately 42.1% between the year ended 31 December 2015 and the year ended 31 December 2018, if there is no additional funding from the [REDACTED], our cash balance may not be sufficient to sustain the growth of our business, should there be any unexpected adverse changes to the economy given the ongoing international trade situation and our financial position, nor can we further strengthen our market position in the fitting-out industry in Macau by expanding our market share through undertaking more sizeable fitting-out projects.

We need to bear upfront costs of our potential projects

Due to our business nature, we may experience net cash outflows before we are awarded a project and at the initial stage of a project after its commencement. In general, these upfront costs come in two forms. They include (i) prepayments made to our subcontractors before we are awarded a project in order to secure their services should our tender be successful; and (ii) project startup costs at the initial stage of a project which include subcontracting fees for work done by subcontractors, payments made to suppliers for materials and direct labour costs.

Based on our operations during the Track Record Period, our Directors estimate that we may be required to make prepayments to subcontractors representing approximately 25% of the original contract sum for sizeable projects in order to secure their services. On the other hand, based on our historical operation during the Track Record Period, our Directors estimate that we may be required to bear project startup costs including subcontracting fees for work done by subcontractors, payments made to suppliers for materials and direct labour costs, representing approximately 25% of the original contract sum for sizeable projects with large contract sums for a period of around 3 months.

As our revenue increased throughout the Track Record Period, our Group has been experiencing greater working capital pressure at the project level at the initial stage of projects, in particular, for sizeable projects.

Our customers do not make prepayments to us before project commencement

During the Track Record Period, no prepayments were made by our customers before the commencement of our projects. Therefore, we were unable to make use of such payments to settle upfront costs of our projects such as (i) prepayments made to our subcontractors before we are awarded a project in order to secure their services should our tender be successful; and (ii) project startup costs at the initial stage of a project which in general include subcontracting fees for work done by subcontractors, payments made to suppliers for materials and direct labour costs.

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Further, for our fitting-out projects, we generally submit payment requests to our customers on a monthly basis, which indicates the aggregate percentage of work we have completed as at that date. During the Track Record Period, generally we can only start to submit our first payment request 2 to 4 months after project commencement.

We need to consider tendering for fitting-out projects from new customers that require us to obtain performance bonds

According to the Frost & Sullivan Report, financial capability is one of the key factors that determines the scale of operation and projects which contractors are able to undertake, which further affects potential profitability of the contractors. As such, capital strength is considered to be one of the most important competitive strengths of contractors in the fitting-out industry in Macau. In particular, as performance bonds would typically be required for new contractors with limited past working relationship with the contract owners, our Directors had been hesitant in submitting tenders for projects to new customers which required performance bonds during the Track Record Period. This is reflected in our revenue concentration among our major customers during the Track Record Period.

For FY2015, FY2016, FY2017 and FY2018, revenue attributable to Customer A, being our largest customer during the Track Record Period, amounted to approximately MOP96.2 million, MOP95.9 million, MOP155.4 million and MOP263.9 million, representing approximately 84.4%, 83.6%, 82.2% and 80.8% of our total revenue, respectively. Although our Directors consider that our business is sustainable despite concentration among our major customers during the Track Record Period for the reasons as set out in the section headed "Business – Our customers – Sustainability of our business in view of customer concentration" in this document, we believe it is beneficial and necessary to diversify our customer case in order to capture a larger market share in the fitting-out industry in Macau.

Attributable to our long-term established relationship with both Customer A and Customer B, being our top five customers during the Track Record Period, we were not required to obtain performance bonds for the projects we had undertaken with them during the Track Record Period. Save for customers who are individuals, and engaged us to provide fitting-out services to individual residential properties, the contract sums of which were smaller compared to our other projects and which would unlikely be recurring in nature, during the Track Record Period, we were only able to secure two projects from Customer C and one project from Customer D and Customer I, respectively, that did not require us to provide performance bonds, being our new top five customers during the Track Record Period.

During the Track Record Period, the total contract sum of the projects which we submitted less competitive tender prices due to insufficient financial resources as a result of the requirement of performance bonds amounted to approximately MOP1,540.6 million. While we were still able to secure projects which did not require us to provide performance bonds subsequent to the Track Record Period, our Directors consider that if we were to diversify our customer base to capture a larger market share in the fitting-out industry in Macau and further broaden our revenue base, it is vital to consider tendering for fitting-out projects from new customers that require us to provide performance bonds. During the Track Record Period, we were awarded 3 fitting-out projects that required us to provide

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performance bonds and the total amount of performance bonds to be provided amounted to approximately MOP13.8 million, representing 10% of the original contract sums of such projects. The 3 fitting-out projects consisted of 1 commercial property fitting-out project and 2 residential property fitting-out projects. The commercial property project was awarded by Customer D, being one of our top five customers during the Track Record Period while the 2 residential property fitting-out projects were awarded by a new customer. For details, please refer to the section headed “Business – Our customers – Performance bond” in this document.

We had also tendered for sizeable projects with both existing and new customers subsequent to the Track Record Period which may require us to provide performance bonds, for details, please refer to the paragraph headed “[REDACTED] – Payment of upfront costs and obtaining performance bonds – Our potential sizeable projects subsequent to the Track Record Period and up to the Latest Practicable Date” in this section.

Debt financing does not provide enough funding at reasonable costs for our long term development

As at 31 December 2015, 2016, 2017 and 2018, our bank borrowings were approximately nil, nil, MOP5.1 million and MOP2.6 million, respectively. Our bank borrowings increased and fluctuated over the recent financial years as we partially relied on debt financing to expand our business. As at 31 January 2019, we had only approximately MOP10.6 million of unutilised banking facilities. During FY2017 and FY2018, in view of our funding needs to expand our business, our Directors did consider to obtain further loans from other banks. However, due to a combination of factors, including (i) the lack of substantial assets that our Group could provide as securities for the facilities; (ii) personal guarantees by Mr. Li and Mr. Yu were already used for securing existing banking facilities; and (iii) the lack of previous business relationship with other banks, we were unable to obtain further facilities at acceptable terms. During FY2017, FY2018 and up to the Latest Practicable Date, we had tried to approach three other banks to obtain further banking facilities. However, we were unable to obtain further banking facilities but only managed to obtain a performance bond proposal from one bank offering to provide performance bond to secure our obligations in our projects in the sum of HK\$20 million subject to, among others, the condition that we deposit cash equal to 50% of the performance bond amount to be obtained as security. Although it is our strategy going forward to tender for projects from new customers even if they require us to provide performance bonds, our Directors consider that such performance bond proposal is not desirable given that (i) it would further lower our cash level, which amounted to approximately MOP11.2 million as at 31 December 2018, as the proposal require us to deposit cash equal to 50% of the performance bond amount to be obtained as security; (ii) it would further lower the chance for us to obtain banking facilities from other banks in the future which can provide immediate cash for our business operation with minimal restrictions on the use of funds; and (iii) it would restrict our plan to diversify our customer base as the performance bond obtained can only be made in favour of the six licensed casino gaming operators in Macau and cannot be made in favour of other customers, such as main contractors. Furthermore, given the interest rate hikes by the Federal Reserve of the United States of America since December 2015, our debt financing costs may increase going forward as a result of increase in interest rates. Therefore, our business operation may experience a greater impact if we rely heavily on debt financing.

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In view of the above, our Directors consider that it is in the interests of our Group to proceed with the equity financing by way of the [REDACTED] for the purpose of our business expansion as opposed to debt financing in the long run.

We do not have sufficient manpower to take up more sizeable projects

During the Track Record Period, we did not respond to a total of 9 tender invitations and quotations due to insufficient capital resources and/or manpower capacity. The potential projects were for the provision of fitting-out services for casinos, retail areas, hotels and commercial properties. The aggregate contract value of these potential projects amounted to approximately MOP481.1 million. Out of the 9 projects we did not respond to, 3 projects from a potential new customer had original contract sum of MOP35.0 million, MOP45.0 million and MOP90.0 million, respectively and each required us to provide a performance bond amounting to 10% of the original contract sum. Please refer to the paragraph headed “[REDACTED] – Payment of upfront costs and obtaining performance bonds – Our potential sizeable projects subsequent to the Track Record Period and up to the Latest Practicable Date” in this section for particulars of the sizeable tenders we had submitted and the estimated number of staff required to be deployed should our tender submission for these projects be successful.

We strategically subcontract on-site labour intensive works to our subcontractors, while maintaining overall project management and implementation in-house. We maintain a project management team to oversee each of our fitting-out projects. As such, project management staff and quantity surveying staff are required to constantly monitor our projects at the project sites. As some of our major customers during the Track Record Period are luxury integrated resorts operators, our Directors are of the view that their demand of workmanship and quality of our fitting-out works are high and our continued success is, to a large extent, dependent on our ability to complete high-quality work within the agreed time schedule, which is often under severe time constraint. This is the main reason why it is of significant importance and essential for our Group to maintain the overall project management and implementation functions in-house, including project management staff and quantity surveying staff, even as our business continue to grow as such would enable us to have direct control of the project schedule as well as the ability to manage and monitor the quality of work of our subcontractors on a day-to-day basis.

As at the Latest Practicable Date, we had 80 full-time employees who were directly employed by us in Macau, Hong Kong and the PRC, of which 49 were project management staff and 16 were quantity surveying staff. In line with our business growth, our number of project management staff and quantity surveying staff had been constantly increasing during the Track Record Period and up to the Latest Practicable Date. As at 31 December 2015, we had 20 project management staff, which further increased to 21, 35, 49 and 49 as at 31 December 2016, 2017, 2018 and the Latest Practicable Date, respectively. On the other hand, as at 31 December 2015 and 2016, we had 7 and 6 quantity surveying staff, which further increased to 9, 16 and 16 as at 31 December 2017 and 2018 and the Latest Practicable Date, respectively. For details of our employees, please refer to the section headed “Business – Our employees – Number of employees by function” in this document.

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On the basis that (i) all our project management and quantity surveying staff had been deployed for our 24 awarded and ongoing projects as at the Latest Practicable Date as set out under the section headed “Business – Our projects – Awarded and ongoing fitting-out projects as at the Latest Practicable Date”; and (ii) all our project management and quantity surveying staff were working for not less than 8 hours per working day as a result of the projects allocated to them as at the Latest Practicable Date and that some of them were required to work on several projects simultaneously during the Track Record Period, our Directors consider that our current workforce had been fully deployed.

As at the Latest Practicable Date, the aggregate original contract sum of our 24 awarded and ongoing fitting-out projects amounted to approximately MOP398.9 million. The total outstanding contract value of these projects estimated to be recognised as revenue after FY2018 amounted to approximately MOP204.5 million. Based on internal work allocation and estimation, (i) our current workforce had been fully deployed; and (ii) we will use part of the net [REDACTED] to hire additional project management and quantity surveying staff to work on the earmarked projects as set out under paragraph headed “Earmarked projects” in this section, on this basis, we will be restricted from undertaking more contracts until our current project management and quantity surveying staff are released from the projects they are currently working on and/or our Group increases our existing manpower.

In view of our business expansion plan to undertake more sizeable fitting-out projects, our existing manpower will not be able to cater for the expected increase in number and size of projects. For illustration purposes only, based on information during the Track Record Period and information available to our Directors up to the Latest Practicable Date, as the intended expansion of workforce of 34 additional project management, quantity surveying and project coordinating staff are earmarked to deploy to 3 of our awarded contracts with an aggregate contract sum of approximately MOP137.5 million, our Directors are of the view that the aforesaid 34 additional project management, quantity surveying and project coordinating staff, together with the necessary resources required for contracts of a similar size, shall be able to complete the aforesaid 3 awarded projects with aggregate contract sum of approximately MOP137.5 million as per the agreed project schedules, subject to the actual progress of the respective projects and barring unforeseen circumstances.

We do not rely on our subcontractors to provide project management and quantity surveying staff as it is essential for us to keep project management and implementation functions in-house

For fitting-out projects, subject to the contract size and work scope, we generally designate one or more project manager(s) to supervise the entire project and one or more site manager(s) to oversee the on-site progress. The project manager(s) is responsible for all aspects of the project including, without limitation, general project management, communication with customers and subcontractors, quality control, supervision of work progress, problem solving and budget controlling. The project manager(s) will work together with our project management team, design team and quantity surveying team on the purchase of materials. As a whole, in addition to engaging and managing subcontractors to carry out the fitting-out works, we also assist our customers in all relevant aspects to deliver the final product. Typically, this process involves problem-solving, designing, engineering, planning, coordination and related works. Our Directors believe that these are the crucial

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value-added services that distinguish us from our peers and this is one of the main reasons why we are able to maintain a long and stable business relationship with our major customers, in particular, Customer A and Customer B, whom are group companies of significant market players in the casino gaming industry in Macau. As a result, it is not practical for us to engage subcontractors to provide us with project management and/or quantity surveying staff in handling our projects should the size of our workforce fail to cope with the increase in our number and size of projects.

Enhance our corporate profile, brand awareness and competitiveness

We benefit from an enhanced corporate profile and reinforced brand image

During the Track Record Period, we have established business relationship with major licensed casino gaming operators in Macau. According to the Frost & Sullivan Report, Customer A, Customer B and Customer H, being our top five customers during the Track Record Period, are group companies of three of the six licensed casino gaming operators in Macau, and the shares of their respective holding companies are listed on the Stock Exchange. Based on our past experience serving our top five customers, being listed companies themselves, it is expected that customers tend to give preference to contractors who have a listing status as we believe it is perceived by them that contractors with a listing status have better reputation as listed companies are subject to, as explained below, transparent financial disclosure, internal control requirements and stringent regulatory supervision. This is evidenced by the fact that we are required to respond to our customers whether we are a listed group and information on our cash flow position during the pre-qualification process conducted by our customers as part of the tender/quotation invitation process. We believe that a [REDACTED] status would assist us in reinforcing our brand image, and in enhancing the confidence of our business stakeholders in the fitting-out industry in Macau including customers, suppliers and subcontractors, who we believe, are more willing to establish business relationship with listed companies. After [REDACTED], we also expect to benefit from the perception of other stakeholders in respect of good corporate governance and internal control, and generate reassurance among business stakeholders in the market.

Continuing public scrutiny and regulatory supervision reinforces our internal control

While enhanced internal control can be attained without a [REDACTED] status, our Directors believe that continuing public scrutiny and regulatory supervision will continue to reinforce our endeavours to achieve highest standards of internal control and corporate governance. As a [REDACTED] company, we will continue to be scrutinised by regulators as well as the public. We are also required to ensure full compliance with applicable rules and regulations including the Listing Rules. We will continue to strive to achieve the highest standards of corporate governance and promote transparency following the [REDACTED]. The [REDACTED] can increase corporate transparency of our Group to gain recognition from business stakeholders in the fitting-out industry. With more exposure, higher corporate transparency and higher level of public scrutiny, we believe our Group can deliver greater assurance and credibility to both our existing and potential customers, suppliers and subcontractors and hence become more competitive in the industry and attract more business opportunities. These reinforcements could not be attained without a [REDACTED] status.

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A [REDACTED] status increases our competitiveness and bargaining power

According to the Frost & Sullivan Report, the fitting-out market in Macau is competitive, with approximately 200 participants in the market in 2017, and within such highly competitive industry, some of our competitors, being listed companies on the Stock Exchange, may enjoy an advantage over us given their listing status as detailed above. Our Directors are of the view that such competitive advantages which our listed competitors have over us place our Group in a disadvantaged position especially when we are competing for sizeable fitting-out contracts from new customers, of whom we have not worked with previously.

In addition, our Directors believe that our Group may be able to negotiate more favourable terms from our suppliers, such as longer credit terms and higher credit limit, after the [REDACTED] with the benefit of enhanced confidence and transparency on our Group’s financial and operational information as a [REDACTED] company on the Stock Exchange. We may also be able to adopt a more profitable pricing strategy over competitors who do not have a listing status with an enhanced corporate profile and brand image. Our Directors consider the increase in our bargaining power for more favourable terms from our business stakeholders would help us maintain a healthier financial position by reducing our cash flow gap and lowering our reliance on external financing, eventually resulting in an improvement in our gearing and liquidity ratio on a long term basis. Our Directors believe that such improvement would allow us to obtain a more favourable credit period and credit limit from our existing or new suppliers. As a result, we can strengthen our financial resources to improve cash flow mismatch between payment to suppliers and payment from our customers so as to reduce our reliance on bank borrowings and improve our financial position. In the event that obtaining external financing is necessary, our Directors are of the view that we may also benefit from a [REDACTED] status by being able to negotiate better financing terms, such as lower interest rates.

Our Directors are of the view that our Group would not be able to fully implement our business expansion strategy and would not be able to develop our business at our historical growth rate going forward without the substantial new financial resources, namely, the [REDACTED] from the [REDACTED], as we would otherwise be constrained by our existing limited financial resources. While we might have achieved notable business growth during the Track Record Period, our historical growth rate, revenue and profit margin may not be indicative of our future financial performance.

In addition, Shareholders should also note that our future performance will depend on, among others, our ability to secure new contracts, control our costs, market conditions in Macau, and competition among contractors. All these may reduce the number of projects awarded to us and/or limit profit margin of our projects. For details of such risks, please refer to the section headed “Risk Factors – Risks relating to our business” in this document. In view of the positive perception towards a [REDACTED] status by business stakeholders, it is important that our Directors and senior management remain watchful of maintaining our competitiveness in the industry. Given the number of benefits as explained above, our Directors believe that a [REDACTED] status will assist us in achieving continuing business growth.

FUTURE PLANS AND [REDACTED]

Ease of fundraising in the capital market for future business development

Historically, our Group expanded our business using internally generated funds and bank borrowings during the Track Record Period. However, due to our rapid business expansion, we plan to seek equity financing as debt financing does not provide sufficient funding for our operation at reasonable costs for our long term development as discussed above.

The [REDACTED] will allow us to gain access to the capital market for fundraising, and assist our future business development as well as enhancing our competitiveness. We will be able to use secondary fundraising after the [REDACTED] for our future expansion plans and when necessary, through the issuance of equity and/or debt securities. While we will continue to obtain funding in the form of banking facilities after the [REDACTED] alongside with equity financing, our Directors believe that we would be in a better position to negotiate with banks and financial institutions if we are a [REDACTED] company with an enlarged capital base. By strengthening our financial position through fundraising, we will also have more bargaining power when negotiating terms with our suppliers and subcontractors. Our Directors therefore believe that the use of equity financing would avoid the risk of high interest rate generally associated with debt financing which exposes us to increase in financial costs in the future.

Diversifying our shareholder base and accessing fundraising options via equity capital market after [REDACTED]

To further elaborate on the aforesaid reason on how we can gain access to the equity capital market via attaining a [REDACTED] status and by diversifying our shareholder base, our Directors believe that the [REDACTED] will enlarge and diversify our shareholder base as the Shares will be freely traded on the Stock Exchange upon the [REDACTED], such would in turn allow our Group to have the option to raise additional equity funding via rights issue and/or open offer from our then Shareholders subsequent to the [REDACTED] as our continued long term expansion in the future may require further financial resources from time to time. Despite that our Group has expanded over the Track Record Period, our Directors are of the view that our Group would not be able to fully implement our business expansion strategy and would not be able to continue to develop our business at our historical growth rate going forward without substantial new financial resources, namely, the [REDACTED] from the [REDACTED] as we will be constrained by our existing financial resources. As at 31 January 2019, our Group's bank balances and cash, and unutilised banking facilities amounted to approximately MOP20.9 million in aggregate, represented only approximately 0.9 times of the monthly average direct costs and administrative expenses of approximately MOP23.0 million in FY2018, which our Directors considered to be marginally sufficient considering our existing scale of operation, such further demonstrated that our Group's further growth is limited by our current level of financial resources.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

INDEPENDENCE OF THE SOLE SPONSOR

Red Sun Capital Limited, being the Sole Sponsor, satisfies the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules.

[REDACTED]

STRUCTURE AND CONDITIONS OF THE [REDACTED]

[REDACTED]

STRUCTURE AND CONDITIONS OF THE [REDACTED]

[REDACTED]

STRUCTURE AND CONDITIONS OF THE [REDACTED]

[REDACTED]

STRUCTURE AND CONDITIONS OF THE [REDACTED]

[REDACTED]

STRUCTURE AND CONDITIONS OF THE [REDACTED]

[REDACTED]

STRUCTURE AND CONDITIONS OF THE [REDACTED]

[REDACTED]

STRUCTURE AND CONDITIONS OF THE [REDACTED]

[REDACTED]

STRUCTURE AND CONDITIONS OF THE [REDACTED]

[REDACTED]

STRUCTURE AND CONDITIONS OF THE [REDACTED]

[REDACTED]

STRUCTURE AND CONDITIONS OF THE [REDACTED]

[REDACTED]

STRUCTURE AND CONDITIONS OF THE [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

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[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

APPENDIX I

ACCOUNTANTS’ REPORT

The following is the text of a report, prepared for the purpose of incorporation in this document, received from the Company’s reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong.

Deloitte.

德勤

ACCOUNTANTS’ REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF WAI HUNG GROUP HOLDINGS LIMITED AND RED SUN CAPITAL LIMITED

Introduction

We report on the historical financial information of Wai Hung Group Holdings Limited (the “Company”) and its subsidiaries (together, the “Group”) set out on pages I-3 to I-59, which comprise the consolidated statements of financial position of the Group as at 31 December 2015, 2016, 2017 and 2018, and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for each of the four years ended 31 December 2018 (the “Track Record Period”) and a summary of significant accounting policies and other explanatory information (together, the “Historical Financial Information”). The Historical Financial Information set out on pages I-3 to I-59 forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [REDACTED] (the “Document”) in connection with the initial [REDACTED] of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

Directors’ responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in note 1 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants’ responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 “Accountants’ Reports on Historical Financial Information in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

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ACCOUNTANTS' REPORT

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in note 1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Company, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the Group's financial position as at 31 December 2015, 2016, 2017 and 2018, of the Company's financial position as at 31 December 2018 and of the Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation and presentation set out in note 1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-3 have been made.

Dividends

We refer to note 11 to the Historical Financial Information which contains information about the dividends paid by the group entities and the Company in respect of the Track Record Period.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
[REDACTED]

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ACCOUNTANTS’ REPORT

HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants’ report.

The consolidated financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, have been prepared in accordance with the accounting policies which conform with the Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA and were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the “Underlying Financial Statements”).

The Historical Financial Information is presented in Macau Pataca (“MOP”), which is also the functional currency of the Company, and all values are rounded to the nearest thousand (MOP’000) except when otherwise indicated.

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ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December			
	NOTES	2015	2016	2017	2018
		MOP'000	MOP'000	MOP'000	MOP'000
Revenue	5	113,973	114,676	189,111	326,774
Direct costs		<u>(85,885)</u>	<u>(84,860)</u>	<u>(143,924)</u>	<u>(258,865)</u>
Gross profit		28,088	29,816	45,187	67,909
Other income	7	59	83	37	694
Other losses	7	(5)	–	(23)	(79)
Administrative expenses		(8,659)	(8,988)	(15,330)	(16,673)
Finance costs	8	(159)	(76)	(142)	(416)
[REDACTED]		<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>
Profit before taxation	9	19,324	20,835	29,729	39,174
Income tax expense	10	<u>(2,294)</u>	<u>(2,844)</u>	<u>(4,572)</u>	<u>(7,322)</u>
Profit for the year		17,030	17,991	25,157	31,852
Other comprehensive expense					
Item that may be subsequently reclassified to profit and loss:					
Exchange differences arising on translation of foreign operation		<u>–</u>	<u>–</u>	<u>–</u>	<u>(284)</u>
		<u>17,030</u>	<u>17,991</u>	<u>25,157</u>	<u>31,568</u>
Profit for the year attributable to:					
– Owners of the Company		17,030	17,991	23,958	31,831
– Non-controlling interests		<u>–</u>	<u>–</u>	<u>1,199</u>	<u>21</u>
		<u>17,030</u>	<u>17,991</u>	<u>25,157</u>	<u>31,852</u>
Profit and total comprehensive income for the year attributable to:					
– Owners of the company		17,030	17,991	23,958	31,547
– Non-controlling interests		<u>–</u>	<u>–</u>	<u>1,199</u>	<u>21</u>
Total comprehensive income for the year		<u>17,030</u>	<u>17,991</u>	<u>25,157</u>	<u>31,568</u>
Earnings per share	12				
Basic (MOP cents)		<u>5.0</u>	<u>5.3</u>	<u>7.1</u>	<u>8.8</u>

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ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	NOTES	Year ended 31 December			
		2015	2016	2017	2018
		MOP'000	MOP'000	MOP'000	MOP'000
Non-current assets					
Property and equipment	13	973	638	1,020	2,094
Deposits	15	163	798	164	240
Amounts due from related parties	19	9,058	13,288	–	–
		<u>10,194</u>	<u>14,724</u>	<u>1,184</u>	<u>2,334</u>
Current assets					
Trade receivables	14	8,639	36,277	56,787	39,869
Other receivables, deposits and prepayments	15	13,825	18,645	36,571	22,932
Contract assets	16	7,498	2,698	9,102	33,124
Amounts due from related parties	19	165	–	18,528	23
Pledged bank deposits	17	–	–	2,319	2,339
Bank balances and cash	17	12,968	6,770	14,913	11,211
		<u>43,095</u>	<u>64,390</u>	<u>138,220</u>	<u>109,498</u>
Current liabilities					
Trade and other payables and accruals	18	23,280	26,038	40,519	37,298
Contract liabilities	16	721	4,181	7,641	993
Amounts due to related parties	19	–	161	3,720	6,342
Tax payable		2,007	4,062	7,875	8,072
Bank borrowings	20	–	–	5,137	2,575
		<u>26,008</u>	<u>34,442</u>	<u>64,892</u>	<u>55,280</u>
Net current assets		<u>17,087</u>	<u>29,948</u>	<u>73,328</u>	<u>54,218</u>
Net assets		<u>27,281</u>	<u>44,672</u>	<u>74,512</u>	<u>56,552</u>
Capital and reserves					
Share capital	21	3,131	3,131	3,341	–
Reserves		<u>24,150</u>	<u>41,541</u>	<u>67,170</u>	<u>56,552</u>
Equity attributable to owners of the company		27,281	44,672	70,511	56,552
Non-controlling interests		–	–	4,001	–
Total equity		<u>27,281</u>	<u>44,672</u>	<u>74,512</u>	<u>56,552</u>

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ACCOUNTANTS’ REPORT

STATEMENT OF FINANCIAL POSITION

		As at 31 December 2018 MOP’000
	<i>NOTES</i>	
Non-current asset		
Investments in subsidiaries		<u>80,235</u>
Current assets		
Prepayment	15	4,180
Amounts due from subsidiaries	19	24,888
Bank balances and cash	17	<u>97</u>
		<u>29,165</u>
Current liabilities		
Accruals	18	4,640
Amounts due to related parties	19	<u>6,342</u>
		<u>10,982</u>
Net current assets		<u>18,183</u>
Net assets		<u><u>98,418</u></u>
Capital and reserves		
Share capital	21	–
Reserves	31	<u>98,418</u>
Total equity		<u><u>98,418</u></u>

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ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company							Non-controlling interests	Total
	Share capital	Share premium	Legal reserve	Other reserve	Statutory surplus reserve	Translation reserve	Accumulated profits		
	MOP'000	MOP'000	MOP'000 (Note (i))	MOP'000 (Note (ii))	MOP'000 (Note (iii))	MOP'000	MOP'000	MOP'000	MOP'000
At 1 January 2015	3,131	–	500	495	–	–	6,725	10,851	10,851
Profit and total comprehensive income for the year	–	–	–	–	–	–	17,030	17,030	17,030
Dividends paid (note 11)	–	–	–	–	–	–	(600)	–	(600)
At 31 December 2015	3,131	–	500	495	–	–	23,155	27,281	27,281
Profit and total comprehensive income for the year	–	–	–	–	–	–	17,991	17,991	17,991
Dividends paid (note 11)	–	–	–	–	–	–	(600)	–	(600)
At 31 December 2016	3,131	–	500	495	–	–	40,546	44,672	44,672
Profit and total comprehensive income for the year	–	–	–	–	–	–	23,958	23,958	25,157
Issue of shares of Yiu Kwong Decoration Engineering (Macau) Company Limited (“YKDE”)	210	–	–	–	–	–	–	210	300
Recognition of share-based payments of a subsidiary (note 23)	–	–	–	–	–	–	–	4,383	4,383
Change in shareholding in a subsidiary without losing control	–	–	–	1,671	–	–	–	1,671	–
At 31 December 2017 (as originally stated)	3,341	–	500	2,166	–	–	64,504	70,511	74,512
Adjustments (see note 2)	–	–	–	–	–	–	(563)	–	(563)
At 31 December 2017 (restated)	3,341	–	500	2,166	–	–	63,941	69,948	73,949
Profit for the year	–	–	–	–	–	–	31,831	31,831	31,852
Other comprehensive expense for the year	–	–	–	–	–	(284)	–	(284)	(284)
Total profit and other comprehensive (expense) income for the year	–	–	–	–	–	(284)	31,831	31,547	31,568
Dividends distribution (note 11)	–	–	–	–	–	–	(60,000)	–	(60,000)
Transfer upon reorganisation (notes 1(v), (vi) and (vii))	(3,341)	80,235	–	(78,219)	–	–	–	(1,325)	(1,325)
Issue of shares upon share offer to Fresh Phoenix (as defined in note 1(iv)) (note 1(iv))	–	15,450	–	–	–	–	–	15,450	15,450
Change in shareholding in subsidiaries without losing control	–	–	–	932	–	–	–	932	(3,090)
Transfer	–	–	–	–	120	–	(120)	–	–
At 31 December 2018	–	95,685	500	(75,121)	120	(284)	35,652	56,552	56,552

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ACCOUNTANTS’ REPORT

Notes:

- (i) In accordance with the Article 377 of the Commercial Code of Macau Special Administrative Region of the People’s Republic of China (“**Macau**”), the Company registered in Macau is required to transfer part of its profits of each accounting period of not less than 25% to legal reserve, until the amount reaches half of its share capital.
- (ii) Other reserve represents (i) the 99% of equity interest of Wai Hung Hong Decoration and Design Company Limited (“WHHDD”), a group company incorporated in Macau, transferred from Mr. Li Kam Hung (“Mr. Li”), the executive director and controlling shareholder of the Company, to Wai Hung Hong Engineering (Macau) Co., Limited (“WHHE (Macau)”), a group company incorporated in Macau and controlled by Mr. Li, at nil consideration prior to the Track Record Period. Since then, WHHDD has been owned as to 99% by WHHE (Macau) and 1% by Mr. Li; (ii) the transfer of 5% equity of WHHE (Macau) by Mr. Li to the then employee of the Group upon the issuance of share-based payments of WHHE (Macau) resulting a surplus of MOP1,671,000 crediting to other reserve. Details refer to note 23; (iii) the acquisition of 5% WHHE (Macau) and 30% of YKDE (as define in note 1(v)) from a non-controlling shareholder of these entities of which details are disclosed in note 30, during the year ended 31 December 2018, resulting a credit of MOP932,000 crediting to other reserve; (iv) the difference between the aggregate amount of consideration payable to Mr. Li upon the reorganisation stated in note 1(v); and (v) the difference between the aggregate amount of share capital of the Company issued and the net asset values of Loyal Auspicious (as defined in note 1(ii)) and Splendor Haze (as defined in note 1(ii)) in connection with the group reorganisation as disclosed in note 1(vii) on 30 May 2018.
- (iii) The entities established in the People’s Republic of China (the “PRC”) are required to appropriate 10% of its net profit, as determined under the China Accounting Standards for Business Enterprises (2006) and other relevant regulations issued by the Ministry of Finance of the PRC, to the statutory surplus reserve until the balance reaches 50% of the registered capital.

Subject to the approval of equity holders of the entities established in the PRC, statutory surplus reserve may be used to net off with accumulated losses, if any, and may be converted into capital, provided that the balance of statutory surplus reserve after such capitalisation is not less than 25% of the registered capital.

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ACCOUNTANTS' REPORT

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended 31 December			
	2015	2016	2017	2018
	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>
OPERATING ACTIVITIES				
Profit before taxation	19,324	20,835	29,729	39,174
Adjustments for:				
Depreciation	473	418	424	503
Finance costs	159	76	142	416
Loss on written-off of property and equipment	5	–	23	–
Reversal of impairment loss allowance of trade receivables	–	–	–	(523)
Impairment loss allowance of contract assets	–	–	–	79
Bank interest income	(12)	(16)	(22)	(126)
Share-based payments	–	–	4,383	–
Operating cash flows before movements in working capital	19,949	21,313	34,679	39,523
Decrease (increase) in trade receivables	6,344	(27,638)	(20,510)	16,878
(Increase) decrease in other receivables, deposits and prepayments	(12,899)	(4,848)	(17,876)	17,969
(Decrease) increase in contract assets/liabilities, net	(5,197)	8,260	(2,944)	(30,749)
Increase (decrease) in trade and other payables and accruals	9,170	2,758	14,481	(4,896)
Increase (decrease) in amounts due to a related parties	–	–	1,020	(1,020)
Increase in amounts due from a related parties	–	–	–	(23)
Cash generated from (used in) operations	17,367	(155)	8,850	37,682
Income tax paid	(79)	(789)	(759)	(7,125)
NET CASH FROM (USED IN) OPERATING ACTIVITIES	17,288	(944)	8,091	30,557

APPENDIX I

ACCOUNTANTS' REPORT

	Year ended 31 December			
	2015	2016	2017	2018
	MOP'000	MOP'000	MOP'000	MOP'000
INVESTING ACTIVITIES				
Acquisition of a subsidiary	–	–	–	(12)
Purchases of property and equipment	(431)	(83)	(222)	(1,577)
Deposit paid for acquisition of property and equipment	–	(607)	(23)	–
Bank interest received	12	16	22	126
Placement of pledged bank deposits	–	–	(2,319)	(20)
Repayment from related parties	5	165	–	–
Advance to related parties	(3,411)	(4,230)	(4,940)	(36,455)
NET CASH USED IN INVESTING ACTIVITIES	(3,825)	(4,739)	(7,482)	(37,938)
FINANCING ACTIVITIES				
Acquisition of non-controlling interests of subsidiaries	–	–	–	(3,090)
Proceed from issue of shares of the Company	–	–	–	15,450
Payments of deferred [REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Advance from related parties	–	161	2,575	16
Repayment to related parties	(1,102)	–	(36)	(2,716)
Repayment of bank borrowings	(7,392)	(1,212)	(2,575)	(12,862)
New bank borrowings raised	4,120	1,212	7,712	10,300
Interests paid	(159)	(76)	(142)	(416)
Dividends paid	(600)	(600)	–	–
NET CASH (USED IN) FROM FINANCING ACTIVITIES	(5,133)	(515)	7,534	3,963
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	8,330	(6,198)	8,143	(3,418)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	4,638	12,968	6,770	14,913
EFFECT OF FOREIGN EXCHANGE RATE CHANGE	–	–	–	(284)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR				
represented by bank balances and cash	12,968	6,770	14,913	11,211

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ACCOUNTANTS’ REPORT

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. GROUP REORGANISATION AND BASIS OF PREPARATION AND PRESENTATION OF HISTORICAL FINANCIAL INFORMATION

The Company was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Companies Law Chapter 22 of the Cayman Islands on 9 April 2018. The address of the Company’s registered office and the principal place of business is disclosed in the paragraph headed “Corporate Information” to the Document. The immediate holding company is Copious Astute Limited (“Copious Astute”), a limited company incorporated in the British Virgin Islands (the “BVI”), and wholly-owned by Mr. Li.

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

In preparation of the [REDACTED] of the Company’s shares on The Stock Exchange of Hong Kong Limited (the “[REDACTED]”), the companies comprising the Group underwent the reorganisation as described below.

- (i) Copious Astute was incorporated under the laws of the BVI with limited liability on 21 February 2018. On 29 March 2018, 1 share was allotted and issued to Mr. Li for cash consideration at par.
- (ii) Loyal Auspicious Limited (“Loyal Auspicious”) was incorporated under the laws of the BVI with limited liability on 28 February 2018. On 29 March 2018, 1 share was allotted and issued to Mr. Li for cash consideration at par.

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

- (iii) The Company was incorporated as an exempted company in the Cayman Islands on 9 April 2018 with an authorised share capital of Hong Kong Dollar (“HK\$”) 380,000 divided into 38,000,000 shares of HK\$0.01 each. Upon incorporation, (i) one nil-paid share of the Company was allotted and issued to the initial subscriber, an independent third party, and was then transferred to Copious Astute; and (ii) 897 nil-paid shares of the Company were further allotted and issued to Copious Astute.
- (iv) On 27 February 2018, Mr. Leong Lap Kun (“Mr. Leong”), an independent third party not relating to the Group, entered into a subscription agreement with WHHE (Macau) and Mr. Li. Pursuant to the agreement, Mr. Leong agreed to subscribe (through Fresh Phoenix Limited (“Fresh Phoenix”), a company incorporated under the laws of BVI with limited liability and wholly-owned by Mr. Leong) for 100 shares of the Company at cash consideration of HK\$15,000,000. The subscription was completed and settled on 24 April 2018. Upon completion of the subscription, the Company was owned as to 90% by Copious Astute and 10% by Fresh Phoenix.
- (v) On 26 April 2018, Loyal Auspicious acquired 19,999 shares in Wai Hung Hong Engineering Company Limited (“WHHE (HK)”), a company incorporated in Hong Kong, from Mr. Li and 1 share of WHHE (HK) from Mr. Yu Ming Ho (“Mr. Yu”), the executive director of the Company and director of the group entities before the incorporation of the Company who is held such equity interest in WHHE (HK) on trust in favour of Mr. Li, in consideration of which Loyal Auspicious allotted and issued 2 shares of Loyal Auspicious to Mr. Li.

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

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

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

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

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

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

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

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

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

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

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

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

The Historical Financial Information has been prepared based on the accounting policies set out in note 3 which conform with HKFRSs issued by the HKICPA and the principles of merger accounting under Accounting Guideline 5 “Merger Accounting for Common Control Combination” issued by the HKICPA.

The consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the Track Record Period include the results, changes in equity and cash flows of the companies comprising the Group as if the current group structure had

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been in existence throughout the Track Record Period, or since their respective date of incorporation, where there is a shorter period. The consolidated statements of financial position of the Group as at 31 December 2015, 2016 and 2017 have been prepared to present the assets and liabilities of the companies now comprising the Group, as if the current group structure has been in existence as at those dates taking into account the respective dates of incorporation, where applicable.

2. ADOPTION OF NEW AND AMENDMENTS TO HKFRSs

For the purpose of preparing and presenting the Historical Financial Information for the Track Record Period, the Group has consistently applied the accounting policies, including but not limited to HKFRS 15 “Revenue from contracts with customers”, which conform with the HKFRSs issued by the HKICPA that are effective for the accounting period beginning on 1 January 2018 throughout the Track Record Period, except that the Group adopted HKFRS 9 “Financial Instruments” from 1 January 2018. The accounting policies for financial instruments under HKFRS 9 are set out in note 3 below.

HKFRS 9 “Financial Instruments” and the related amendments

In the year ended 31 December 2018, the Group has applied HKFRS 9 and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses (“ECL”) for financial assets and contract assets; and 3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening accumulated profits and other components of equity, without restating comparative information.

Classification and measurement of financial assets

All financial assets and financial liabilities continue to be measured on the same bases as were previously measured under HKAS 39.

Impairment of financial assets and contract assets

As at 1 January 2018, the management of the Group reviewed and assessed the Group’s existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9. The results of the assessment and the impact thereof are detailed below.

Summary of effects arising from initial application of HKFRS 9

The table below illustrates the lifetime ECL of trade receivables and contract assets under HKFRS 9 and HKAS 39 at the date of initial application, 1 January 2018.

	Trade receivables MOP’000	Accumulated profits MOP’000
Closing balance at 31 December 2017 – HKAS 39	56,787	64,504
Effect arising from initial application of HKFRS 9: Remeasurement – impairment under ECL model	(563)	(563)
Opening balance at 1 January 2018	<u>56,224</u>	<u>63,941</u>

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The Group applies simplified approach to measure ECL which uses a lifetime ECL for all trade receivables and contract assets. To measure the ECL, trade receivables and contract assets have been grouped based on shared credit risk characteristics. As at 1 January 2018, the impairment loss allowance on trade receivables of MOP563,000 has been recognised against accumulated profits of MOP563,000.

Loss allowances for other financial assets at amortised cost mainly comprise of other receivables and deposits, amount due from related parties, pledged bank deposits and bank balances and cash, are measured on 12-month ECL basis and there had been no significant increase in credit risk since initial recognition.

For pledged bank deposits and bank balances, the Group only transacts with reputable banks with high credit ratings assigned by international credit-rating agencies and consider the risk of default is regard as low and 12-month ECL is insignificant.

For other receivables and deposits and amounts due from related parties, the management of the Group makes periodic collective as well as individual assessment on the recoverability of other receivables and deposits based on historical settlement records and past experience with available reasonable and supportive forward-looking information. Based on assessment by the management of the Group, the ECL for other receivables and deposits and amounts due from related parties is considered as insignificant.

Impairment loss allowances of trade receivables and contract assets as at 31 December 2017 reconcile to the opening impairment loss allowances as at 1 January 2018 is as follows:

	<i>MOP’000</i>
At 31 December 2017 – HKAS 39	–
Amounts remeasured through opening accumulated profits	<u>563</u>
At 1 January 2018	<u><u>563</u></u>

At the date of the report, the Group has not early applied the following new and amendments to HKFRSs which are not yet effective:

HKFRS 16	Leases ¹
HKFRS 17	Insurance Contracts ³
HK(IFRIC) Interpretations (“HK(IFRIC) – Int”) 23	Uncertainty over Income Tax Treatments ¹
Amendments to HKFRS 3	Definition of a Business ⁴
Amendments to HKFRS 9	Prepayment Features with Negative Compensation ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²
Amendments to HKAS 1 and HKAS 8	Definitions of Material ⁵
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement ¹
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures ¹
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle ¹

¹ Effective for annual periods beginning on or after 1 January 2019.

² Effective for annual periods beginning on or after a date to be determined.

³ Effective for annual periods beginning on or after 1 January 2021.

⁴ Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

⁵ Effective for annual periods beginning on or after 1 January 2020.

HKFRS 16 “Leases”

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 “Leases” and the related interpretations when it becomes effective.

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HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents operating lease payments as operating cash flows. Upon application of HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing and operating cash flows, respectively by the Group.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 December 2018, the Group has non-cancellable operating lease commitments of MOP4,182,000 and MOP413,000 as disclosed in note 24 and note 29, respectively. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16.

In addition, the Group currently considers refundable rental deposits paid of MOP390,000 as rights and obligations under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost and such adjustments are considered as additional lease payments. Adjustments to refundable rental deposits paid would be included in the carrying amount of right-of-use assets.

The Group elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as lease applying HKAS 17 and HK(IFRIC)-Int 4 “Determining whether an arrangement contains a lease” and not apply this standard to contracts that were not previously identified as containing a lease apply HKAS 17 and HK(IFRIC)-Int 4. Therefore, the Group will not reassess whether the contracts are, or contain a lease which already existed prior to the date of initial application. Furthermore, the Group elected the modified retrospective approach for the application of HKFRS 16 as lessee and will recognise the cumulative effect of initial application to opening accumulated profits without restating comparative information.

Furthermore, the application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. The directors of the Company do not anticipate that the application of HKFRS 16 in the future will have a material impact in the Group’s future financial position and performance.

Except as disclosed above, the directors of the Company anticipate that the application of other new and revised HKFRSs and interpretations will have no material impact on the Group’s consolidated financial statements in the future.

3. SIGNIFICANT ACCOUNTING POLICIES

The Historical Financial Information has been prepared in accordance with the following accounting policies which conform with HKFRSs issued by the HKICPA. In addition, the Historical Financial Information includes the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

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The Historical Financial Information has been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in this Historical Financial Information is determined on such a basis, except for share-based payment transaction that are within the scope of HKFRS 2 “Share-based Payment”, leasing transactions that are within the scope of HKAS 17 “Leases”, and measurements that have some similarities to fair value but are not fair value, such as value in use in HKAS 36 “Impairment of Assets”.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies adopted are set out below.

Basis of consolidation

The Historical Financial Information incorporates the financial statements of the entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statements of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group’s accounting policies.

All intra-group assets, liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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Changes in the Group’s ownership interests in existing subsidiaries

Changes in the Group’s ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group’s relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries.

Merger accounting for business combination involving businesses under common control

The Historical Financial Information incorporates the financial statements items of the combining businesses in which the common control combination occurs as if they had been combined from the date when the combining businesses first came under control of the controlling entity.

The net assets of the combining businesses are combined using the existing book values from the controlling party’s perspective. No amount is recognised in respect of goodwill or bargain purchase gain at the time of common control combination, to the extent of the continuation of the controlling party’s interest.

The consolidated statements of profit or loss and other comprehensive income include the results of each of the combining businesses from the earliest date presented or since the date when the combining businesses first came under the common control, where is a shorter period, regardless of the date of the common control combination.

Revenue recognition

Revenue is recognised to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. Specifically, the Group uses a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to customers.

Control of the asset may be transferred over time or at a point in time. Control of the asset is transferred over time if:

- the customer simultaneously receives and consumes the benefits provided by the entity’s performance as the entity performs; or
- the Group’s performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group’s performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the asset.

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Revenue is measured based on the consideration specified in a contract with customer and excluded amounts collected on behalf of third parties. The Group recognises revenue when it transfers control of service to a customer.

The Group recognises revenue from two major sources namely: 1) provision of fitting-out services; and 2) repair and maintenance services.

Provision of fitting-out services and repair and maintenance services

Recognition

The Group provides fitting-out services and repair and maintenance services under contracts with customers. Such contracts are entered into before the fitting-out services and repair and maintenance services begin. Under the terms of the contracts, the Group’s performance creates and enhances an asset that the customers controls which referred as the designated areas where the fitting-out services and repair and maintenance services performed. Revenue from provision of fitting-out services and repair and maintenance services is therefore recognised over time, using the input method. Revenue is recognised for these services based on the stage of completion of the contract. The directors of the Company have assessed that the stage of completion determined as the proportion of the costs incurred for the works (i.e. subcontracting costs materials costs and direct labour costs incurred) performed to date relative to the estimated total costs to complete the satisfaction of these services and the margin of each project, to the extent that the amount can be measured reliably and its recovery is considered probable.

Contract assets/liabilities

The Group has rights to considerations from customers for the provision of fitting-out services and repair and maintenance services. Contract assets arise when the Group has right to consideration for completion of fitting-out services and repair and maintenance services and not 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 become 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.

Existence of significant financing component

In determining the transaction price, the Group adjusts the promised amount of consideration for the effects of the time value of money if the timing of payments agreed (either explicitly or implicitly) provides the customer or the Group with a significant benefit of financing the transfer of goods or services to customer. In those circumstances, the contract contains a significant financing component. A significant financing component may exist regardless of whether the promise of financing is explicitly stated in the contract or implied by the payment terms agreed to by the parties of the contract.

Notwithstanding the above, a contract does not have a significant financing component in circumstances where payment in advance or in arrear are in accordance with the typical payment terms of the relevant industry, which has a primary purpose other than financing.

Property and equipment

Property and equipment are stated at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property and equipment over their estimated useful lives, using the straight-line method. The estimated useful lives and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Impairment loss on assets other than financial assets

At the end of each reporting period, the Group reviews the carrying amount of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Financial instruments (before application of HKFRS 9 on 1 January 2018)

Financial assets and financial liabilities are recognised on the consolidated statements of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

The Group’s financial assets are classified as loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined as the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis, except for short-term receivables where the recognition of interest would be immaterial.

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Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade receivables, other receivables and deposits, amounts due from related parties, pledge bank deposits and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment (see accounting policy on impairment of loans and receivables below).

Impairment of loans and receivables

Loans and receivables are assessed for indicators of impairment at the end of each reporting period. Loans and receivables are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the loans and receivables, the estimated future cash flows of the loans and receivables have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

Objective evidence of impairment for trade receivables could include the Group’s past experience of collecting payments, an increase in the number of delayed payments, observable changes in national or local economic conditions that correlate with default on receivables.

The amount of the impairment loss recognised is the difference between the asset’s carrying amount and the present value of the estimated future cash flows discounted at the financial asset’s original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the group entities are recognised at the proceeds received, net of direct issue costs.

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Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Financial liabilities at amortised cost

The Group’s financial liabilities including trade and other payables and accruals, amounts due to related parties and bank borrowings are subsequently measured at amortised cost, using the effective interest method.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire.

On derecognition of a financial asset, the difference between the asset’s carrying amount and the sum of the considerations received and receivable is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group’s obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liabilities derecognised and the considerations paid and payable is recognised in profit or loss.

Financial instruments (after application of HKFRS 9 on 1 January 2018)

Financial assets and financial liabilities are recognised on the statements of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

Trade receivables arising from contracts with customers are initially measured in accordance with HKFRS 15.

All financial assets are recognised and derecognised on a trade date basis where the purchase or sale of a financial asset is under a contract whose terms require delivery of financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs.

All recognised financial assets are required to be subsequently measured at amortised cost or fair value on the basis of the Group’s business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold the financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on a specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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Amortised cost and effective interest rate

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance.

The effective interest method is a method of calculating the amortised cost of debt instrument and of allocating interest income over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

Impairment of financial assets

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including trade receivables, contract assets, other receivables and deposits, amounts due from related parties, pledged bank deposits and bank balances and cash). The amount of ECL is updated at the end of each reporting period to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group’s historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognise lifetime ECL for trade receivables and contract assets and measures the lifetime ECL on a collective basis for portfolio that share similar economic risk characteristics. The ECL on those financial assets and contract assets are estimated using a provision matrix i.e. analysis of trade-related receivables and contract assets by ageing analysis and apply a probability-weighted estimate of the credit loss within the relevant time band. The probability-weighted estimate of the credit loss is determined based on the Group’s historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as forecast direction of conditions at the end of each reporting period, including time value of money where appropriate.

For all other financial instruments, the Group measures the loss allowance equal to 12-month ECL, unless when there has a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and

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supportable, including historical experience and forward-looking information that is available without undue cost or effort. In particular, the following information is taken into account when assessing whether the credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument’s external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in debtor’s ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; and
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor’s ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if (i) it has a low risk of default; (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term; and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of “investment grade” as per globally understood definitions.

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

- when there is a breach of financial covenants by the counterparty; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

The Group considers that default has occurred when the instrument is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

A financial asset is “credit-impaired” when one or more events that have a detrimental impact on the estimated future cash flows of the financial assets have been occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- Significant financial difficulty of the issuer of the borrower; or
- A breach of contract, such as a default or past due event; or

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- The lender(s) of the borrower, for economic or contractual reasons relating to the borrower’s financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group’s recovery procedures, taking into account legal advice when appropriate. Any recoveries made are recognised in profit or loss.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. As for the exposure at default, for financial assets, this is represented by the assets’ gross carrying amount at the end of each reporting period.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount with the exception of trade receivables and contract assets where the correspondence adjustment is recognised through a loss allowance account.

Where lifetime ECL is measured on a collective basis to cater for cases where evidence of significant increases in credit risk at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments;
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date.

Financial liabilities and equity

Debt and equity instruments that are issued are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

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Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Financial liabilities at amortised cost

The Group’s financial liabilities including trade and other payables and accruals, amounts due to related parties and bank borrowings are subsequently measured at amortised cost, using the effective interest method.

The effective interest method is a method of calculating the amortised cost of financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the amortised cost of a financial liability.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset, the difference between the asset’s carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group’s obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Equity-settled share-based payment transactions

Share award granted to employee

The fair value of services received is determined by reference to the fair value of the equity instrument at the grant date. The fair value of services received is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (other reserve).

Retirement benefits costs

Payments to the Mandatory Provident Fund Scheme (“MPF Scheme”) in Hong Kong and the Social Security Fund Contribution in Macau are recognised as an expense when employees have rendered service entitling them to the contributions.

Employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries and annual leave) after deducting any amount already paid.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

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The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

Taxation

Taxation represents the sum of the income tax expense currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from “profit before taxation” as reported in the consolidated statements of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group’s liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the Historical Financial Information and the corresponding tax bases used in the computation of taxable profits. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each reporting period.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of each reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

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Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, on the retranslation of monetary items are recognised in profit or loss in the period in which they arise.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group’s accounting policies, which are described in note 3, the management of the Group is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following is the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of each reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets within the next twelve months.

Fitting-out and repair and maintenance contracts

The Group reviews and revises the estimated total costs to complete the satisfaction of these services and the margin of each project as the contract progresses. Budgeted costs and margin are prepared by the management of the Group on the basis of quotations from time to time provided by the subcontractors, suppliers or vendors involved and the experience of the management of the Group. In order to keep the budget accurate and up-to-date, the management of the Group conducts periodic reviews of the budgets of contracts by comparing the budgeted amounts to the actual amounts incurred. Such significant estimate may have impact on the profit recognised in each period.

Recognised amounts of revenue from fitting-out and repair and maintenance contracts and related receivables reflect the management’s best estimate of each contract’s outcome and stage of completion, which are determined on the basis of a number of estimates. This includes the assessment of the profitability of on-going fitting-out and repair and maintenance contracts. For more complex contracts in particular, costs to complete and contract profitability are subject to significant estimation uncertainty, the actual outcomes in terms of total cost may be higher or lower than estimated at the end of each reporting period, which would affect the revenue and profit recognised in future years and adjustment to the amounts recorded to date.

5. 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 during the Track Record Period.

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Revenue

Timing of revenue recognition and category of revenue

	Year ended 31 December			
	2015	2016	2017	2018
	MOP'000	MOP'000	MOP'000	MOP'000
Recognised over time and short-term contracts:				
– provision of fitting-out services	108,314	110,247	188,118	326,272
Recognised over time and long-term contracts:				
– provision of repair and maintenance services	5,659	4,429	993	502
	<u>113,973</u>	<u>114,676</u>	<u>189,111</u>	<u>326,774</u>

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.

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.

	As at 31 December			
	2015	2016	2017	2018
	MOP'000	MOP'000	MOP'000	MOP'000
Provision of fitting-out services	16,146	12,584	33,695	162,755
Provision of repair and maintenance services	<u>5,421</u>	<u>922</u>	<u>–</u>	<u>–</u>
	<u>21,567</u>	<u>13,506</u>	<u>33,695</u>	<u>162,755</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 2015, 2016, 2017 and 2018 will be recognised as revenue during the years ended/ending 31 December 2016 to 2019.

Segment information

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

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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

Year ended 31 December 2015

	Fitting-out services <i>MOP’000</i>	Repair and maintenance services <i>MOP’000</i>	Total <i>MOP’000</i>
Segment revenue	<u>108,314</u>	<u>5,659</u>	<u>113,973</u>
Segment results	<u>26,957</u>	<u>1,131</u>	28,088
Other income			59
Other losses			(5)
Administrative expenses			(8,659)
Finance costs			<u>(159)</u>
Profit before taxation			<u>19,324</u>

Year ended 31 December 2016

	Fitting-out services <i>MOP’000</i>	Repair and maintenance services <i>MOP’000</i>	Total <i>MOP’000</i>
Segment revenue	<u>110,247</u>	<u>4,429</u>	<u>114,676</u>
Segment results	<u>28,929</u>	<u>887</u>	29,816
Other income			83
Administrative expenses			(8,988)
Finance costs			<u>(76)</u>
Profit before taxation			<u>20,835</u>

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Year ended 31 December 2017

	Fitting-out services MOP’000	Repair and maintenance services MOP’000	Total MOP’000
Segment revenue	<u>188,118</u>	<u>993</u>	<u>189,111</u>
Segment results	<u>44,988</u>	<u>199</u>	45,187
Other income			37
Other losses			(23)
Administrative expenses			(15,330)
Finance costs			<u>(142)</u>
Profit before taxation			<u>29,729</u>

Year ended 31 December 2018

	Fitting-out services MOP’000	Repair and maintenance services MOP’000	Total MOP’000
Segment revenue	<u>326,272</u>	<u>502</u>	<u>326,774</u>
Segment results	<u>67,802</u>	<u>107</u>	67,909
Other income			694
Other losses			(79)
Administrative expenses			(16,673)
Finance costs			(416)
[REDACTED]			<u>[REDACTED]</u>
Profit before taxation			<u>39,174</u>

The accounting policies of the operating and reportable segments are the same as the Group’s accounting policies described in note 3. Segment results mainly represented profit earned by each segment, excluding other income, other losses, administrative expenses, finance costs, [REDACTED] and income tax expense.

Geographical information

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

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

	As at 31 December			
	2015	2016	2017	2018
	MOP’000	MOP’000	MOP’000	MOP’000
Macau	576	1,032	852	1,189
Hong Kong	560	404	332	1,145
	<u>1,136</u>	<u>1,436</u>	<u>1,184</u>	<u>2,334</u>

Information about major customers

Revenue attributed from customers that accounted for 10% or more of the Group’s total revenue during the Track Record Period is as follows:

	Year ended 31 December			
	2015	2016	2017	2018
	MOP’000	MOP’000	MOP’000	MOP’000
Customer A:				
Revenue from fitting-out services	<u>96,243</u>	<u>95,868</u>	<u>155,431</u>	<u>263,917</u>
Customer B:				
Revenue from fitting-out services	9,834	13,627	N/A*	N/A*
Revenue from repair and maintenance services	<u>5,659</u>	<u>4,429</u>	<u>N/A*</u>	<u>N/A*</u>
	<u>15,493</u>	<u>18,056</u>	<u>N/A*</u>	<u>N/A*</u>

* Less than 10% of the Group’s total revenue

6. DIRECTORS’, CHIEF EXECUTIVE’S AND EMPLOYEES’ EMOLUMENTS

(a) Directors’ and chief executive’s emoluments

Mr. Li and Mr. Yu were appointed as executive directors of the Company on 5 May 2018. Mr. Li Chun Ho, the son of Mr. Li, was appointed as a non-executive director of the Company on 15 June 2018. The emoluments paid or payable to the directors and chief executive of the Company (including the emoluments for services as directors of the group entities prior to becoming the directors of the Company) by entities comprising the Group during the Track Record Period as follows:

	Mr. Li	Mr. Yu	Total
	MOP’000	MOP’000	MOP’000
	(Note)		
Year ended 31 December 2015			
Fees	–	–	–
Other emoluments			
Salaries and other benefits	1,174	1,365	2,539
Retirement benefits schemes contributions	<u>19</u>	<u>19</u>	<u>38</u>
Total emoluments	<u>1,193</u>	<u>1,384</u>	<u>2,577</u>

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	Mr. Li <i>MOP’000</i> <i>(Note)</i>	Mr. Yu <i>MOP’000</i>	Total <i>MOP’000</i>
Year ended 31 December 2016			
Fees	–	–	–
Other emoluments			
Salaries and other benefits	402	1,406	1,808
Retirement benefits schemes contributions	<u>19</u>	<u>19</u>	<u>38</u>
Total emoluments	<u>421</u>	<u>1,425</u>	<u>1,846</u>

	Mr. Li <i>MOP’000</i> <i>(Note)</i>	Mr. Yu <i>MOP’000</i>	Total <i>MOP’000</i>
Year ended 31 December 2017			
Fees	–	–	–
Other emoluments			
Salaries and other benefits	402	1,406	1,808
Retirement benefits schemes contributions	<u>19</u>	<u>19</u>	<u>38</u>
Total emoluments	<u>421</u>	<u>1,425</u>	<u>1,846</u>

	Mr. Li <i>MOP’000</i> <i>(Note)</i>	Mr. Yu <i>MOP’000</i>	Mr. Li Chun Ho <i>MOP’000</i>	Total <i>MOP’000</i>
Year ended 31 December 2018				
Fees	–	–	–	–
Other emoluments				
Salaries and other benefits	464	1,568	–	2,032
Retirement benefits schemes contributions	<u>19</u>	<u>19</u>	<u>–</u>	<u>38</u>
Total emoluments	<u>483</u>	<u>1,587</u>	<u>–</u>	<u>2,070</u>

Note: Mr. Li acts as chief executive of the Group.

The directors’ emoluments are for their services in connection to the management of the affairs of the Group.

During the Track Record Period, no remuneration was paid by the Group to the directors of the Company as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors of the Company has waived any remuneration during the Track Record Period.

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(b) Employees’ emoluments

Of the five individuals with the highest emoluments in the Group, two, one, one and one were the directors of the Company for the years ended 31 December 2015, 2016, 2017 and 2018, respectively. Their emoluments are included in note 6 (a) above. The emoluments of the three, four, four and four non-director individuals for the years ended 31 December 2015, 2016, 2017 and 2018 are as follows:

	Year ended 31 December			
	2015	2016	2017	2018
	MOP’000	MOP’000	MOP’000	MOP’000
Salaries and other benefits	3,105	4,164	5,066	4,526
Share-based payments	–	–	4,383	–
Retirement benefits schemes contributions	54	74	51	52
	<u>3,159</u>	<u>4,238</u>	<u>9,500</u>	<u>4,578</u>

Their emoluments are within the following bands:

	Year ended 31 December			
	2015	2016	2017	2018
	Number of employee	Number of employee	Number of employee	Number of employee
Nil to HK\$1,000,000	2	3	2	1
HK\$1,000,001 to HK\$1,500,000	1	1	1	3
HK\$5,500,001 to HK\$6,000,000	–	–	1	–
	<u>3</u>	<u>4</u>	<u>4</u>	<u>4</u>

During the Track Record Period, no emoluments were paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

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7. OTHER INCOME/OTHER LOSSES

	Year ended 31 December			2018
	2015	2016	2017	
	MOP'000	MOP'000	MOP'000	MOP'000
Other income				
Bank interest income	12	16	22	126
Reversal of impairment loss allowance of trade receivables	–	–	–	523
Others	47	67	15	45
	<u>59</u>	<u>83</u>	<u>37</u>	<u>694</u>
Other losses				
Loss on written-off of property and equipment	5	–	23	–
Impairment loss allowance of contract assets	–	–	–	79
	<u>5</u>	<u>–</u>	<u>23</u>	<u>79</u>

8. FINANCE COSTS

	Year ended 31 December			2018
	2015	2016	2017	
	MOP'000	MOP'000	MOP'000	MOP'000
Interests on loan from Ms. Ng Suk Fun (“Ms. Ng”) (<i>Note</i>)	46	–	–	–
Interests on bank borrowings	113	76	142	416
	<u>159</u>	<u>76</u>	<u>142</u>	<u>416</u>

Note: Ms. Ng is the spouse of Mr. Li.

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9. PROFIT BEFORE TAXATION

	Year ended 31 December			
	2015	2016	2017	2018
	MOP'000	MOP'000	MOP'000	MOP'000
Profit before taxation has been arrived at after charging:				
Auditor’s remuneration	43	92	38	76
Depreciation on property and equipment	473	418	424	503
Staff costs (including directors’ emoluments):				
Salaries and other benefits	17,087	18,416	20,509	30,970
Share-based payments to an employee	–	–	4,383	–
Retirement benefits schemes contributions	348	311	439	748
	17,435	18,727	25,331	31,718
Less: staff costs included in direct costs	(12,970)	(14,118)	(15,607)	(22,225)
	4,465	4,609	9,724	9,493
Minimum lease payments under operating leases in respect of land and building (included in administrative expenses)	1,736	1,760	1,601	2,207

10. INCOME TAX EXPENSE

	Year ended 31 December			
	2015	2016	2017	2018
	MOP'000	MOP'000	MOP'000	MOP'000
Current Tax:				
Macau Complementary Income Tax	2,294	2,844	4,572	7,116
PRC Enterprise Income Tax	–	–	–	206
	2,294	2,844	4,572	7,322

Macau Complementary Tax is calculated at 12% of the estimated assessable profits exceeding MOP600,000 for the Track Record Period.

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 the Track Record Period.

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

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 Historical Financial Information in respect of temporary differences attributable to retained earnings of the PRC subsidiaries amounting to approximately nil, nil, nil and MOP1,198,000 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.

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The income tax expense for the Track Record Period can be reconciled to the profit before taxation as follows:

	Year ended 31 December			
	2015	2016	2017	2018
	MOP'000	MOP'000	MOP'000	MOP'000
Profit before taxation	19,324	20,835	29,729	39,174
Tax at the Macau Complementary Income				
Tax rate of 12%	2,319	2,500	3,567	4,701
Tax effect of expense not deductible for tax purpose	277	584	1,224	2,770
Tax effect of tax exemption under Macau Complementary Income Tax	(230)	(166)	(217)	(255)
Tax deductible for dividend declared	(72)	(72)	–	–
Effect of different tax rates of subsidiaries operating in other jurisdiction	–	–	–	106
Others	–	(2)	(2)	–
Income tax expense	2,294	2,844	4,572	7,322

11. DIVIDENDS

During the years ended 31 December 2015 and 2016, WHHE (Macau) declared and paid dividends of MOP600,000 and MOP600,000, respectively, to the then shareholders. The rate of dividend and number of shares ranking for dividend are not presented as such information is not considered meaningful having regard to the purpose of this report.

On 19 December 2018, the Company declared dividends of MOP60,000 per each ordinary share to its shareholders with an aggregate amount as MOP60,000,000. Amount of MOP53,658,000 out of the dividends attributable to Copious Astute of MOP54,000,000 are settled through the current account with Mr. Li and the remaining balance of MOP342,000 dividend payable to Copious Astute and MOP6,000,000 dividend payable to Fresh Phoenix will be settled prior to [REDACTED].

12. EARNINGS PER SHARE

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

	Year ended 31 December			
	2015	2016	2017	2018
	MOP'000	MOP'000	MOP'000	MOP'000
Earnings:				
Earnings for the purpose of calculating basic earnings per share (profit for the year attributable to owners of the Company)	17,030	17,991	23,958	31,831
	'000	'000	'000	'000
Number of shares (note):				
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	337,500	337,500	337,500	363,390

Note: The number of ordinary shares for the purpose of calculating basis earnings per share has been determined on the assumption that the reorganisation as set out in note 1 and the capitalisation issue as described in the section headed “Share Capital” in the document have been effective on 1 January 2015.

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No diluted earnings per share for the Track Record Period was presented as there were no potential ordinary shares in issue during the Track Record Period.

13. PROPERTY AND EQUIPMENT

	Leasehold improvements <i>MOP'000</i>	Furniture and fixtures <i>MOP'000</i>	Office equipment <i>MOP'000</i>	Motor vehicles <i>MOP'000</i>	Total <i>MOP'000</i>
COST					
At 1 January 2015	463	241	1,014	1,026	2,744
Additions	315	25	91	–	431
Written-off	–	(4)	(2)	–	(6)
At 31 December 2015	778	262	1,103	1,026	3,169
Additions	–	42	41	–	83
At 31 December 2016	778	304	1,144	1,026	3,252
Additions	524	74	231	–	829
Written-off	(466)	(41)	(84)	–	(591)
At 31 December 2017	836	337	1,291	1,026	3,490
Additions	181	378	721	297	1,577
At 31 December 2018	1,017	715	2,012	1,323	5,067
DEPRECIATION					
At 1 January 2015	159	123	788	654	1,724
Provided for the year	162	37	115	159	473
Eliminated upon written-off	–	(1)	–	–	(1)
At 31 December 2015	321	159	903	813	2,196
Provided for the year	112	45	102	159	418
At 31 December 2016	433	204	1,005	972	2,614
Provided for the year	184	62	124	54	424
Eliminated upon written-off	(466)	(28)	(74)	–	(568)
At 31 December 2017	151	238	1,055	1,026	2,470
Provided for the year	191	81	213	18	503
At 31 December 2018	342	319	1,268	1,044	2,973
CARRYING AMOUNTS					
At 31 December 2015	<u>457</u>	<u>103</u>	<u>200</u>	<u>213</u>	<u>973</u>
At 31 December 2016	<u>345</u>	<u>100</u>	<u>139</u>	<u>54</u>	<u>638</u>
At 31 December 2017	<u>685</u>	<u>99</u>	<u>236</u>	<u>–</u>	<u>1,020</u>
At 31 December 2018	<u>675</u>	<u>396</u>	<u>744</u>	<u>279</u>	<u>2,094</u>

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The above items of property and equipment are depreciated on a straight-line basis at the following rates per annum:

Leasehold improvements	over the lease terms
Furniture and fixtures	20%
Office equipment	20%
Motor vehicles	10-15%

14. 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:

	As at 31 December			
	2015	2016	2017	2018
	MOP'000	MOP'000	MOP'000	MOP'000
0-30 days	7,000	34,566	42,230	14,013
31-60 days	339	1,634	14,557	14,094
61-90 days	1,300	—	—	10,979
91-365 days	—	77	—	823
	<u>8,639</u>	<u>36,277</u>	<u>56,787</u>	<u>39,909</u>
Less: Impairment loss allowance	<u>—</u>	<u>—</u>	<u>—</u>	<u>(40)</u>
	<u>8,639</u>	<u>36,277</u>	<u>56,787</u>	<u>39,869</u>

As at 1 January 2015, trade receivables from contracts with customers amounted to MOP14,983,000.

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. Approximately 81.0%, 95.3% and 74.4% and 35.1% of trade receivables as at 31 December 2015, 2016, 2017 and 2018, respectively, that are neither past due nor impaired have good credit quality. These customers have no default of payment in the past.

The Group has a policy for allowance of bad and doubtful debts which is based on the evaluation of collectability and ageing analysis of accounts and on management’s judgement including the creditworthiness and the past collection history of each customer.

Included in the Group’s trade receivables are debtors with aggregate carrying amount of MOP1,639,000, MOP1,711,000 and MOP14,557,000 and MOP25,896,000 which are past due at 31 December 2015, 2016, 2017 and 2018, respectively, for which the Group has not provided for impairment loss as there has not been a significant change in credit quality of the trade receivable and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

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Ageing analysis of trade receivables net of impairment loss allowance which are past due but not impaired, presented based on the number of days overdue of the credit terms to the respective invoices.

	As at 31 December			
	2015	2016	2017	2018
	MOP’000	MOP’000	MOP’000	MOP’000
1-30 days	339	1,634	14,557	14,094
31-60 days	1,300	–	–	10,979
61-120 days	–	77	–	823
Over 120 days	–	–	–	–
	<u>1,639</u>	<u>1,711</u>	<u>14,557</u>	<u>25,896</u>

Before the application of HKFRS 9 on 1 January 2018, in determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivables from the date credit was initially granted up to the end of each reporting period. The trade receivables past due but not provided for impairment as at the end of each reporting period were either subsequently settled or no historical default of payments was noted by the respective customers and the management of the Group believes that no impairment required.

Upon the application of HKFRS 9 on 1 January 2018, the Group applies simplified approach to provide for ECL prescribed by HKFRS 9. To measure the ECL of trade receivables, trade receivables have been grouped based on shared credit risk characteristics.

Impairment assessment on trade receivables subject to ECL model

As part of the Group’s credit risk management, the Group applies internal credit rating for its customers. The debtors are grouped under a provision matrix into three internal credit rating buckets (namely: low risk, medium risk and high risk) based on shared credit risk characteristics by reference to past default experience and current past due exposure of the debtor, and an analysis of the debtor’s current financial position. The following table provides information about the exposure to credit risk and ECL for trade receivables which are assessed collectively based on provision matrix as at 31 December 2018.

Internal credit rating	Average loss rate	Gross carrying amount MOP’000	Impairment loss allowance MOP’000
Low risk	0.10%	<u>39,909</u>	<u>40</u>
		<u>39,909</u>	<u>40</u>

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and study of other corporates’ default and recovery data from international credit-rating agencies including Moody’s and Standard and Poor’s, and are adjusted for forward-looking information (for example, the current and forecasted economic growth rates in Macau, which reflect the general economic conditions of the industry in which the debtors operate) that is available without undue cost or effort. Such forward-looking information is used by the management of the Group to assess both the current as well as the forecast direction of conditions at the reporting date. The grouping is regularly reviewed by the management of the Group to ensure relevant information about specific debtors is updated.

Since the application of HKFRS 9 on 1 January 2018, there has been no change in the estimation techniques or significant assumptions made.

During the year ended 31 December 2018, the Group reversed impairment losses allowance of MOP523,000 based on the provision matrix.

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The movement in the impairment loss allowance of trade receivables during the year ended 31 December 2018 is as follows:

	Not credit-impaired MOP'000
Balance at 1 January 2018 (<i>note</i>)	563
Reversal of impairment losses allowance recognised	<u>(523)</u>
Balance at 31 December 2018	<u><u>40</u></u>

Note: The Group has initially applied HKFRS 9 at 1 January 2018 and comparative information is not restated.

15. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	The Group				The Company As at 31 December 2018
	2015 MOP'000	As at 31 December 2016 MOP'000	2017 MOP'000	2018 MOP'000	2018 MOP'000
Rental deposits	247	325	236	367	–
Deposit paid for acquisition of property and equipment	–	607	23	23	–
Prepayments to subcontractors	11,477	11,589	30,579	18,244	–
Receivable for billing in advance	2,195	6,616	5,415	–	–
Other receivables	69	306	482	358	–
Deferred [REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Prepaid [REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Total	<u>13,988</u>	<u>19,443</u>	<u>36,735</u>	<u>23,172</u>	<u>4,180</u>
Presented as non-current assets	163	798	164	240	–
Presented as current assets	<u>13,825</u>	<u>18,645</u>	<u>36,571</u>	<u>22,932</u>	<u>4,180</u>
Total	<u>13,988</u>	<u>19,443</u>	<u>36,735</u>	<u>23,172</u>	<u>4,180</u>

The receivable for billing in advance amounted to MOP467,000, MOP2,195,000, MOP6,616,000 and MOP5,415,000 and nil as at 1 January 2015, 31 December 2015, 2016, 2017 and 2018, respectively. The balances represent the bills issued to customers prior to the works being performed upon customers’ consent and not yet settled at the end of each reporting period. The Group grants credit terms of 30 days to its customers from the date of invoices. The balances were settled subsequently to the end of each reporting period.

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16. CONTRACT ASSETS AND CONTRACT LIABILITIES

	As at 1 January 2015 MOP'000		As at 31 December 2016 2017 2018 MOP'000		
Contract assets					
Fitting-out services	2,047	6,722	2,698	9,102	33,193
Repair and maintenance services	—	776	—	—	10
	2,047	7,498	2,698	9,102	33,203
Less: Impairment loss allowance	—	—	—	—	(79)
	<u>2,047</u>	<u>7,498</u>	<u>2,698</u>	<u>9,102</u>	<u>33,124</u>
Contract liabilities					
Fitting-out services	(467)	(721)	(3,189)	(7,641)	(993)
Repair and maintenance services	—	—	(992)	—	—
	<u>(467)</u>	<u>(721)</u>	<u>(4,181)</u>	<u>(7,641)</u>	<u>(993)</u>

For the contract liabilities as at 1 January 2015, 31 December 2015, 2016 and 2017, the entire balances are recognised as revenue to profit or loss during the years ended 31 December 2015, 2016, 2017 and 2018, respectively.

The significant increase of contract assets during the year ended 31 December 2018 is the result of the increase in completion of certain significant project sum contracts of work for fitting-out services and repair and maintenance services and the respective retention money withheld by the customers of contract works under the defects liability period.

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

Impairment assessment on contract assets subject to ECL model

Upon application of HKFRS 9 on 1 January 2018, the Group applies simplified approach to provide for ECL prescribed by HKFRS 9. To measure the ECL of contract assets, contract assets have been grouped based on shared credit risk characteristics. The ECL of contract assets as at 1 January 2018 (upon the application of HKFRS 9) was insignificant based on the counterparties’ past repayment history and subsequent settlement.

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As part of the Group’s credit risk management, the Group applies internal credit rating for its customers. The debtors are grouped under a provision matrix into three internal credit rating buckets (namely: low risk, medium risk and high risk) based on shared credit risk characteristics by reference to past experience with debtors and an analysis of the debtors’ current financial position. The following table provides information about the exposure to credit risk and ECL for contract assets which are assessed collectively based on provision matrix as at 31 December 2018.

Internal credit rating	Average loss rate	Gross carrying amount MOP’000	Impairment loss allowance MOP’000
Low risk	0.10%	31,963	32
Medium risk	2.15%	750	16
High risk	6.28%	490	31
		<u>33,203</u>	<u>79</u>

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and study of other corporates’ default and recovery data from international credit-rating agencies including Moody’s and Standard and Poor’s, and are adjusted for forward-looking information (for example, the current and forecasted economic growth rates in Macau, which reflect the general economic conditions of the industry in which the debtors operate) that is available without undue cost or effort. Such forward-looking information is used by the management of the Group to assess both the current as well as the forecast direction of conditions at the reporting date. The grouping is regularly reviewed by the management of the Group to ensure relevant information about specific debtors is updated.

Since the application of HKFRS 9 on 1 January 2018, there has been no change in the estimation techniques or significant assumptions made.

During the year ended 31 December 2018, the Group provided impairment losses allowance of MOP79,000 based on the provision matrix.

The movement in the impairment loss allowance of contract assets during the year ended 31 December 2018 is as follows:

	Not credit-impaired MOP’000
Balance at 1 January 2018	–
Impairment loss allowance recognised	<u>79</u>
Balance at 31 December 2018	<u>79</u>

Included in carrying amounts of contract assets/contract liabilities as stated above comprises retention money of MOP6,509,000, MOP8,934,000 and MOP11,089,000 and MOP10,596,000 as at 31 December 2015, 2016, 2017 and 2018, respectively.

Retention money is unsecured and interest-free and represented the monies withheld by customers of contract works recoverable after the completion of defects liability period of the relevant contracts or in accordance with the terms specified in the relevant contracts, usually being 1 year from the date of completion of respective fitting-out and repair and maintenance services projects. Accordingly, in respect to the 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.

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The retention money is to be settled, based on the completion of defects liability period, at the end of each reporting period as follows:

	As at 31 December			
	2015	2016	2017	2018
	MOP'000	MOP'000	MOP'000	MOP'000
On demand or within one year	5,723	8,695	868	9,565
After one year	<u>786</u>	<u>239</u>	<u>10,221</u>	<u>1,031</u>
	<u>6,509</u>	<u>8,934</u>	<u>11,089</u>	<u>10,596</u>

17. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

Pledged bank deposits as at 31 December 2017 and 2018 are pledged to secure the bank borrowings of the Group which carry interest at prevailing market rate of 0.01% per annum.

As at 31 December 2015, 2016, 2017 and 2018, bank balances and cash comprise of cash held and short term bank deposits with an original maturity of three months or less which carry interest at prevailing market rate of 0.01% per annum.

18. TRADE AND OTHER PAYABLES AND ACCRUALS

	The Group				The Company
	As at 31 December				As at 31 December
	2015	2016	2017	2018	2018
	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000
Trade payables	11,262	11,792	19,667	8,238	–
Retention payables	2,356	3,447	6,019	11,065	–
Accruals for subcontracting costs (Note)	7,925	8,673	13,434	11,762	–
Accrued [REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Accruals and other payables	<u>1,737</u>	<u>2,126</u>	<u>1,399</u>	<u>1,593</u>	<u>–</u>
	<u>23,280</u>	<u>26,038</u>	<u>40,519</u>	<u>37,298</u>	<u>4,640</u>

Note: Amounts represented subcontracting costs being incurred which are yet 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:

	As at 31 December			
	2015	2016	2017	2018
	MOP'000	MOP'000	MOP'000	MOP'000
0-30 days	3,946	3,748	6,839	202
31-60 days	50	4	3,174	–
61-90 days	–	4	1,618	–
Over 90 days	<u>7,266</u>	<u>8,036</u>	<u>8,036</u>	<u>8,036</u>
	<u>11,262</u>	<u>11,792</u>	<u>19,667</u>	<u>8,238</u>

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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.

19. AMOUNTS DUE FROM/TO RELATED PARTIES/SUBSIDIARIES

Amounts due from related parties

The amounts are non-trade, unsecured, interest-free and repayable on demand.

Details of amounts due from related parties are stated as follows:

	As at					Maximum amount outstanding during the year ended 31 December			
	1 January 2015	2015	31 December 2016	2017	2018	2015	2016	2017	2018
	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000
Mr. Li (<i>Note (i)</i>)	5,662	9,058	13,288	18,528	–	9,058	13,288	18,528	53,658
Mr. Yu	20	15	–	–	–	20	15	–	–
Ms. Ng (<i>Note (ii)</i>)	–	–	–	–	23	–	–	–	81
Chi Sing Construction Engineering Company Limited (“Chi Sing”) (<i>Note (iii)</i>)	135	150	–	–	–	150	150	–	–
	<u>5,817</u>	<u>9,223</u>	<u>13,288</u>	<u>18,528</u>	<u>23</u>				

Notes:

- (i) The balances due from Mr. Li are settled during year ended 31 December 2018 and therefore the balances as at 31 December 2015 and 2016 are being classified as non-current asset and the balances as at 31 December 2017 are being classified as current asset.
- (ii) The balance due from the rental deposit for the Hong Kong office which is wholly owned by Ms. Ng.
- (iii) Chi Sing is a company incorporated in Hong Kong and wholly-owned by Mr. Li.

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Amounts due to related parties

Details of amounts due to related parties are stated as follows:

	As at 31 December			
	2015	2016	2017	2018
	MOP'000	MOP'000	MOP'000	MOP'000
Mr. Yu (<i>Note (i)</i>)	–	12	6	–
Chi Sing (<i>Note (i)</i>)	–	149	119	–
Ms. Ng (<i>Note (i)</i>)	–	–	2,575	–
Zhuhai Hengqin Zhongxin Construction Materials Limited (“ZHXC”) (<i>Note (ii)</i>)	–	–	1,020	–
Copious Astute (<i>Note (iii)</i>)	–	–	–	342
Fresh Phoenix (<i>Note (iii)</i>)	–	–	–	6,000
	<u>–</u>	<u>161</u>	<u>3,720</u>	<u>6,342</u>

Notes:

- (i) The amounts are non-trade, unsecured, interest-free and repayable on demand
- (ii) ZHXC is wholly-owned by Mr. Hung (as defined in note 23) since its incorporation. On 29 January 2018, WHHEC (Macau) acquired 100% interests of ZHXC at the cash consideration of Renminbi (“RMB”)10,000.

The amount is trade in nature and ZHXC grants 30 days credit period to the Group. The following is an ageing analysis based on the invoice date at the end of each reporting period:

	As at 31 December			
	2015	2016	2017	2018
	MOP'000	MOP'000	MOP'000	MOP'000
0 – 30 days	<u>–</u>	<u>–</u>	<u>1,020</u>	<u>–</u>

- (iii) The amounts are dividend payable to Copious Astute and Fresh Phoenix by the Company which are unsecured, interest-free and will be settled prior to the [REDACTED].

The Company

Amounts due from subsidiaries are non-trade unsecured, interest-free and repayable on demand.

For amounts due from the subsidiaries, management of the Group makes periodic collective assessment based on available reasonable and supportive forward-looking information in relation to the financial information of the subsidiaries starting from 1 January 2018. The management of the Group believes that there is no material credit risk inherent in the Company’s outstanding balance of amounts due from subsidiaries.

Amounts due to related parties referred as the dividends payable to Copious Astute of MOP342,000 and Fresh Phoenix of MOP6,000,000 which are unsecured, interest-free and will be settled prior to the [REDACTED].

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20. BANK BORROWINGS

	As at 31 December			
	2015	2016	2017	2018
	MOP'000	MOP'000	MOP'000	MOP'000
Secured and guaranteed bank borrowings repayable within one year	–	–	5,137	2,575

The bank borrowings are at floating rate which carry interest at MOP prime lending rate plus/minus a spread. The effective interest rate on the Group’s bank borrowings was 5.75% and 6.08% per annum as at 31 December 2017 and 2018, respectively.

The bank borrowings and other bank facilities including performance guarantee by the Group are secured by:

- (i) The pledged bank deposits of HK\$2,251,000 (approximately equivalent to MOP2,319,000) and HK\$2,271,000 (approximately equivalent to MOP2,339,000) as at 31 December 2017 and 2018, respectively; and
- (ii) Unlimited personal guarantee by Mr. Li and Mr. Yu.

As represented by the directors of the Company, the personal guarantee by Mr. Li and Mr. Yu will be released upon the [REDACTED].

21. SHARE CAPITAL

The share capital as at 1 January 2015, 31 December 2015 and 2016 represented the aggregated share capital of WHHE (Macau), WHHDD, NWHC, WHHE (HK), WHHC, WHHCE and Keng Chuan. As at 31 December 2017, the share capital included the share capital of YKDE after its incorporation on 29 March 2017 and the companies mentioned above.

Share capital as at 31 December 2018 represented the share capital of the Company. Details of the Company’s shares are disclosed as follows:

	Number of shares	Amount	
		MOP	MOP'000
Ordinary shares of HK\$0.01 each			
Authorised:			
At 9 April 2018 (date of incorporation) and 31 December 2018	38,000,000	391,400	391
Issued and fully paid:			
At 9 April 2018 (date of incorporation)	898	9.25	–
Issuance of shares to Fresh Phoenix (<i>note 1(iv)</i>)	100	1	–
Issuance of shares for acquisition of Splendor Haze (<i>note 1(vii)</i>)	1	0.01	–
Issuance of shares for acquisition of Loyal Auspicious (<i>note 1(vii)</i>)	1	0.01	–
At 31 December 2018	1,000	10.27	–

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The Company was incorporated in the Cayman Islands on 9 April 2018. The initial authorised share capital of the Company was HK\$380,000 divided into 38,000,000 ordinary shares with a par value of HK\$0.01 each. Upon incorporation, (i) one share was allotted and issued to the initial subscriber, an independent third party and was then transferred to Copious Astute at par; and (ii) 897 nil paid shares were further allotted and issued to Copious Astute on the same date.

On 24 April 2018, the Company allotted and issued 100 shares of the Company to Fresh Phoenix at a cash consideration of HK\$15,000,000. The subscription had been properly and legally completed and settled.

On 30 May 2018, the Company acquired the entire issued share capital of Loyal Auspicious from Mr. Li, and in consideration thereto, the Company issued one share of the Company to Copious Astute.

On 30 May 2018, the Company acquired the entire issued share capital of Splendor Haze from Mr. Li, and in consideration thereto, the Company issued and allotted, credited as fully paid, one share of the Company to Copious Astute.

22. ACQUISITION OF A SUBSIDIARY

For the year ended 31 December 2018

On 29 January 2018, Mr. Hung transferred his entire equity interests in ZHZC to WHHE (Macau) at the total consideration of RMB10,000 (equivalent to MOP13,000).

ZHZC is principally engaged in the design for the fitting-out services. The acquisition is completed on 29 January 2018, on that date the control in ZHZC was passed to the Group.

Consideration transferred: *MOP’000*

Cash 13

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	<i>MOP’000</i>
Other receivables	527
Bank balances and cash	1
Other payables	(515)
	13

Cash outflow arising on acquisition:

	<i>MOP’000</i>
Bank balances and cash acquired	1
Cash consideration	(13)
	(12)

Acquisition-related costs amounting to RMB5,000 (equivalent to MOP6,000) have been excluded from the consideration transferred and have been recognised as an expense during the year ended 31 December 2018, within the “Administrative expenses” line item in the consolidated statements of profit or loss and other comprehensive income.

There is no revenue and expenses incurred by ZHZC before acquisition by WHHE (Macau) during the year ended 31 December 2018.

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No revenue incurred by ZHHC included in the Group’s revenue for the year ended 31 December 2018 and loss of MOP1,665,000 attributable to ZHHC included in the Group’s result for the year ended 31 December 2018.

23. SHARE-BASED PAYMENT TRANSACTIONS

On 2 March 2017, Mr. Li transferred 5% of registered capital of WHHE (Macau) at cash consideration of MOP25,000 to Mr. Hung Tze Ming (“Mr. Hung”), the employee of the Group, as a token of appreciation of his contribution to the Group.

The shares owned by Mr. Hung shall not be sold without the consent from the shareholders of WHHE (Macau).

Upon the grant, the awards are vested unconditionally and immediately. As the shares of WHHE (Macau) are awarded by Mr. Li at his own costs, the corresponding increase in equity was recorded under “other reserve” as a shareholder’s deemed contribution to the Group and the non-controlling interests held by Mr. Hung immediate after the grant of shares awards. During the year ended 31 December 2017, MOP4,383,000 was charged to profit or loss.

The fair value of the share awards of MOP4,383,000 based on valuation performed by Graval Consulting Limited (“Graval Consulting”), an independent valuer not connected with the Group. The address of Graval Consulting is Suite 1702, 17/F, 34-37 Connaught Road Central, Central, Hong Kong. Graval Consulting is a member of the Hong Kong Institute of Surveyors.

The following assumptions were used to calculate the fair values of shares granted:

Market price-earnings ratio (<i>note i</i>)	6.62
Marketability discount (<i>note ii</i>)	35%

Notes:

- (i) The market price-earnings ratio is estimated by reference to the historical market capitalisation to the net operating income of the comparable companies.
- (ii) The marketability discount is estimated by reference to the marketability studies published by independent researchers.

On 18 January 2018, Mr. Hung entered an agreement with the Group that Mr. Hung transferred 5% equity interest of WHHE (Macau) and 30% equity interest of YKDE to Mr. Li at a cash consideration of HK\$3,000,000 (approximately equivalent to MOP3,090,000). Upon the completion of the transaction, Mr. Li owned 100% interests of WHHE (Macau) (taken into consideration of deed of trust by Mr. Li) and YKDE.

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24. OPERATING LEASE COMMITMENTS

At the end of each reporting period, the Group has commitments for future minimum lease payments under non-cancellable operating leases with independent third parties, which fall due as follows:

	As at 31 December			
	2015	2016	2017	2018
	MOP'000	MOP'000	MOP'000	MOP'000
Within one year	1,210	1,377	1,016	2,316
In the second to fifth year inclusive	1,043	2,004	1,916	1,866
	<u>2,253</u>	<u>3,381</u>	<u>2,932</u>	<u>4,182</u>

The above operating lease payments represent rental payable by the Group for office premises for the Track Record Period.

Leases and rentals are negotiated and fixed for term of one year to three years.

25. RETIREMENT BENEFITS SCHEMES

Eligible employees of the Group are covered by a government-mandated defined contribution plan pursuant to which a fixed amount of retirement benefit would be determined and paid by the Macau Government. Contributions are generally made by both employees and employers by paying a fixed amount on a monthly basis to the Social Security Fund Contribution managed by the Macau Government. The Group funds the entire contribution and has no further commitments beyond its monthly contributions.

The Group operates the MPF Scheme for all qualifying employee(s) in Hong Kong. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes at the lower of HK\$1,500 per month or 5% of the relevant payroll costs to the MPF Scheme.

At the end of each reporting period, there were no forfeited contributions which arose upon employees leaving the schemes prior to their interests in the Group’s contributions becoming fully vested and which are available to reduce the contributions payable by the Group in future years.

The contributions to the retirement benefits schemes of the Group during the Track Record Period are disclosed in notes 6 and 9, respectively.

26. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of debt, which includes amounts due to related parties and bank borrowings as disclosed in respective notes, and equity of the Group, comprising share capital and reserves.

Management of the Group reviews the capital structure regularly taking into account the cost of capital and the risk associated with the capital. The Group will balance its overall capital structure through issuance of new shares and the raise of borrowings or the repayment of the existing borrowings.

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27. FINANCIAL INSTRUMENTS

(a) *Categories of financial instruments*

	As at 31 December			
	2015	2016	2017	2018
	MOP'000	MOP'000	MOP'000	MOP'000
The Group				
Financial assets				
Loans and receivables (including cash and cash equivalents)	33,300	63,480	98,513	–
Financial assets at amortised costs	<u>–</u>	<u>–</u>	<u>–</u>	<u>54,054</u>
Financial liabilities				
Amortised cost	<u>21,995</u>	<u>24,537</u>	<u>48,270</u>	<u>45,499</u>
The Company				
Financial asset				
Financial assets at amortised costs	<u>–</u>	<u>–</u>	<u>–</u>	<u>24,985</u>
Financial liabilities				
Amortised cost	<u>–</u>	<u>–</u>	<u>–</u>	<u>10,982</u>

(b) *Financial risk management objectives and policies*

The Group’s major financial instruments include trade receivables, other receivables, pledged bank deposits, bank balances and cash, trade and other payables and accruals, amounts due from/to related parties and bank borrowings. The Company’s financial instruments includes bank balances, accruals, amount due from a subsidiary and amounts due to related parties. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

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.

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The carrying amounts of the Group’s HK\$ and RMB denominated monetary assets and monetary liabilities at the end of each reporting period are as follows:

	As at 31 December			
	2015	2016	2017	2018
	MOP’000	MOP’000	MOP’000	MOP’000
Monetary assets				
HK\$	3,083	3,109	3,477	1,912
RMB	<u>–</u>	<u>–</u>	<u>–</u>	<u>3,692</u>
Monetary liabilities				
HK\$	<u>554</u>	<u>586</u>	<u>7,761</u>	<u>6,007</u>

Sensitivity analysis

As the exchange rate of HK\$/MOP is relatively stable, the Group does not expect any significant foreign currency exposure arising from the fluctuation of the HK\$/MOP exchange rates. As a result, the management of the Group considers that the sensitivity of the Group’s exposure towards the change in foreign exchange rates between HK\$/MOP is minimal.

The following table details the Group’s sensitivity analysis to a 5% increase and decrease in functional currency of the relevant group entities (i.e. MOP) against RMB and all other variables were held constant. 5% is the sensitivity rate used and represents the management’s assessment of the reasonably possible change in foreign exchange rates. A negative number below indicates a decrease in the post-tax profit for the year where MOP strengthening 5% against the RMB. For a 5% weakening of MOP against the RMB there would be an equal and opposite impact on the result for the year.

	As at 31 December			
	2015	2016	2017	2018
Decrease in post-tax profit for the year				
RMB	<u>–</u>	<u>–</u>	<u>–</u>	<u>(162)</u>

Interest rate risk

The Group is also exposed to cash flow interest rate risk in relation to variable-rate pledged bank deposits and bank balances (see note 17) and bank borrowings (see note 20).

The Group currently does not have any interest rate hedging policy. The management of the Group monitors the Group’s exposure on ongoing basis and will consider hedging interest rate risk should the need arises.

The Group’s cash flow interest rate risk is mainly concentrated on the fluctuation of prevailing market interest rates arising from the Group’s bank balances and MOP prime lending rate arising from the Group’s variable-rate bank borrowings.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for its variable bank borrowings. The analysis is prepared assuming the variable-rate bank borrowings at the end of each reporting period were outstanding for the whole year and 50 basis points increase or decrease are used. The pledged bank deposits and bank balances are excluded from the sensitivity analysis as the management of the Group considers that the interest rate fluctuation is not significant.

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If interest rates have been 50 basis points higher/lower for variable-rate bank borrowings and all other variables were held constant, the Group’s profit for the years ended 31 December 2015, 2016, 2017 and 2018 would decrease/ increase by nil, nil, MOP23,000 and MOP11,000, respectively.

Credit risk

The Group’s credit risk is primarily attributable to trade receivables, retention money as stated in note 16, receivable for billing in advance, other receivables, amounts due from related parties, pledged bank deposits and bank balances.

The Group’s maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge the obligations by counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statements of financial position at the end of each reporting period.

The management of the Group adopted a policy on providing credit facilities to new customers. A credit investigation of the customers or the ultimate customers if those contracts allow the Group to obtain payment directly from the ultimate customers under certain circumstance, including assessment of financial information, advice from business partners in relation to potential customers and credit search, would be required to be launched. The level of credit granted must not exceed a predetermined level set by the management. Credit evaluation is performed on a regular basis.

The Group has concentration of credit risks with exposure limited to certain customers. The top three debtors comprised 100%, 100%, 93.2% and 100% of the Group’s trade receivables, 100%, 100%, 99.2% and nil of the Group’s receivable for billing in advance and 100%, 100%, 100% and 88.3% of retention money as stated in note 16 as at 31 December 2015, 2016 and 2017 and 2018 respectively. The management of the Group closely monitors the subsequent settlement of the debtors. In this regard, the management of the Group considers that the Group’s credit risk is significantly reduced.

The credit risk for pledged bank deposits and bank balances is considered not material as such amounts are placed in reputable banks with high credit ratings assigned by international credit-rating agencies. There has been no recent history of default in relation to these banks and thus the risk of default is regarded as low.

In order to minimise the credit risk on trade receivables and contract assets, the management of the Group has delegated a team responsible for monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the management of the Group reviews the recoverable amount of each individual debt at the end of each reporting period to ensure that adequate provisions for impairment losses are made for irrecoverable amounts on trade receivable and contract assets. Under HKAS 39, provisions for impairment losses are made for irrecoverable amounts. Upon the application of HKFRS 9 on 1 January 2018, the Group applies simplified approach on trade receivables and contract assets to provide for ECL prescribed by HKFRS 9. To measure the ECL of trade receivables and contract assets, trade receivables and contract assets have been grouped based on shared credit risk characteristics with details disclosed in notes 14 and 16, respectively. In this regard, the management of the Group considers that the credit risk on trade receivables and contract assets is significantly reduced.

Also, the Group has significant concentration of credit risk on amounts due from related parties as at 31 December 2015, 2016, 2017 and 2018. The management of the Group considers the counterparty with good credit worthiness based on their past repayment history and subsequent settlement. In the opinion of the management of the Group, the risk of default by these counterparties is not significant in particular for the amount due from Mr. Li as the amount could be settled by the Company’s dividend distribution attributable to him and the Group assessed that the ECL on these balances are insignificant upon the application of HKFRS 9 on 1 January 2018 and thus no impairment loss allowance was recognised.

For other receivables and deposits, the management of the Group makes periodic collective assessment as well as individual assessment on the recoverability of other receivables based on historical settlement records, past experience, and also available reasonable and supportive forward-looking information starting from 1 January 2018. The management of the Group believes that there is no material credit risk inherent in the Group’s outstanding balance of other receivables and deposits.

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The credit risk on pledged bank deposits and bank and cash balances of the Group is limited because the counterparties are banks with good reputation and no history of default in the past and no loss allowance provision for pledged bank deposits and bank balances was recognised upon application of HKFRS 9. The Group has limited exposure to any single financial institution.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management of the Group to finance the Group’s operations and mitigate the effects of unexpected fluctuations in cash flows.

The following table details the Group’s and the Company’s remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of each reporting period.

	Weighted average effective interest rate %	On demand MOP’000	1-3 months MOP’000	Total undiscounted cash flows MOP’000	Total carrying amount MOP’000
The Group					
As at 31 December 2015					
<i>Non-derivative financial liability</i>					
Trade and other payables and accruals	N/A	–	21,995	21,995	21,995
As at 31 December 2016					
<i>Non-derivative financial liabilities</i>					
Trade and other payables and accruals	N/A	–	24,376	24,376	24,376
Amounts due to related parties	N/A	161	–	161	161
		161	24,376	24,537	24,537
As at 31 December 2017					
<i>Non-derivative financial liabilities</i>					
Trade and other payables and accruals	N/A	–	39,413	39,413	39,413
Amounts due to related parties	N/A	2,700	1,020	3,720	3,720
Bank borrowings	6%	–	5,163	5,163	5,137
		2,700	45,596	48,296	48,270

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	Weighted average effective interest rate %	On demand MOP’000	1-3 months MOP’000	Total undiscounted cash flows MOP’000	Total carrying amount MOP’000
As at 31 December 2018					
<i>Non-derivative financial liabilities</i>					
Trade and other payables and accruals	N/A	–	36,582	36,582	36,582
Amounts due to related parties	N/A	6,342	–	6,342	6,342
Bank borrowings	6%	–	2,588	2,588	2,575
		<u>6,342</u>	<u>39,170</u>	<u>45,512</u>	<u>45,499</u>
	Effective interest rate %	On demand MOP’000	1-3 months MOP’000	Total undiscounted cash flow MOP’000	Total carrying amount MOP’000
The Company					
As at 31 December 2018					
<i>Non-derivative financial liabilities</i>					
Accruals	N/A	–	4,640	4,640	4,640
Amounts due to related parties	N/A	<u>6,342</u>	<u>–</u>	<u>6,342</u>	<u>6,342</u>
		<u>6,342</u>	<u>4,640</u>	<u>10,982</u>	<u>10,982</u>

Fair value

The management of the Group considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Historical Financial Information approximate to their fair values.

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28. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group’s liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group’s consolidated statements of cash flows as cash flows from financing activities.

	Accrued [REDACTED] MOP’000	Non-trade amounts due to related parties MOP’000	Bank borrowings MOP’000	Total MOP’000
At 1 January 2015	[REDACTED]	1,102	3,272	4,374
Financing cash flows (note (i))	[REDACTED]	(1,748)	(3,385)	(5,133)
Dividends declared (note 11)	[REDACTED]	600	–	600
Finance costs recognised	[REDACTED]	46	113	159
At 31 December 2015	[REDACTED]	–	–	–
Financing cash flows (note (i))	[REDACTED]	(439)	(76)	(515)
Dividends declared (note 11)	[REDACTED]	600	–	600
Finance costs recognised	[REDACTED]	–	76	76
At 31 December 2016	[REDACTED]	161	–	161
Financing cash flows (note (i))	[REDACTED]	2,539	4,995	7,534
Finance costs recognised	[REDACTED]	–	142	142
At 31 December 2017	[REDACTED]	2,700	5,137	7,837
Financing cash flows (note (i))	[REDACTED]	(2,700)	(2,978)	(8,397)
Dividends declared (note 11)	[REDACTED]	60,000	–	60,000
Settled through current account with Mr. Li (note 32)	[REDACTED]	(53,658)	–	(53,658)
Finance costs recognised	[REDACTED]	–	416	416
Accrual of [REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
At 31 December 2018	[REDACTED]	6,342	2,575	10,077

Note (i): The financing cash flows represented the net amount of new bank borrowings raised and repaid, dividend paid, advance from related parties, payment of finance costs, payment of direct transaction cost attributable to issue of shares and repayments to bank borrowings and related parties.

29. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the Historical Financial Information, the Group had the following transactions with its related parties during the Track Record Period:

	2015 MOP’000	2016 MOP’000	2017 MOP’000	2018 MOP’000
Loan interest expense to Ms. Ng	46	–	–	–
Rental expense of office to Ms. Ng	371	371	371	321
Consultancy fee to ZHZC	–	–	1,030	–

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Details of the balances with related parties at the end of each reporting periods are disclosed in the consolidated statements of financial position and note 19 to the Historical Financial Information.

ZHZC was acquired by WHHE (Macau) at a consideration on 29 January 2018 details of which is disclosed in note 22 to the Historical Financial Information.

At the end of each reporting period, the Group has commitments for future minimum lease payments under non-cancellable operating leases with Ms. Ng for the office premises for the Track Record Period and the leases and rentals are negotiated and fixed for terms of two years, which fall due as follows:

	As at 31 December			
	2015	2016	2017	2018
	MOP'000	MOP'000	MOP'000	MOP'000
Within one year	371	–	371	272
In the second to fifth year inclusive	–	–	–	141
	<u>371</u>	<u>–</u>	<u>371</u>	<u>413</u>

Compensation of key management personnel

The remuneration of the directors of the Company and other members of key management are disclosed in note 6.

30. PARTICULARS OF SUBSIDIARIES

Particulars of the Company’s subsidiaries at the date of this report are as follows:

Name of subsidiary	Place and date of incorporation/ establishment	Place of operation	Issued and full paid share capital	Attributable equity interest of the Company				as at date of this report	Principal activities	Notes
				2015	2016	2017	2018			
Keng Chuan (note e)	Macau 15 August 2012	Macau	MOP25,000	100%	100%	100%	100%	100%	Administrative support for the Group	(a)
Loyal Auspicious	BVI 28 February 2018	Macau/BVI	United States dollars (“USD”) 1	N/A	N/A	N/A	100%	100%	Investment holding	(a)
NWHC (note e)	Macau 22 March 2006	Macau	MOP500,000	100%	100%	100%	100%	100%	Inactive	(a)
Splendor Haze	BVI 30 January 2018	Macau/BVI	USD1	N/A	N/A	N/A	100%	100%	Investment holding	(a)
WHHE (Macau) (note g)	Macau 16 May 2005	Macau	MOP500,000	100%	100%	95%	100%	100%	Fitting-out and repair and maintenance	(b) and (j)
WHHDD (note f)	Macau 28 September 2006	Macau	MOP500,000	100%	100%	100%	100%	100%	Fitting-out and repair and maintenance	(b)
WHHCE (note d)	Hong Kong 16 December 2010	Hong Kong	HK\$20,000	100%	100%	100%	100%	100%	Inactive	(c)
WHHC (note d)	Hong Kong 9 May 2001	Hong Kong	HK\$2,000,000	100%	100%	100%	100%	100%	Inactive	(c)
WHHE (HK) (note d)	Hong Kong 22 August 1996	Hong Kong	HK\$20,000	100%	100%	100%	100%	100%	Administrative support for the Group	(c)
YKDE (note h)	Macau 3 March 2017	Macau	MOP300,000	N/A	N/A	70%	100%	100%	Fitting-out	(a)
ZHZC (note i)	The People’s Republic of China (the “PRC”) 12 May 2015	The PRC	RMB3,500,000	N/A	N/A	N/A	100%	100%	Design support for the fitting-out services	(i)

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Except for WHHCE, WHHC and WHHE which have a financial year end of 31 March, all other subsidiaries have adopted 31 December as their financial year end date.

Except for Loyal Auspicious and Splendor Haze which are directly wholly-owned by the Company, all other subsidiaries are indirectly held by the Company.

Notes:

- (a) No statutory audited financial statements have been prepared since its date of incorporation or during the Track Record Period as they are incorporated in a jurisdiction where there is no statutory audit requirements.
- (b) The financial statements of WHHE (Macau) and WHHDD for the years ended 31 December 2015 and 2016, which were prepared in accordance with Financial Reporting Standards of Macau Special Administrative Region, were audited by Melinda Joa Lee, a registered auditor in Macau. The financial statements of WHHE (Macau) and WHHDD for the year ended 31 December 2017 are not yet issued up to the date of this report.
- (c) The financial statements of WHHE for the year ended 31 March 2015, 2016 and 2017 were audited by Lai & C.K. Wong CPA Limited, a firm of certified public accountants registered in Hong Kong. The financial statements of WHHC and WHHCE for the year ended 31 March 2015, 2016 and 2017 were audited by W.O. Lo & Co. Certified Public Accountants (Practising), a firm of certified public accountants registered in Hong Kong. The financial statements of WHHE, WHHC and WHHCE for the year ended 31 March 2018 were audited by CL Partners CPA Limited, a firm of certified public accountants registered in Hong Kong. The financial statements of these entities were prepared in accordance with the Small and Medium-sized Entity Financial Reporting Framework and Financial Reporting Standard issued by HKICPA.
- (d) Before the reorganisation stated in note 1, 1% equity interest of WHHC, 0.005% equity interest of WHHE and 0.005% equity interest of WHHCE are owned by Mr. Yu who held on trust for Mr. Li and the remaining equity interests of these companies are owned by Mr. Li. Accordingly, these entities are wholly-owned by Mr. Li before the reorganisation stated in note 1.
- (e) Before the reorganisation stated in note 1, 1% registered capital of NWHC and 4% registered capital of Keng Chuan are owned by Mr. Yu who held for the benefits and under the instruction of Mr. Li and the remaining registered capital of these companies are owned by Mr. Li. Accordingly, these entities are wholly-owned by Mr. Li before the reorganisation stated in note 1.
- (f) Before the reorganisation stated in note 1, 99% registered capital of WHHDD is owned by WHHE (Macau) and 1% registered capital of WHHDD is owned by Mr. Li.
- (g) Since the beginning of the Track Record Period to 1 March 2017, 1% registered capital of WHHE (Macau) are owned by Mr. Yu who held for the benefits and under the instruction of Mr. Li and the remaining registered capital of WHHE (Macau) are owned by Mr. Li. Accordingly, WHHE (Macau) is wholly-owned by Mr. Li during this period.

As stated in note 22 to the Historical Financial Information, Mr. Li transferred 5% registered capital of WHHE (Macau) to Mr. Hung on 2 March 2017. Thus, the registered capital owned by Mr. Li decreased from 100% to 95% since then.

On 18 January 2018, the Group acquired 5% equity interest of WHHE (Macau) from Mr. Hung. Upon the completion of transaction, WHHE (Macau) is wholly-owned by Mr. Li.

- (h) 70% equity interests of YKDE owned by Mr. Li and remaining 30% equity interests of YKDE owned by Mr. Hung since incorporation. On 18 January 2018, the Group acquired 30% equity interest of YKDE from Mr. Hung. Upon the completion of transaction, YKDE is wholly-owned by Mr. Li.

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- (i) ZHZC is owned by Mr. Hung since its incorporation. On 29 January 2018, WHHE (Macau) acquired the entire equity interest of ZHZC at a cash consideration of RMB10,000. Upon the completion of acquisition, ZHZC is the wholly-owned subsidiary of WHHE (Macau).
- (j) On 18 January 2018, Mr. Hung entered into an agreement with the Group that Mr. Hung transferred 5% equity interest of WHHE (Macau) and 30% equity interest of YKDE to Mr. Li at a cash consideration of HK\$3,000,000. Upon the completion of the transactions, Mr. Li owned 100% interests of WHHE (Macau) (taken into consideration of deed of trust by Mr. Li) and YKDE.

31. RESERVES OF THE COMPANY

	Share premium MOP'000	Accumulated profit MOP'000	Total MOP'000
At 9 April 2018 (date of incorporation)	–	–	–
Profit and total comprehensive income for the year	–	62,733	62,733
Transfer upon reorganisation (<i>note 1(vii)</i>)	80,235	–	80,235
Dividends paid	–	(60,000)	(60,000)
Issuance of shares to Fresh Phoenix (<i>note 1(iv)</i>)	15,450	–	15,450
	<u>95,685</u>	<u>2,733</u>	<u>98,418</u>
At 31 December 2018	<u>95,685</u>	<u>2,733</u>	<u>98,418</u>

32. MAJOR NON-CASH TRANSACTION

During the year ended 31 December 2018, the aggregate amount of consideration payables of MOP1,325,000 to Mr. Li upon the reorganisation stated in note 1(v) were settled through the current account with Mr. Li.

On 19 December 2018, the Company declared dividends of MOP60,000 per each ordinary share to its shareholders with an aggregate amount as MOP60,000,000. Amount of MOP53,658,000 out of the dividends attributable to Copious Astute of MOP54,000,000 are settled through the current account with Mr. Li and the remaining balance of MOP342,000 dividend payable to Copious Astute and MOP6,000,000 dividend payable to Fresh Phoenix will be settled prior to [REDACTED].

33. SUBSEQUENT EVENTS

Save as disclosed elsewhere in the Historical Financial Information, subsequent events of the Group and detailed are as below.

On 18 March 2019, written resolutions of the shareholders of the Company were passed to approve the matters set out in the paragraph headed “Written resolutions of our Shareholders passed on 18 March 2019” in Appendix IV of the Document. It was resolved, among other things:

- (i) the authorised share capital of the Company increased to HK\$10,000,000 divided into 1,000,000,000 shares of the Company of HK\$0.01 each by creation of an additional 962,000,000 shares of the Company;
- (ii) conditionally adopted a share option scheme where eligible participants may be granted options entitling them to subscribe for the Company’s shares. No share has been granted since the adoption of the scheme. The principal terms of the share option scheme are summarised in the section head “Share Option Scheme” in Appendix IV to the Document; and

APPENDIX I

ACCOUNTANTS’ REPORT

- (iii) conditional upon the share premium account of the Company being credited as a result of the [REDACTED] of the Company’s shares, the directors of the Company were authorised to capitalise the amount of HK\$[REDACTED] from the amount standing to the credit of the share premium account of the Company and to apply such amount to pay up in full at par [REDACTED] shares of the Company for allotment and issue to the persons whose name appeared on the register of the members of the Company at the close of business on 18 March 2019.

34. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Company, any of its subsidiaries or the Group have been prepared in respect of any period subsequent to 31 December 2018.

APPENDIX II

[REDACTED]

[REDACTED]

APPENDIX II

[REDACTED]

[REDACTED]

APPENDIX II

[REDACTED]

[REDACTED]

APPENDIX II

[REDACTED]

[REDACTED]

APPENDIX II

[REDACTED]

[REDACTED]

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 9 April 2018 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the "Companies Law"). The Company's constitutional documents consist of its Amended and Restated Memorandum of Association (the "Memorandum") and its Amended and Restated Articles of Association (the "Articles").

1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
- (b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on 18 March 2019 with effect from the [REDACTED]. The following is a summary of certain provisions of the Articles:

(a) Shares

(i) *Classes of shares*

The share capital of the Company consists of ordinary shares.

(ii) *Variation of rights of existing shares or classes of shares*

Subject to the Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the necessary

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW

quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy (whatever the number of shares held by them) shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(iii) Alteration of capital

The Company may by ordinary resolution of its members:

- (i) increase its share capital by the creation of new shares;
- (ii) consolidate all or any of its capital into shares of larger amount than its existing shares;
- (iii) divide its shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;
- (iv) subdivide its shares or any of them into shares of smaller amount than is fixed by the Memorandum; or
- (v) cancel any shares which, at the date of passing of the resolution, have not been taken and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(iv) Transfer of shares

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time.

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW

Notwithstanding the foregoing, for so long as any shares are listed on the Stock Exchange, titles to such listed shares may be evidenced and transferred in accordance with the laws applicable to and the rules and regulations of the Stock Exchange that are or shall be applicable to such listed shares. The register of members in respect of its listed shares (whether the principal register or a branch register) may be kept by recording the particulars required by Section 40 of the Companies Law in a form otherwise than legible if such recording otherwise complies with the laws applicable to and the rules and regulations of the Stock Exchange that are or shall be applicable to such listed shares.

The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect of that share.

The board may, in its absolute discretion, at any time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

The board may decline to recognise any instrument of transfer unless a fee (not exceeding the maximum sum as the Stock Exchange may determine to be payable) determined by the Directors is paid to the Company, the instrument of transfer is properly stamped (if applicable), it is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in any newspaper or by any other means in accordance with the requirements of the Stock Exchange, at such times and for such periods as the board may determine. The register of members must not be closed for periods exceeding in the whole thirty (30) days in any year.

Subject to the above, fully paid shares are free from any restriction on transfer and free of all liens in favour of the Company.

(v) Power of the Company to purchase its own shares

The Company is empowered by the Companies Law and the Articles to purchase its own shares subject to certain restrictions and the board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by the Stock Exchange.

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW

Where the Company purchases for redemption a redeemable share, purchases not made through the market or by tender must be limited to a maximum price determined by the Company in general meeting. If purchases are by tender, tenders must be made available to all members alike.

The board may accept the surrender for no consideration of any fully paid share.

(vi) Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

(vii) Calls on shares and forfeiture of shares

The board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

(b) Directors

(i) *Appointment, retirement and removal*

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire by rotation shall include any Director who wishes to retire and not offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification. Further, there are no provisions in the Articles relating to retirement of Directors upon reaching any age limit.

The Directors have the power to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and members of the Company may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated if:

(aa) he resigns by notice in writing delivered to the Company;

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW

- (bb) he becomes of unsound mind or dies;
- (cc) without special leave, he is absent from meetings of the board for six (6) consecutive months, and the board resolves that his office is vacated;
- (dd) he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;
- (ee) he is prohibited from being a director by law; or
- (ff) he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed must, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(ii) Power to allot and issue shares and warrants

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued (a) with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Directors may determine, or (b) on terms that, at the option of the Company or the holder thereof, it is liable to be redeemed.

The board may issue warrants or convertible securities or securities of similar nature conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of the Stock Exchange and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company are at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons,

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at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount to their nominal value.

Neither the Company nor the board is obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(iii) Power to dispose of the assets of the Company or any of its subsidiaries

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting.

(iv) Borrowing powers

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(v) Remuneration

The ordinary remuneration of the Directors is to be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors are also entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

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Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or past Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

The board may resolve to capitalise all or any part of any amount for the time being standing to the credit of any reserve or fund (including a share premium account and the profit and loss account) whether or not the same is available for distribution by applying such sum in paying up unissued shares to be allotted to (i) employees (including directors) of the Company and/or its affiliates (meaning any individual, corporation, partnership, association, joint-stock company, trust, unincorporated association or other entity (other than the Company) that directly, or indirectly through one or more intermediaries, controls, is controlled by or is under common control with, the Company) upon exercise or vesting of any options or awards granted under any share incentive scheme or employee benefit scheme or other arrangement which relates to such persons that has been adopted or approved by the members in general meeting, or (ii) any trustee of any trust to whom shares are to be allotted and issued by the Company in connection with the operation of any share incentive scheme or employee benefit scheme or other arrangement which relates to such persons that has been adopted or approved by the members in general meeting.

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(vi) Compensation or payments for loss of office

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(vii) Loans and provision of security for loans to Directors

The Company must not make any loan, directly or indirectly, to a Director or his close associate(s) if and to the extent it would be prohibited by the Companies Ordinance (Chapter 622 of the laws of Hong Kong) as if the Company were a company incorporated in Hong Kong.

(viii) Disclosure of interests in contracts with the Company or any of its subsidiaries

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and upon such terms as the board may determine, and may be paid such extra remuneration therefor in addition to any remuneration provided for by or pursuant to the Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. The board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

No Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company must declare the nature of his interest at the meeting of the board at which the question of entering into the

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contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his close associates is materially interested, but this prohibition does not apply to any of the following matters, namely:

- (aa) any contract or arrangement for giving to such Director or his close associate(s) any security or indemnity in respect of money lent by him or any of his close associates or obligations incurred or undertaken by him or any of his close associates at the request of or for the benefit of the Company or any of its subsidiaries;
- (bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (dd) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company; or
- (ee) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his close associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his close associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

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(c) Proceedings of the Board

The board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it considers appropriate. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

(d) Alterations to constitutional documents and the Company's name

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

(e) Meetings of members

(i) Special and ordinary resolutions

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

Under the Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

(ii) Voting rights and right to demand a poll

Subject to any special rights or restrictions as to voting for the time being attached to any shares, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

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At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorized representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where the Company has any knowledge that any shareholder is, under the rules of the Stock Exchange, required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(iii) Annual general meetings and extraordinary general meetings

The Company must hold an annual general meeting of the Company every year within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of not more than eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of the Stock Exchange.

Extraordinary general meetings may be convened on the requisition of one or more shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the board or the secretary for the purpose of requiring an extraordinary general meeting to be called by the board for the transaction of any business specified in such requisition. Such meeting shall be held within 2 months after the deposit of such requisition. If within 21 days of such deposit, the board fails to proceed to convene such meeting, the requisitionist(s) himself/herself (themselves) may do so

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in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the board shall be reimbursed to the requisitionist(s) by the Company.

(iv) Notices of meetings and business to be conducted

An annual general meeting must be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days. All other general meetings must be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice is exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time and place of the meeting and particulars of resolutions to be considered at the meeting and, in the case of special business, the general nature of that business.

In addition, notice of every general meeting must be given to all members of the Company other than to such members as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to, among others, the auditors for the time being of the Company.

Any notice to be given to or by any person pursuant to the Articles may be served on or delivered to any member of the Company personally, by post to such member's registered address or by advertisement in newspapers in accordance with the requirements of the Stock Exchange. Subject to compliance with Cayman Islands law and the rules of the Stock Exchange, notice may also be served or delivered by the Company to any member by electronic means.

All business that is transacted at an extraordinary general meeting and at an annual general meeting is deemed special, save that in the case of an annual general meeting, each of the following business is deemed an ordinary business:

- (aa) the declaration and sanctioning of dividends;
- (bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;
- (cc) the election of directors in place of those retiring;
- (dd) the appointment of auditors and other officers; and
- (ee) the fixing of the remuneration of the directors and of the auditors.

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(v) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

The quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(vi) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and is entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy is entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise as if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

(f) Accounts and audit

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

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The accounting records must be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting. However, an exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles; however, subject to compliance with all applicable laws, including the rules of the Stock Exchange, the Company may send to such persons summarised financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

At the annual general meeting or at a subsequent extraordinary general meeting in each year, the members shall appoint an auditor to audit the accounts of the Company and such auditor shall hold office until the next annual general meeting. Moreover, the members may, at any general meeting, by special resolution remove the auditor at any time before the expiration of his terms of office and shall by ordinary resolution at that meeting appoint another auditor for the remainder of his term. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards which may be those of a country or jurisdiction other than the Cayman Islands. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor must be submitted to the members in general meeting.

(g) Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution

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dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit.

The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

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All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

(h) Inspection of corporate records

Pursuant to the Articles, the register and branch register of members shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK\$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK\$1.00 or such lesser sum specified by the board, at the office where the branch register of members is kept, unless the register is closed in accordance with the Articles.

(i) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman Islands law, as summarised in paragraph 3(f) of this Appendix.

(j) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

- (i) if the Company is wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively; and
- (ii) if the Company is wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be,

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the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company is wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(k) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman Islands law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Company operations

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

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(b) Share capital

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium.

The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the "**Court**"), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

(c) Financial assistance to purchase shares of a company or its holding company

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder and the Companies Law expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so

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redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares purchased by a company is to be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company is not be treated as a member for any purpose and must not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share must not be voted, directly or indirectly, at any meeting of the company and must not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Law.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

The Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account. With the exception of the foregoing, there are no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits.

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No dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

(f) Protection of minorities and shareholders' suits

The Courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) Disposal of assets

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

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(h) Accounting and auditing requirements

A company must cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

An exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

Pursuant to the Tax Concessions Law of the Cayman Islands, the Company has obtained an undertaking:

- (1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and
- (2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from 17 April 2018.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise is not party to any double tax treaties.

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(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

(m) Inspection of corporate records

Members of the Company have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles.

(n) Register of members

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. A branch register must be kept in the same manner in which a principal register is by the Companies Law required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time.

There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

(o) Register of Directors and Officers

The Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within sixty (60) days of any change in such directors or officers.

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(p) Beneficial Ownership Register

An exempted company is required to maintain a beneficial ownership register at its registered office that records details of the persons who ultimately own or control, directly or indirectly, more than 25% of the equity interests or voting rights of the company or have rights to appoint or remove a majority of the directors of the company. The beneficial ownership register is not a public document and is only accessible by a designated competent authority of the Cayman Islands. Such requirement does not, however, apply to an exempted company with its shares [REDACTED] on an approved stock exchange, which includes the Stock Exchange. Accordingly, for so long as the shares of the Company are [REDACTED] on the Stock Exchange, the Company is not required to maintain a beneficial ownership register.

(q) Winding up

A company may be wound up (a) compulsorily by order of the Court, (b) voluntarily, or (c) under the supervision of the Court.

The Court has authority to order winding up in a number of specified circumstances including where the members of the company have passed a special resolution requiring the company to be wound up by the Court, or where the company is unable to pay its debts, or where it is, in the opinion of the Court, just and equitable to do so. Where a petition is presented by members of the company as contributories on the ground that it is just and equitable that the company should be wound up, the Court has the jurisdiction to make certain other orders as an alternative to a winding-up order, such as making an order regulating the conduct of the company's affairs in the future, making an order authorising civil proceedings to be brought in the name and on behalf of the company by the petitioner on such terms as the Court may direct, or making an order providing for the purchase of the shares of any of the members of the company by other members or by the company itself.

A company (save with respect to a limited duration company) may be wound up voluntarily when the company so resolves by special resolution or when the company in general meeting resolves by ordinary resolution that it be wound up voluntarily because it is unable to pay its debts as they fall due. In the case of a voluntary winding up, such company is obliged to cease to carry on its business (except so far as it may be beneficial for its winding up) from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court therein, there may be appointed an official liquidator or official liquidators; and the court may appoint to such office such person, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court must declare whether any act required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official

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liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court.

As soon as the affairs of the company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and how the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting must be called by at least 21 days' notice to each contributory in any manner authorised by the company's articles of association and published in the Gazette.

(r) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

(s) Take-overs

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

(t) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

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(u) Economic Substance Requirements

Pursuant to the International Tax Cooperation (Economic Substance) Law, 2018 of the Cayman Islands (“**ES Law**”) that came into force on 1 January 2019, a “relevant entity” is required to satisfy the economic substance test set out in the ES Law. A “relevant entity” includes an exempted company incorporated in the Cayman Islands as is the Company; however, it does not include an entity that is tax resident outside the Cayman Islands. Accordingly, for so long as the Company is a tax resident outside the Cayman Islands, including in Hong Kong, it is not required to satisfy the economic substance test set out in the ES Law.

4. GENERAL

Conyers Dill & Pearman, the Company’s special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the section headed “Documents Available for Inspection” in Appendix V to this document. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

A. FURTHER INFORMATION ABOUT OUR COMPANY AND OUR SUBSIDIARIES

1. Incorporation

Our Company was incorporated as an exempted company with limited liability in the Cayman Islands under the Companies Law on 9 April 2018. Our Company's registered office is located at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands. Our Company has established our principal place of business in Hong Kong at Unit 13, 24th Floor, Honour Industrial Centre, 6 Sun Yip Street, Chai Wan, Hong Kong and has been registered with the Companies Registry as a non-Hong Kong company on 9 May 2018 under Part 16 of the Companies Ordinance, with Mr. Li and Mr. Yau Yan Yuen appointed as the authorised representatives of our Company for acceptance of service of process in Hong Kong.

As our Company was incorporated in the Cayman Islands, its operations are subject to the relevant laws and regulations of the Cayman Islands, Companies Law and its constitution, which comprises its Memorandum and Articles. A summary of various provisions of the Memorandum and Articles and relevant aspects of the Companies Law is set out in Appendix III to this document.

2. Changes in share capital of our Company

- (a) Our Company was incorporated in the Cayman Islands on 9 April 2018 with an authorised share capital of HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each. As at the date of incorporation, (i) one nil-paid subscriber Share was allotted and issued to the subscriber (being a representative of the registered agent responsible for the incorporation of our Company), and was subsequently transferred to Copious Astute on the same day; and (ii) 897 nil-paid Shares were further allotted and issued to Copious Astute.
- (b) On 24 April 2018, pursuant to the subscription agreement entered into between WHHE (Macau), Mr. Li and Mr. Leong dated 27 February 2018, our Company allotted and issued, credited as fully paid, 100 fully-paid Shares to Fresh Phoenix at the consideration of HK\$15,000,000.
- (c) On 30 May 2018, pursuant to the Reorganisation Agreement, (i) our Company acquired the entire issued share capital of Loyal Auspicious from Mr. Li, and in consideration thereof, our Company allotted and issued, credited as fully paid, 1 Share to Copious Astute (as directed by Mr. Li); (ii) our Company acquired the entire issued share capital of Splendor Haze from Mr. Li, and in consideration thereof, our Company allotted and issued, credited as fully paid, 1 Share to Copious Astute (as directed by Mr. Li); and (iii) in consideration of the aforesaid acquisitions, the 898 nil-paid Shares held by Copious Astute were credited as fully paid. Upon completion of the Reorganisation Agreement, our Company was owned as to 90% by Copious Astute and 10% by Fresh Phoenix, and Loyal Auspicious and Splendor Haze became directly wholly-owned by our Company.

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- (d) Pursuant to the written resolutions of our Shareholders passed on 18 March 2019, the authorised share capital of our Company was increased from HK\$380,000 to HK\$10,000,000 by the creation of a further 962,000,000 Shares.
- (e) Immediately following completion of the Capitalisation Issue and the [REDACTED] (without taking into account any Shares which may be allotted and issued pursuant to the [REDACTED] and any options which may be granted under the Share Option Scheme), the issued share capital of our Company will be HK\$[REDACTED] divided into [REDACTED] Shares fully paid or credited as fully paid and [REDACTED] Shares will remain unissued. Other than pursuant to the exercise of the [REDACTED] and any options which may be granted under the Share Option Scheme, our Directors do not have any present intention to issue any part of the authorised but unissued share capital of our Company and, without prior approval of our Shareholders at general meeting, no issue of Shares will be made which would effectively alter the control of our Company.
- (f) Save for the changes in share capital as disclosed above and the sections headed “History, Reorganisation and Corporate Structure” and “Share Capital” as well as the paragraphs headed “Further information about our Company and our subsidiaries – 3. Written resolutions of our Shareholders passed on 18 March 2019” and “Further information about our Company – 4. Corporate reorganisation” in this Appendix, there has been no alteration in the share capital of our Company since its incorporation.

3. Written resolutions of our Shareholders passed on 18 March 2019

Pursuant to the written resolutions of our Shareholders passed on 18 March 2019:

- (a) the authorised share capital of our Company was increased from HK\$380,000 to HK\$10,000,000 by the creation of a further 962,000,000 Shares of HK\$0.01 each ranking *pari passu* in all respect with the then existing Shares;
- (b) the Memorandum was approved and adopted with immediate effect;
- (c) the Articles was conditionally approved and adopted with effect on the [REDACTED];

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(d) conditional on the conditions as set out in the section headed “Structure and Conditions of the [REDACTED]” of this document:

- (i) the [REDACTED] and the [REDACTED] were approved and our Directors were authorised to allot and issue the [REDACTED] and the Shares which may be allotted and issued upon the exercise of the [REDACTED];
- (ii) conditional on the share premium account of our Company being credited as a result of the [REDACTED], our Directors were authorised to capitalise an amount of HK\$[REDACTED] standing to the credit of the share premium account of our Company and to apply such sum in paying up in full at par a total of [REDACTED] Shares for allotment and issue to following Shareholders in the following manner:

Shareholders	Number of Shares to be allotted and issued
Copious Astute	[REDACTED]
Fresh Phoenix	[REDACTED]
	<u>[REDACTED]</u>

- (iii) the rules of the Share Option Scheme were approved and adopted and our Directors were authorised to implement the same, to grant options to subscribe for Shares thereunder and to allot, issue and deal with Shares pursuant thereto;
- (iv) a general unconditional mandate was given to our Directors to exercise all the powers of our Company to allot, issue and deal with, otherwise than (I) pursuant to a rights issue or (II) pursuant to any scrip dividend schemes or similar arrangements providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles or (III) pursuant to the grant of options under the Share Option Scheme or other similar arrangement or (IV) pursuant to the Capitalisation Issue, [REDACTED] or upon the exercise of the [REDACTED] or (V) pursuant to a specific authority granted by the Shareholders in general meeting, Shares with an aggregate number not exceeding (i) 20% of the aggregate number of the Shares in issue immediately following completion of the Capitalisation Issue and the [REDACTED] (without taking into account any Shares which may be issued pursuant to the Over-allotment

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Option and any Shares which may be granted under the Share Option Scheme) and (ii) the aggregate number of Shares repurchased under the authority granted to our Directors as referred to in paragraph (v) below, until whichever is the earliest of:

- (1) the conclusion of the next annual general meeting of our Company;
 - (2) the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable laws of Cayman Islands to be held; or
 - (3) the passing of an ordinary resolution of our Shareholders in a general meeting revoking, varying or renewing such mandate;
- (v) a general unconditional mandate was given to our Directors authorising them to exercise all powers of our Company to repurchase Shares on the Stock Exchange or other stock exchange on which Shares may be [REDACTED] and recognised by the SFC and the Stock Exchange for this purpose with an aggregate number of not exceeding 10% of the aggregate number of the Shares in issue immediately following completion of the Capitalisation Issue and the [REDACTED] (without taking into account any Shares which may be issued pursuant to the [REDACTED] and any Shares which may be granted under the Share Option Scheme), until whichever is the earliest of:
- (1) the conclusion of the next annual general meeting of our Company;
 - (2) the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable law of Cayman Islands to be held; or
 - (3) the revocation or variation by an ordinary resolution of our Shareholders in a general meeting.

4. Corporate reorganisation

The companies comprising our Group underwent the Reorganisation in preparation for the [REDACTED]. Please refer to the section headed "History, Reorganisation and Corporate Structure" in this document for further details.

5. Changes in share capital of subsidiaries of our Company

Our subsidiaries are set forth in the section headed "History, Reorganisation and Corporate Structure" of this document and the Accountants' Report as included in Appendix I to this document. Save for the subsidiaries mentioned hereinabove, our Company has no other subsidiaries.

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Save as disclosed in the section headed “History, Reorganisation and Corporate Structure” in this document, there has been no alteration in the share capital of any of our subsidiaries within the two years immediately preceding the date of this document.

6. Repurchase by our Company of our own securities

The following paragraphs include information required by the Stock Exchange to be included in this document concerning the repurchase by our Company of our own securities.

(a) *Provisions of the Listing Rules*

The Listing Rules permit companies with a primary listing on the Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions, the most important of which are summarised below:

(i) *Shareholders’ approval*

All proposed repurchases of securities (which must be fully paid up in the case of shares) by a company listed on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders in a general meeting, either by way of general mandate or by special approval of a particular transaction.

Pursuant to the written resolutions of our Shareholders passed on 18 March 2019, a general mandate (the “**Repurchase Mandate**”) was given to our Directors to exercise all powers of our Company to purchase Shares on the Stock Exchange, or on any other stock exchange on which our Shares may be [REDACTED] and which is recognised by the SFC and the Stock Exchange for this purpose, of up to 10% of the aggregate number of the Shares in issue immediately following completion of the Capitalisation Issue and the [REDACTED] (without taking into account any Shares which may be issued pursuant to the [REDACTED] and any Shares which may be granted under the Share Option Scheme). The general mandate will expire at the conclusion of the next annual general meeting of our Company, or the expiration of the period within which the next annual general meeting of our Company is required by the Articles or applicable laws of Cayman Islands to be held, or when revoked or varied by ordinary resolution of our Shareholders in general meeting, whichever shall first occur.

(ii) *Source of funds*

Any repurchases must be financed out of funds legally available for such purpose in accordance with the Memorandum and Articles and any applicable laws of the Cayman Islands. A listed company is prohibited from repurchasing its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

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Any repurchases by our Company may be made out of profits of our Company or out of the proceeds of a fresh issue of share made for the purpose of the repurchase or, if authorised by the Articles and subject to the Companies Law, out of capital and, in case of any premium payable on the repurchase, out of profits of our Company or from sums standing to the credit of the share premium accounts of our Company, or if authorised by the Articles and subject to the Companies Law, out of capital.

(iii) Trading restrictions

A company is authorised to repurchase on the Stock Exchange or on any other stock exchange recognised by the SFC and the Stock Exchange the total number of shares which represent up to a maximum of 10% of the aggregate number of the Shares in issue of that Company or warrants to subscribe for shares in that company representing up to 10% of the amount of warrants then outstanding at the date of the passing of the relevant resolution granting the repurchase mandate. A company may not issue or announce an issue of new securities of the type that have been repurchased for a period of 30 days immediately following a repurchase of securities whether on the Stock Exchange or otherwise (except pursuant to the exercise of warrants, share options or similar instruments requiring the company to issue securities which were outstanding prior to the repurchase) without the prior approval of the Stock Exchange. A company is also prohibited from making securities repurchase on the Stock Exchange if the result of the repurchases would be that the number of the listed securities in hands of the public would be below the relevant prescribed minimum percentage for that company as required and determined by the Stock Exchange. A company shall not purchase its shares on the Stock Exchange if the purchase price is higher by 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on the Stock Exchange.

(iv) Status of repurchased securities

The listing of all repurchased securities (whether on the Stock Exchange or otherwise) is automatically cancelled upon the repurchase and the relevant certificates must be cancelled and destroyed. Under the laws of the Cayman Islands, a company's repurchased shares if not held by the company as treasury shares, may be treated as cancelled and, if so cancelled, the amount of that company's issued share capital shall be reduced by the aggregate nominal value of the repurchased shares accordingly although the authorised share capital of the company will not be reduced.

(v) Suspension of repurchase

A listed company shall not make any repurchase of securities at any time after inside information has come to its knowledge until the information is made publicly available. In particular, during the period of one month

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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 a listed company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules) and (ii) the deadline for publication of an announcement of a listed company's results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules) and ending on the date of the results announcement, the listed company may not repurchase its shares on the Stock Exchange other than in exceptional circumstances and provided that a waiver on all or any of the restrictions under the Listing Rules has been granted by the Stock Exchange. In addition, the Stock Exchange may prohibit repurchases of securities on the Stock Exchange if a company has breached the Listing Rules.

(vi) Reporting requirements

Certain information relating to repurchases of securities on the Stock Exchange or otherwise must be reported to the Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the following business day. In addition, a listed company's annual report is required to disclose details regarding repurchases of securities made during the year, including a monthly analysis of the number of securities repurchased, the purchase price per share or the highest and lowest price paid for all such repurchases, where relevant, and the aggregate prices paid.

(vii) Core connected persons

Under the Listing Rules, a company shall not knowingly repurchase shares from a core connected person (as defined in the Listing Rules) and a core connected person shall not knowingly sell his shares to the company.

(b) Exercise of the Repurchase Mandate

Exercise in full of the Repurchase Mandate, on the basis of [REDACTED] Shares in issue immediately after [REDACTED], could accordingly result in up to 50,000,000 Shares being repurchased by our Company during the period in which the Repurchase Mandate remains in force.

(c) Reasons for repurchases

Repurchases of Shares will only be made when our Directors believe that such a repurchase will benefit our Company and Shareholders. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value and/or earnings per Share.

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(d) Funding of repurchases

In repurchasing Shares, our Company may only apply funds legally available for such purpose in accordance with our Memorandum and Articles and the applicable laws and regulations of the Cayman Islands.

On the basis of the current financial position of our Group as disclosed in this document and taking into account the current working capital position of our Group, our Directors consider that, if the Repurchase Mandate was to be exercised in full, it might have a material adverse effect on the working capital and/or the gearing position of our Group as compared with the position disclosed in this document. However, our Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Group or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Group.

(e) General

None of our Directors, to the best of their knowledge having made all reasonable enquiries, nor any of their respective close associates (as defined in the Listing Rules) currently intends to sell any Shares to our Company.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules, our Memorandum and Articles and the applicable laws of the Cayman Islands.

No core connected person (as defined in the Listing Rules) of our Company has notified our Company that he or she has a present intention to sell Shares to our Company, or has undertaken not to do so, in the event that the Repurchase Mandate is exercised.

If as a result of a repurchase of Shares, a Shareholder's proportionate interest in the voting rights of our Company is increased, such increase will be treated as an acquisition for the purpose of the Takeovers Code. As a result, a Shareholder, or a group of Shareholders acting in concert, depending on the level of increase in the Shareholder's interest, could obtain or consolidate control of our Company and become(s) obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequence which would arise under the Takeovers Code due to any repurchase made pursuant to the Repurchase Mandate immediately after the [REDACTED].

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B. FURTHER INFORMATION ABOUT THE BUSINESS OF OUR GROUP

1. Summary of material contracts

The following contracts (not being contracts in the ordinary course of business) have been entered into by members of our Group within the two years immediately preceding the date of this document and are or may be material:

- (a) an equity transfer agreement dated 30 September 2017 and entered into between WHHE (Macau) and Mr. Hung Tze Ming in relation to the transfer of the entire equity interests in ZHZC from Mr. Hung Tze Ming to WHHE (Macau) at the consideration of RMB10,000;
- (b) a subscription agreement dated 27 February 2018 and entered into between WHHE (Macau), Mr. Li and Mr. Leong, pursuant to which Mr. Leong agreed to subscribe (through Fresh Phoenix) for 100 Shares at the consideration of HK\$15,000,000;
- (c) a share transfer agreement dated 17 May 2018 and entered into between Mr. Li and Mr. Yu as transferors and Loyal Auspicious as transferee, pursuant to which Mr. Li and Mr. Yu agreed to transfer the entire registered share capital of NWHC to Loyal Auspicious at a total consideration of MOP500,000;
- (d) a share transfer agreement dated 17 May 2018 and entered into between WHHE (Macau) and Mr. Li as transferors and Loyal Auspicious as transferee, pursuant to which WHHE (Macau) and Mr. Li agreed to transfer the entire registered share capital of WHHDD to Loyal Auspicious at a total consideration of MOP500,000;
- (e) a share transfer agreement dated 17 May 2018 and entered into between Mr. Li as transferor and Loyal Auspicious as transferee, pursuant to which Mr. Li agreed to transfer the entire registered share capital of YKDE to Loyal Auspicious at a total consideration of MOP300,000;
- (f) a share transfer agreement dated 17 May 2018 and entered into between Mr. Li and Mr. Yu as transferors and Loyal Auspicious as transferee, pursuant to which Mr. Li and Mr. Yu agreed to transfer the entire registered share capital of Keng Chuan to Loyal Auspicious at a total consideration of MOP25,000;
- (g) a share transfer agreement dated 17 May 2018 and entered into between Mr. Li and Mr. Yu as transferors and Splendor Haze as transferee, pursuant to which Mr. Li and Mr. Yu agreed to transfer the entire registered share capital of WHHE (Macau) to Splendor Haze at a total consideration of MOP500,000;
- (h) the Reorganisation Agreement;
- (i) the Deed of Indemnity;

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- (j) the Deed of Non-competition;
- (k) [REDACTED];
- (l) [REDACTED];
- (m) [REDACTED];
- (n) [REDACTED];
- (o) [REDACTED]; and
- (p) the [REDACTED].





2. Intellectual property rights

(a) *Trademarks*

As at the Latest Practicable Date, our Group had registered the following trademarks:

Trademark	Place of registration	Trademark number	Name of owner	Class	Expiry Date
	Hong Kong	304552489	WHHE (Macau)	37, 42	4 June 2028

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Trademark	Place of registration	Trademark number	Name of owner	Class	Expiry Date
	Macau	N/139247(789)	WHHE (Macau)	37	27 November 2025
	Macau	N/139248(064)	WHHE (Macau)	42	27 November 2025
	PRC	31406774	WHHE (Macau)	37	13 March 2029
	PRC	31421723	WHHE (Macau)	42	6 March 2029

(b) Domain name

As at the Latest Practicable Date, our Group was the registered proprietor of the following domain name:

Domain name	Registrant	Registration date	Expiry date
whh.com.hk ^(Note)	WHHE (HK)	28 May 2006	30 May 2021

Note: Information contained in the website does not form part of this document.

C. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Directors

(a) Disclosure of interests of Directors and chief executive

So far as our Directors are aware, immediately following completion of the Capitalisation Issue and the [REDACTED] without taking into account the Shares which may be issued pursuant to the exercise of the [REDACTED] and the options which may be granted under the Share Option Scheme, the interests and short positions of our Directors and chief executive of our Company in the Shares, underlying shares and debentures of our Company or any associated corporation (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have taken under such provisions), or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to

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therein or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, once the Shares are [REDACTED], will be as follows:

(i) *Long position in Shares*

Name of Director/chief executive	Capacity/nature of interests	Number of Shares	Percentage of shareholding
Mr. Li	Interest in a controlled corporation (Note 1)	[REDACTED]	[REDACTED]

Note:

- (1) Immediately following completion of the Capitalisation Issue and the [REDACTED] (without taking into account the Shares which may be issued pursuant to the exercise of the [REDACTED] and the options which may be granted under the Share Option Scheme), our Company will be owned as to [REDACTED] by Copious Astute. Copious Astute is owned as to 100% by Mr. Li and under the SFO, Mr. Li is deemed to be interested in all the Shares which are registered in the name of Copious Astute.

(ii) *Long position in the ordinary shares of associated corporation*

Name of Director/chief executive	Name of associated corporation	Capacity/nature of interests	Number of share	Percentage of shareholding in the associated corporation
Mr. Li	Copious Astute	Beneficial owner (Note 1)	1	100%

Note:

- (1) Immediately following completion of the Capitalisation Issue and the [REDACTED] (without taking into account the Shares which may be issued pursuant to the exercise of the [REDACTED] and the options which may be granted under the Share Option Scheme), our Company will be owned as to [REDACTED] by Copious Astute. Copious Astute is owned as to 100% by Mr. Li and under the SFO, Mr. Li is deemed to be interested in all the Shares which are registered in the name of Copious Astute.

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(b) Particulars of service contracts and letters of appointment

Executive Directors

Each of Mr. Li and Mr. Yu, being all our executive Directors, has entered into a service contract with our Company for an initial fixed term of three years commencing from the [REDACTED] renewable automatically until terminated by not less than three months' notice in writing served by either party on the other expiring at the end of the initial term or any time thereafter.

Commencing from the [REDACTED], each of our executive Directors is entitled to an initial annual salary set out below, such salary to be reviewed annually by our Board and the remuneration committee of our Company. In addition, each of our executive Directors is entitled to such discretionary management bonus by reference to the consolidated net profits of our Group after taxation and minority interest but before extraordinary items as our Board and the remuneration committee of our Company may approve, provided that our relevant executive Director shall abstain from voting and not be counted in the quorum in respect of any resolution of our Board approving the amount of annual salary, management bonus and other benefits payable to him/her.

Name	Amount <i>(MOP)</i>
Mr. Li	535,600
Mr. Yu	1,616,173

Non-executive Director and independent non-executive Directors

Mr. Li Chun Ho, being our non-executive Director, has entered into a letter of appointment with our Company, which takes effect from the date of the letter of appointment, and shall continue for an initial fixed term of three years from the [REDACTED], and provided that either party can at any time terminate the appointment by giving to the other party not less than three months' prior notice in writing. Commencing from the [REDACTED], Mr. Li Chun Ho is entitled to an annual director's fee of HK\$120,000.

Each of Ms. Rita Botelho dos Santos, Mr. Lam Chi Wing and Mr. Wu Chou Kit, being all our independent non-executive Directors, has entered into a letter of appointment with our Company, which takes effect from the date of the letter of appointment, and shall continue for an initial fixed term of three years from the [REDACTED], and provided that either party can at any time terminate the appointment by giving to the other party not less than three months' prior notice in writing. Commencing from the [REDACTED], each independent non-executive Director is entitled to an annual director's fee of HK\$120,000.

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Save as disclosed above, none of our Directors has or is proposed to enter into a service contract/letter of appointment with our Company or any of our subsidiaries (other than contracts expiring or determinable by our Group within one year without the payment of compensation (other than statutory compensation)).

(c) *Directors’ remuneration*

Our Company’s policies concerning remuneration of executive Directors are:

- (i) the amount of remuneration payable to our executive Directors will be determined on a case by case basis depending on the experience, responsibility, workload and the time devoted to our Group by the relevant Director;
- (ii) non-cash benefits may be provided to our Directors under their remuneration package; and
- (iii) our executive Directors may be granted, at the discretion of our Board, share options of our Company, as part of the remuneration package.

The aggregate of the remuneration (including salaries and allowance) paid and benefits in kind granted by our Group to our Directors for FY2015, FY2016, FY2017 and FY2018 was approximately MOP2.6 million, MOP1.8 million, MOP1.8 million and MOP2.1 million, respectively. Further information in respect of our Directors’ remuneration is mentioned in note 6 to the Accountants’ Report in Appendix I to this document.

2. Substantial Shareholders

For the information on the persons or entities who will, immediately following completion of the Capitalisation Issue and the [REDACTED] (without taking into account of the Shares which may be issued pursuant to the exercise of the [REDACTED] and any options that may be granted under the Share Option Scheme), have an interest or a short position in the Shares or the underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be, directly or indirectly, to be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any other member of our Group, please refer to the section headed “Substantial Shareholders” in this document.

3. Related party transactions

Our Group entered into the related party transaction during the Track Record Period as mentioned in note 29 to the Accountants’ Report in Appendix I to this document.

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4. Disclaimers

Save as disclosed in this Appendix and the section headed "Substantial Shareholders" in this document, as at the Latest Practicable Date:

- (a) and taking no account of any Shares which may be taken up or acquired under the [REDACTED] or any Shares which may be allotted and issued upon the exercise of the [REDACTED] and any options which have been or may be granted under the Share Option Scheme, our Directors are not aware of any person who immediately following completion of the Capitalisation Issue and the [REDACTED] will have an interest or short position in the Shares and underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who is, either directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at the general meetings of our Company or any other members of our Group;
- (b) none of our Directors and chief executive of our Company has for the purposes of Divisions 7 and 8 of Part XV of the SFO or the Listing Rules, nor is any of them taken to or deemed to have under Divisions 7 and 8 of Part XV of the SFO, an interest or short position in the shares, underlying shares and debentures of our Company or any associated corporations (within the meaning of the SFO) or any interests which will have to be entered in the register to be kept by our Company pursuant to section 352 of the SFO or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules once the Shares are [REDACTED] on the Stock Exchange;
- (c) none of our Directors nor the experts named in the paragraph headed "Qualifications of experts" in this Appendix has any direct or indirect interest in the promotion of, or in any assets which have been, within the two years immediately preceding the issue of this document, acquired or disposed of by or leased to, any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group; and
- (d) none of our Directors is materially interested in any contract or arrangement subsisting at the date of this document which is significant in relation to the business of our Group.

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D. SHARE OPTION SCHEME

The following is a summary of the principal terms of the Share Option Scheme conditionally approved by our existing Shareholders on 18 March 2019.

For the purpose of this section, unless the context otherwise requires:

“Board”	means our board of Directors from time to time or a duly authorised committee thereof;
“Eligible Person”	means any full-time or part-time employee of our Company or any member of our Group, including any executive directors, non-executive directors and independent non-executive directors, suppliers, customers, agents, advisors and consultants of our Group who, in the sole opinion of our Board, will contribute or have contributed to our Group;
“Option”	means an option to subscribe for Shares granted pursuant to the Share Option Scheme;
“Option Period”	means in respect of any particular Option, the period to be determined and notified by our Board to each Participant, which period may commence on a day on or after the date upon which the Option is accepted or deemed to be accepted in accordance with the Share Option Scheme but shall end in any event not later than 10 years from such date;
“Other Schemes”	means any other share option schemes adopted by our Group from time to time pursuant to which options to subscribe for Shares may be granted;
“Participant”	means any Eligible Person who accepts or is deemed to have accepted the offer of any Option in accordance with the terms of the Share Option Scheme or (where the context so permits) a person entitled to any such Option in consequence of the death of the original Participant;
“Shareholders”	means shareholders of our Company from time to time;
“Subsidiary”	means a company which is for the time being and from time to time a subsidiary (within the meaning of section 15 of the Companies Ordinance) of our Company, whether incorporated in Hong Kong or elsewhere; and
“Trading Day”	means a day on which trading of Shares take place on the Stock Exchange.

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(a) Purpose of the Share Option Scheme

The Share Option Scheme enables our Company to grant Options to the Eligible Persons as incentives or rewards for their contributions to our Group.

(b) Who may join

Our Board may, at its discretion, invite any Eligible Persons to take up Options at a price calculated in accordance with sub-paragraph (d) below. Upon acceptance of the Option, the Eligible Person shall pay HK\$1.00 to our 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.

(c) Grant of Option

- (i) 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 our Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our 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 our 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 our Company.
- (ii) 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 Other Schemes (including both exercised and outstanding Options) in any 12-month period must not exceed 1% of the Shares in issue from time to time, and provided that if approved by our Shareholders in general meeting with such Participant and his close associates (or his associates if the participant is a connected person) abstaining from voting, our Company may make a further grant of Options to such Participant (the “**Further Grant**”) notwithstanding that the Further Grant would result in the Shares issued and to be issued upon exercise of all Options granted and to be granted under the Share Option Scheme and Other Schemes to such Participant (including exercised, cancelled and outstanding Options) in the 12-month period up to and including the date of the Further Grant representing in aggregate over

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1% of the Shares in issue from time to time. In relation to the Further Grant, our Company must send a circular to our Shareholders, which discloses the identity of the relevant Participant, the number and the terms of the Options to be granted (and Options previously granted to such Participant under the Share Option Scheme and Other Schemes) and the information required under the Listing Rules. The number and terms (including the exercise price) of Options which is the subject of the Further Grant shall be fixed before the relevant Shareholders' meeting and the date of meeting of our Board for proposing the Further Grant should be taken as the date of grant for the purpose of calculating the relevant subscription price.

(d) Price of Shares

The subscription price for the Shares subject to Options will be a price determined by our 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. For the purpose of calculating the subscription price, in the event that on the date of grant, our Company has been [REDACTED] for less than five Trading Days, the [REDACTED] shall be used as the closing price for any Trading Day falling within the period before the [REDACTED].

(e) Maximum number of Shares

- (i) The total number of Shares which may be issued upon the exercise of all Options to be granted under the Share Option Scheme and Other Schemes must not, in aggregate, exceed 10% of the Shares in issue as at the [REDACTED] (the "**Scheme Mandate Limit**") provided that the Options lapsed in accordance with the terms of the Share Option Scheme or Other Schemes will not be counted for the purpose of calculating the Scheme Mandate Limit. On the basis of [REDACTED] Shares in issue on the [REDACTED], the Scheme Mandate Limit will be equivalent to [REDACTED] Shares, representing 10% of the Shares in issue as at the [REDACTED].
- (ii) Subject to the approval of Shareholders in general meeting, our 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 Other Schemes 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 Other Schemes (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 (ii), our Company shall send a circular to our Shareholders containing our information required by the Listing Rules.

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- (iii) Subject to the approval of Shareholders in general meeting, our 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 our Company before such Shareholders' approval is sought. In relation to the Shareholders' approval referred to in this paragraph (iii), our 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.
- (iv) Notwithstanding the foregoing, our 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 Other Schemes exceeds 30% of the Shares in issue from time to time.

(f) Time of exercise of Option

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 our 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 our 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.

(g) Rights are personal to grantee

An Option shall be personal to the Participant and shall not be assignable or transferable and no Participant shall in any way sell, transfer, charge, mortgage, encumber or create any interest whether legal or beneficial in favour of any third party over or in relation to any Option. Any breach of the foregoing by the Participant shall entitle our Company to cancel any Option or any part thereof granted to such Participant (to the extent not already exercised) without incurring any liability on our Company.

(h) Rights on death

If a Participant dies before exercising the Options in full, his or her personal representative(s) may exercise the Options in full (to the extent that the Options have become exercisable on the date of death and not already exercised) within a period of 12 months from the date of death, failing which such Options will lapse.

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(i) Changes in capital structure

In the event of any alteration in the capital structure of our Company while an Option remains exercisable, and such event arises from a capitalisation issue, rights issue, subdivision or consolidation of Shares or reduction of the share capital of our Company (other than an issue of Shares as consideration in respect of a transaction to which our Company is a party), such corresponding adjustment (if any) shall be made in the number of Shares (without fractional entitlements) subject to the Options so far as unexercised, and/or the subscription price, so as to give each Participant the same proportion of the issued share capital of our Company as that to which the Participant was previously entitled.

Except alterations made on a capitalisation issue, the auditors of our Company or an independent financial adviser appointed by our Company shall confirm in writing to our Board that the above adjustment is made on the basis that the proportion of the issued share capital of our Company to which a Participant is entitled after such adjustment shall remain the same as that to which he or she was entitled before such adjustment. However, no such adjustment shall be made to the effect of which would be to enable any Share to be issued at less than its nominal value.

(j) Rights on take-over

If a general offer (whether by way of takeover offer, repurchase offer or scheme of arrangement or otherwise in like manner) has been made to all the Shareholders (other than the offeror and/or any persons acting in concert with the offeror), to acquire all or part of the issued Shares, and such offer, having been approved in accordance with applicable laws and regulatory requirements, becomes or is declared unconditional, the Participant shall be entitled to exercise his or her outstanding Option in full or any part thereof within 14 days after the date on which such offer becomes or is declared unconditional. For the purposes of this sub-paragraph, "acting in concert" shall have the meaning ascribed to it under the Takeovers Code.

(k) Rights on a compromise or arrangement

- (i) If an application is made to the court (otherwise than where our Company is being voluntarily wound up), pursuant to the Companies Law or the Companies Ordinance, in connection with a proposed compromise or arrangement between our Company and our creditors (or any class of them) or between our Company and our Shareholders (or any class of them), a Participant may by notice in writing to our Company, within a period of 21 days after the date of such application, exercise his or her outstanding Option in full extent or to the extent specified in such note. Upon the compromise or arrangement becoming effective, all Options shall lapse except insofar as exercised. Notice of the application referred to herein and the effect thereof shall be given by our Company to all Participants as soon as practicable.

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- (ii) In the event of a notice being given by our Company to our Shareholders to convene a general meeting for the purpose of approving a resolution to voluntarily wind up our Company when our Company is solvent, our Company shall on the day of such notice to each Shareholder or as soon as practicable, give notice thereof to all Participants. Thereupon each Participant shall be entitled to exercise all or any of his or her outstanding Options at any time no later than two Business Days prior to the proposed general meeting of our Company by giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given, whereupon our Company shall as soon as possible and, in any event, no later than the Business Day immediately prior to the date of the proposed general meeting referred to above, allot and issue the relevant Shares to the Participant credited as fully paid.

(I) Lapse of Option

An Option shall lapse forthwith and not exercisable (to the extent not already exercised) on the earliest of:

- (i) the date of expiry of the Option as may be determined by the Board;
- (ii) subject to paragraphs (f) and (p), the expiry of the Option Period;
- (iii) the first anniversary of the death of the Participant;
- (iv) the commencement of the winding up of our Company;
- (v) in the event that the Participant was an employee or director of any member of our Group on the date of grant of Option to him or her, the date on which such member of our Group terminates the Participant's employment or removes the Participant from his or her office on the ground that the Participant has been guilty of misconduct, has committed an act of bankruptcy or has become insolvent or has made any arrangements or composition with his or her creditors generally, or has been convicted of any criminal offence involving his or her integrity or honesty. A resolution of our Board or the board of directors of the relevant member of our Group to the effect that such employment or office has or has not been terminated or removed on one or more grounds specified in this sub-paragraph shall be conclusive;

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- (vi) in the event that the Participant was an employee or director of any member of our Group on the date of grant of Option to him or her, the expiry of a period of three months from the date of the Participant ceasing to be an employee or director of such member of our Group by reason of:
 - (1) his or her retirement on or after attaining normal retirement age or, with the express consent of the Board in writing for the purpose of this sub-paragraph, at a younger age;
 - (2) ill health or disability recognised as such expressly by our Board in writing for the purpose of this sub-paragraph;
 - (3) the company by which he or she is employed and/or of which he or she is a director (if not our Company) ceasing to be a subsidiary of our Company;
 - (4) expiry of his or her employment contract or vacation of his or her office with such member of our Group such contract or office is not immediately extended or renewed; or
 - (5) at the discretion of our Board, any reason other than death or the reasons described in sub-paragraph (v) or (vi) (1) to (4) above;
- (vii) the expiry of any period referred to in paragraph (k) above, provided that in the case of paragraph (k)(i), all Options granted shall lapse upon the proposed compromise or arrangement becoming effective; and
- (viii) the date the Participant commits any breach of the provisions of paragraph (g) above.

(m) Ranking of Shares

Shares allotted and issued upon the exercise of an Option will be subject to our Articles as amended from time to time and will rank *pari passu* in all respects with the fully paid or credited as fully paid Shares in issue on the date of such allotment or issue and accordingly will entitle the holders to participate in all dividends or other distributions paid or made on or after the date, of allotment and issue other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be before the date of allotment or issue.

(n) Cancellation of Options granted

Any cancellation of Options granted in accordance with the Share Option Scheme but not exercised must be approved by the grantee concerned in writing. In the event that our Board elects to cancel any Options and issue new ones to the same grantee, the issue of such new Options may only be made with available unissued Options (excluding the cancelled Options) within the Scheme Mandate Limit.

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(o) Period of Share Option Scheme

The Share Option Scheme will be valid and effective for a period of 10 years commencing on the [REDACTED], 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.

(p) Alteration to and termination of Share Option Scheme

- (i) The Share Option Scheme may be altered in any respect by resolution of our Board, except that (1) any alteration to the advantage of the Participants or the Eligible Persons (as the case may be) relating to matters contained in Chapter 17 of the Listing Rules; and (2) any material alteration to the terms and conditions of the Share Option Scheme or any change to the terms of Options granted, except where the alterations take effect automatically under the existing terms of the Share Option Scheme, shall first be approved by the Shareholders in general meeting (with the Eligible Persons, the Participants and their respective close associates abstaining from voting) provided that if the proposed alteration shall adversely affect any Options granted or agreed to be granted prior to the date of alteration, such alteration shall be further subject to the consent or sanction of the Participants in accordance with the terms of the Share Option Scheme.
- (ii) Our Company may, by ordinary resolution in general meeting, at any time terminate the operation of the Share Option Scheme before the end of its life and in such event no further Options will be offered but the provisions of the Share Option Scheme shall remain in all other respects in full force and effect in respect of Options granted prior thereto but not yet exercised at the time of termination, which shall continue to be exercisable in accordance with their terms of grant. Details of the Options granted, including Options exercised or outstanding, under the Share Option Scheme, and (if applicable) Options that become void or non-exercisable as a result of termination must be disclosed in the circular to the Shareholders seeking approval for the new scheme to be established after such termination.

(q) Granting of Options to a director, chief executive or Substantial Shareholder of our Company or any of their associates

- (i) Where Options are proposed to be granted to a director, chief executive or Substantial Shareholder of our Company or any of their respective associates, the proposed grant must be approved by all independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the Options).
- (ii) If a grant of Options to a Substantial Shareholder or an independent non-executive Director, or any of their respective associates will result in the total number of the Shares issued and to be issued upon exercise of the

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Options already granted and to be granted (including Options exercised, cancelled and outstanding) to such person under the Share Option Scheme or Other Schemes in any 12-month period up to and including the date of the grant (i) representing in aggregate over 0.1% (or such other percentage as may from time to time specified by the Stock Exchange) of the Shares in issue from time to time, and (ii) having an aggregate value, based on the closing price of the Shares at the date of the grant, in excess of HK\$5 million, then the proposed grant of Options must be approved by the Shareholders. The Participant, his/her/its associates and all core connected persons of our Company must abstain from voting at such general meeting. Our Company will send a circular to our Shareholders containing the information required under Rule 17.04(3) of the Listing Rules.

- (iii) In addition, Shareholders' approval as described above will also be required for any change in terms of the Options granted to an Eligible Person who is a Substantial Shareholder, an independent non-executive Director or their respective associates.
- (iv) The circular must contain the following:
 - (1) details of the number and terms of the Options (including the subscription price relating thereto) to be granted to each Eligible Person, which must be fixed before the relevant Shareholders' meeting, and the date of Board meeting for proposing such further grant is to be taken as the date of grant for the purpose of calculating the subscription price;
 - (2) a recommendation from our independent non-executive Directors (excluding any independent non-executive Director who is a proposed grantee of the Options in question) to independent Shareholders, as to voting; and
 - (3) all other information as required by the Listing Rules. For the avoidance of doubt, the requirements for the granting of Options to a Director or chief executive (as defined in the Listing Rules) set out in this paragraph (q) above do not apply where the Eligible Person is only a proposed Director or proposed chief executive.

(r) Performance Target

The exercise of an Option may be subject to the achievement of performance target and/or any other conditions to be notified by our Board to each Participant, which our Board may in its absolute discretion determine.

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(s) Conditions of Share Option Scheme

- (i) The Share Option Scheme is conditional on (i) the passing of the written resolution to adopt the Share Option Scheme by all our existing Shareholders in general meeting; and (ii) the Stock Exchange granting approval for the [REDACTED] of and [REDACTED] the Shares which may be issued pursuant to the exercise of Options.
- (ii) As at the Latest Practicable Date, no options have been granted or agreed to be granted by our Company under the Share Option Scheme.
- (iii) Application has been made to the Stock Exchange for the [REDACTED] of and [REDACTED] the Shares which fall to be issued pursuant to the exercise of Options granted under Share Option Scheme.
- (iv) The terms of the Share Option Scheme are in compliance with Chapter 17 of the Listing Rules.

E. OTHER INFORMATION

1. Tax and other indemnities

Our Controlling Shareholders, namely, Mr. Li and Copious Astute, (collectively the “**Indemnifiers**”) have entered into a deed of indemnity (“**Deed of Indemnity**”) (being a material contract referred to in the paragraph headed “Summary of material contracts” of this Appendix) to provide the following indemnities in favour of our Company (for itself and as trustee for its subsidiaries).

Under the Deed of Indemnity, each of the Indemnifiers irrevocably, jointly and severally agrees, covenants and undertakes with our Company (for itself and as trustee for each member of our Group) that he/it will indemnify our Company (for itself and as trustee for each member of our Group) against, amongst others, the following:

- (a) any liability to any form of taxation falling on any or all members of our Group resulting from or by reference to any income, profit or gains earned, accrued or received (or deemed to be so earned, accrued or received) or transactions, events, acts, omissions, matters or things entered into or occurring on or before the [REDACTED];
- (b) all necessary costs (including all legal costs), fines, expenses, interests, penalties, damages, losses or other liabilities incurred by any members of our Group due to any litigation, arbitration, disciplinary and/or legal proceedings (including without limitation any court proceeding, administrative proceedings or other proceedings commenced or instituted by any regulatory body or governmental department) or any investigation against any member of our Group in relation to, arising out of or in connection with any cause of action, subject matter, dispute or breach, infringement or contravention of any law, regulation, legal

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right or proprietary right (whether intellectual, property or otherwise) that are issued or accrued occurred in anywhere in the world on or before the [REDACTED];

- (c) all relocation fees, costs and any loss suffered or incurred by any member of our Group in the event that we cannot continue to use certain leased properties before the expiration of the current term of the tenancy/lease/licence due to the denial of the ownership titles of the relevant landlords or is otherwise prohibited from using or occupying any of such properties, on or before the [REDACTED];
- (d) all claims, actions, demands, proceedings, judgments, losses, liabilities, damages, costs, charges, fees, expenses and fines suffered or incurred by any member of our Group arising from the non-compliance by any member of our Group with any laws, regulations or administrative orders or measures in Macau, Hong Kong and the PRC, on or before the [REDACTED]; and
- (e) any liabilities arising from the non-compliance with applicable laws and regulations on or before the [REDACTED].

The Indemnifiers will, however, not be liable under the Deed of Indemnity for taxation where, among others:

- (a) to the extent that provision has been made for such taxation in the audited accounts of our Company or any member of our Group up to 31 December 2018 ("**Accounts**"); or
- (b) falling on any member of our Group in respect of any period commencing on the day immediately after the date on which the [REDACTED] becomes unconditional unless liability for such taxation would not have arisen but for any act or omission of, or transaction by any member of our Group voluntarily effected (other than pursuant to a legally binding commitment created on or before the date on which the [REDACTED] becomes unconditional) without the prior written consent or agreement of the Indemnifiers; or
- (c) to the extent that such taxation arises or is incurred as a result of any change in the law having retrospective effect coming into force after the date on which the [REDACTED] becomes unconditional or to the extent that such taxation arises or is increased by an increase in rates of taxation after the date on which the [REDACTED] becomes unconditional with retrospective effect (except the imposition of or an increase in the rate of Hong Kong profits tax or any tax of anywhere else in the world on the profits of companies for the current or any earlier financial period); or
- (d) to the extent that any provision or reserve made for such taxation in the Accounts is established to be an over-provision or an excessive reserve.

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The Indemnifiers will not be liable in respect of the liabilities arising from the non-compliance with laws and regulations which are promulgated or amended after the [REDACTED].

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of its subsidiaries in the Cayman Islands, the BVI, Macau or Hong Kong, being jurisdictions in which one or more of the companies comprising our Group were incorporated.

2. Litigation

As at the Latest Practicable Date, neither our Company nor any of our subsidiaries was engaged in any litigation or claims of material importance and no litigation or claims of material importance is known to our Directors to be pending or threatened against our Company or any of our subsidiaries.

3. Sole Sponsor

The Sole Sponsor has made an application for and on behalf of our Company to the Stock Exchange for the [REDACTED] of, and [REDACTED], the Shares in issue and to be issued as mentioned in this document, including the [REDACTED] and any Shares which may fall to be allotted and issued pursuant to the Capitalisation Issue and the exercise of the [REDACTED] and any options which may be granted under the Share Option Scheme. The Sole Sponsor is independent from our Company pursuant to Rule 3A.07 of the Listing Rules. The Sole Sponsor is entitled to the sponsor’s fee in the amount of HK\$[REDACTED].

4. Compliance adviser

In accordance with the requirements of the Listing Rules, our Company will appoint Red Sun Capital Limited as its compliance adviser to provide advisory services to our Company to ensure compliance with the Listing Rules for a period commencing on the [REDACTED] and ending on the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of its financial results for the first full financial year commencing after the [REDACTED] or until the agreement is terminated, whichever is the earlier.

5. Preliminary expenses

The preliminary expenses relating to the incorporation of our Company are approximately MOP48,000 which has been paid by our Company.

6. Promoters

Our Company has no promoter for the purpose of the Listing Rules.

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7. Qualifications of experts

The qualifications of the experts who have given reports, letter or opinions (as the case may be) in this document are as follows:

Name	Qualification
Chio Tak Wo, Advogado	Macau lawyer
Conyers Dill & Pearman	Cayman Islands attorneys-at-law
Deloitte Touche Tohmatsu	Certified public accountants
Frost & Sullivan	Industry consultant
Ms. Queenie W.S. Ng	Barrister-at-law of Hong Kong
Red Sun Capital Limited	Licensed corporation to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activity as defined under the SFO

As of the Latest Practicable Date, none of the experts named above had any shareholding interest in our Company or any of our subsidiaries or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

8. Consents of experts

Each of the experts referred to above has given and has not withdrawn its written consent to the issue of this document with the inclusion of its reports, letters, opinions or summaries of opinions (as the case may be) and the references to its name included in this document in the form and context in which it respectively appears.

9. Binding effect

This document shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penalty provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

10. Agency fees or commission

The [REDACTED] will receive an [REDACTED] commission as referred to in the section headed “[REDACTED]”.

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11. Share registrar

The principal register of members of our Company will be maintained in the Cayman Islands by [REDACTED] and a branch register of members of our Company will be maintained in Hong Kong by [REDACTED]. Unless our Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by our Hong Kong Branch Share Registrar and may not be lodged in the Cayman Islands.

12. Miscellaneous

- (a) Save as disclosed in the sections headed “History, Reorganisation and Corporate Structure” and “[REDACTED]” in this document, within the two years preceding the date of this document:
 - (i) no share or loan capital of our Company or any of our subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration other than cash;
 - (ii) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any capital of our Company or any of our subsidiaries; and
 - (iii) no commission has been paid or payable (excluding commission payable to [REDACTED]) for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any shares in our Company.
- (b) No share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option.
- (c) No founder, management or deferred shares of our Company or any of our subsidiaries have been issued or agreed to be issued.
- (d) Our Directors confirm that, up to the date of this document, save as disclosed in the section headed “Financial Information – Recent development and material adverse change” in this document, there has been no material adverse change in the financial or trading position or prospects of our Group since 31 December 2018 (being the date to which the latest audited consolidated financial statements of our Group were made up).
- (e) There has not been any interruption in the business of our Group which has had a material adverse effect on the financial position of our Group in the 12 months preceding the date of this document.

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- (f) None of the experts as set out in the paragraph headed “Qualifications of experts” in this Appendix:
 - (i) is interested beneficially or non-beneficially in any shares in any member of our Group; or
 - (ii) has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.
- (g) No company within our Group is presently listed on any stock exchange or traded on any trading system.
- (h) Our Company has no outstanding convertible debt securities.
- (i) All necessary arrangements have been made to enable the Shares to be admitted into CCASS for clearing and settlement.
- (j) There are no arrangements under which future dividends are waived or agreed to be waived.

13. Bilingual Document

Pursuant to Rule 19.36(5) of the Listing Rules and section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong), the English language and Chinese language versions of this document are being published separately but are available to the public at the same time as each place where this document is distributed by or on behalf of our Company.

APPENDIX V DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG AND AVAILABLE FOR INSPECTION

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to the copy of this document and delivered to the Registrar of Companies in Hong Kong for registration were (i) a copy of each of the [REDACTED] and [REDACTED], (ii) the written consents referred to in the paragraph headed “E. Other information – 8. Consents of experts” in Appendix IV to this document, and (iii) a copy of each of the material contracts referred to in the paragraph headed “B. Further information about the business of our Group – 1. Summary of material contracts” in Appendix IV to this document.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Stevenson, Wong & Co. at 39th Floor, Gloucester Tower, The Landmark, 15 Queen’s Road Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this document:

- (1) the Memorandum and the Articles;
- (2) the Accountants’ Report prepared by Deloitte Touche Tohmatsu, the text of which is set forth in Appendix I to this document;
- (3) the audited consolidated financial statements of our Group for the Track Record Period underlying the historical financial information of our Group incorporated in the Accountants’ Report in Appendix I to this document;
- (4) the report from Deloitte Touche Tohmatsu in respect of the [REDACTED] our Group, the text of which is set out in Appendix II to this document;
- (5) the letter of advice prepared by Conyers Dill & Pearman summarising certain aspects of Cayman Islands Company Law referred to in Appendix III to this document;
- (6) the Companies Law;
- (7) the material contracts referred to in the paragraph headed “B. Further information about the business of our Group – 1. Summary of material contracts” in Appendix IV to this document;
- (8) the service contracts and letters of appointment referred to in the paragraph headed “C. Further information about our Directors and Substantial Shareholders – 1. Directors – (b) Particulars of service contracts and letters of appointment” in Appendix IV to this document;

**APPENDIX V DOCUMENTS DELIVERED TO THE REGISTRAR
OF COMPANIES IN HONG KONG AND
AVAILABLE FOR INSPECTION**

- (9) the rules of the Share Option Scheme referred to in the paragraph headed “D. Share Option Scheme” in Appendix IV to this document;
- (10) the written consents referred to in the section headed “E. Other information – 8. Consents of experts” in Appendix IV to this document;
- (11) the legal opinion issued by Chio Tak Wo, Advogado as to certain aspects of Macau law relating to certain matters of our Group;
- (12) the legal opinion issued by Ms. Queenie W.S. Ng as to certain aspects of Hong Kong law relating to certain matters of our Group; and
- (13) the Frost & Sullivan Report.