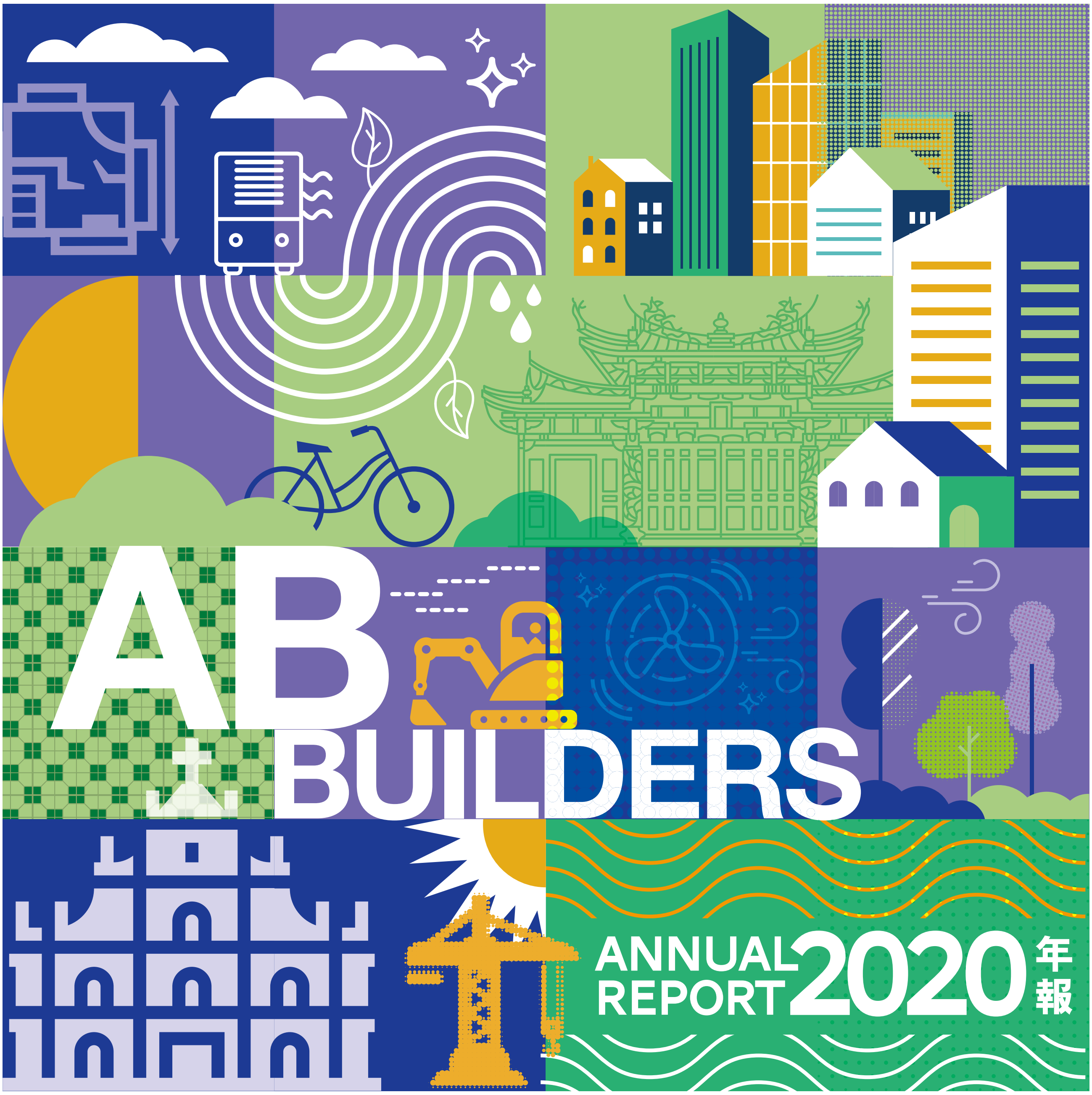
AB BUILDERS GROUP LIMITED
奧邦建築集團有限公司

(Incorporated in the Cayman Islands with limited liability)
於開曼群島註冊成立的有限公司
Stock Code 股份代號：1615



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Lao Chio Seng *(Chairman)*
Ms. Lao Chao U *(Chief Executive Officer)*
Mr. Lee Siu Cheung *(Chief Operating Officer), appointed on 1 September 2020*
Ms. Lao Ka U
Mr. Cheang Iek Wai
Mr. Ip Kin Wa

Independent Non-executive Directors

Mr. Chu Yat Pang Terry
Mr. Choy Wai Shek, Raymond, *MH, JP*
Mr. O'Yang Wiley

AUDIT COMMITTEE

Mr. O'Yang Wiley *(Chairman)*
Mr. Chu Yat Pang Terry
Mr. Choy Wai Shek, Raymond, *MH, JP*

REMUNERATION COMMITTEE

Mr. Chu Yat Pang Terry *(Chairman)*
Ms. Lao Chao U
Mr. Choy Wai Shek, Raymond, *MH, JP*

NOMINATION COMMITTEE

Mr. Choy Wai Shek, Raymond, *MH, JP (Chairman)*
Mr. Cheang Iek Wai
Mr. O'Yang Wiley

COMPANY SECRETARY

Mr. Lai Yang Chau, Eugene *(Practising Solicitor)*

AUTHORISED REPRESENTATIVES

Ms. Lao Chao U
Mr. Cheang Iek Wai

ALTERNATE AUTHORISED REPRESENTATIVE TO CHEANG IEK WAI

Mr. Lai Yang Chau, Eugene *(Practising Solicitor)*

REGISTERED OFFICE

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

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN MACAU

10th Floor, Edf. Comercial I Tak
No. 126, Rua De Pequim
Macau

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 708A, 7/F, Tower 1
Cheung Sha Wan Plaza
833 Cheung Sha Wan Road
Lai Chi Kok
Kowloon
Hong Kong

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants
Registered Public Interest Entity Auditors

LEGAL ADVISOR

Yang Chau Law Office (as to Hong Kong laws)

PRINCIPAL BANKS

Luso International Banking Ltd.
Banco Nacional Ultramarino, S.A
Industrial and Commercial Bank of China (Macau) Limited
Bank of China Limited, Macau Branch

PRINCIPAL SHARE REGISTRAR AND TRANSFER AGENT

Ocorian Trust (Cayman) Limited (formerly known as
Estera Trust (Cayman) Limited)
Windward 3, Regatta Office Park
PO Box 1350
Grand Cayman KY1–1108
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Boardroom Share Registrars (HK) Limited
2103B, 21/F, 148 Electric Road
North Point
Hong Kong

STOCK CODE

1615

COMPANY'S WEBSITE

www.abbuildersgroup.com

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board of directors (the "**Board**") of AB Builders Group Limited (the "**Company**" together with its subsidiaries, the "**Group**"), I present the annual report of the Group for the year ended 31 December 2020 (the "**Review Year**").

OVERVIEW

Due to the on-going Novel Coronavirus Pandemic ("**COVID-19**"), the global economy has gone through a tough and challenging period in the year of 2020. Meanwhile, Macau and Hong Kong continued to face the overall economic depression, which has been last from 2019. In view of various uncertainties and challenges around the market, some construction projects have been delayed or suspended, which has brought negative impact to the whole construction industry and the Group as well.

Amid the stressful time, the Group has been actively innovating and reforming, and seeking for new business opportunities for the Group's sustainable development. For example, we have obtained construction qualifications from Hengqin New District, Zhuhai City, China in 2020, so as to tap into the construction market in Mainland China and diversify the Group's customer base. Besides, in view of people's growing demand for a clean and healthy living environment due to the prolonged COVID-19, the Group has embarked on a new chapter in exploring the air purification market through the acquisition of ActivPro Limited in 2020. This strategic step has made the Group's business more diversified and life-oriented.

FORWARD

Looking ahead, although the global economy environment is still under the shadow of various challenges due to the long lasting COVID-19, the economy in Macau is expected to stabilize and improve gradually in 2021, with the government's effective control of the pandemic and a series of measures to revitalize the economy. According to the economic and financial department of Macau government, it maintains the forecast of Macau's gross gaming revenue of MOP130 billion this year. With the market's gradual recovery, the postponed construction projects started to be resumed progressively in 2021. The Group also sees signs of recovery, by securing new clients in fitting out projects recently.

This year, to against the global economic instabilities and challenges, the Group will continue to adopt a tighten cost control procedure to minimize the unfavorable impact on ongoing projects. Besides, we will bring in more construction-related advanced technologies to improve our competitive strengths, and actively seek for new business opportunities arising from Guangdong-Hong Kong-Macau Greater Bay Area. Meanwhile, we will strategically develop the air purification business, to expand the Group's revenue resources and make it become another growth momentum of the Group.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to express my sincere gratitude to our customers, shareholders and business partners who trust and maintain faithful to the Group. I would also like to extend my sincere thanks to our management and staff for their diligence, dedication and contribution throughout the year.

On behalf of the Board
Lao Chio Seng
Chairman and Executive Director

31 March 2021

DIRECTORS' REPORT

The board of directors (the "**Board**") of AB Builders Group Limited (the "**Company**") presents their annual report and the audited consolidated financial statements of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2020.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The Group has mainly engaged in the business in providing structural works and fitting-out works services in Macau and building construction and engineering services in Hong Kong following the indirect acquisition of 60% equity interest in Lap Polly Engineering Company Limited ("**Lap Polly**") on 10 September 2019. On 9 September 2020, the Group acquired 51% of share capital in ActivPro Limited and agreed to provide a loan to be used as a working capital to engage in the Air Purification business, which the Group expected a synergy with the Group's fitting-out works business.

Details of the principal activities of the Group's subsidiaries as at 31 December 2020 are set out in note 35 to the consolidated financial statements of this annual report. The Group's revenue for the year was derived mainly from activities carried out in both Macau and Hong Kong. An analysis of the Group's revenue for the year is set out in note 5 to the consolidated financial statements of this annual report.

BUSINESS REVIEW

A review of the business of the Group as required under Schedule 5 to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) comprising an analysis of our Group's performance during the year, assessment of the principal risks and uncertainties faced by our Group as well as indication of likely future development in the business of our Group are set out in the paragraphs headed "Management Discussion and Analysis" on pages 33 to 40 of this annual report.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2020 are set out in the consolidated financial statements on pages 60 to 65 of this annual report.

The Board does not recommend any payment of final dividend for the year ended 31 December 2020 (2019: HK$Nil).

DISTRIBUTABLE RESERVES

As at 31 December 2020, the Company's reserve available for distribution, calculated in accordance with the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, amounted to MOP78.8 million (2019: MOP83.0 million).

USE OF PROCEEDS

The net proceeds amounting from Listing on 10 September 2018 (the "**Listing Date**") after deducting the underwriting fees and other listing expenses in connection with the Global Offering were approximately HK$61.2 million. Particulars of the utilization are set out in the paragraph headed "Management Discussion and Analysis" on pages 39 to 40 of this annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the year are set out in note 15 to the consolidated financial statements of this annual report.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 28 to the consolidated financial statements of this annual report.

SHARE OPTION SCHEME

On 17 August 2018, the Company had conditionally adopted a share option scheme (the "**Share Option Scheme**") which became unconditional and effect on the Listing Date.

The major terms of the Share Option Scheme are summarised as follows:

(a) Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to provide an incentive or a reward to Eligible Participants for their contribution to the Group.

(b) Eligible Participants

Eligible Participants include employees (whether full time or part time employees, including executive directors and non-executive directors) and such other eligible persons to whom the Directors may extend an offer to take up Options.

(c) Maximum number of shares

(i) Maximum number of shares which may be allotted and issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes adopted by the Group must not, in aggregate, exceed 30% of the total number of shares in issue from time to time.

(ii) Total number of shares in respect of which options may be granted under the Share Option Scheme and any other share option schemes of the Group shall not exceed 60,000,000 shares, being 10% of the total number of shares in issue as at the Listing Date unless the Group obtains the approval of the shareholders of the Company (the "**Shareholders**") in general meeting for renewing the scheme mandate limit under the Share Option Scheme.

(d) Period of the Share Option Scheme

Subject to any prior termination by the Company in a general meeting or by the Board, the Share Option Scheme shall be valid and effective for a period of 10 years commencing on the date of adoption of the Share Option Scheme.

(e) Maximum entitlement of each participant

No option shall be granted to any participant if any further grant of options would result in the shares issued and to be issued upon exercise of the options granted and to be granted to such person (including both exercised and outstanding options) in any 12-month period up to and including such further grant exceeding 1% of the total number of shares in issue, unless:

(i) such further grant has been duly approved by the Shareholders in general meeting at which such Grantee and his close associates shall abstain from voting;

(ii) a circular regarding the further grant has been despatched to the Shareholders in a manner complying with, and containing the information specified in, the relevant provisions of the Rules governing the Listing of Securities (the "**Listing Rules**") on the Main Board of the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

(f) Payment on acceptance of the option

HK$1 is payable by the grantee to the Company on acceptance of the share option offer. The share option offer will be offered for acceptance for a period of 21 days from the date on which the offer is granted.

(g) Subscription price for shares

The subscription price of a share in respect of any particular option granted under the Share Option Scheme shall be a price determined by the Board at least the higher of:

(i) the closing price of the shares on the offer date;

(ii) the average closing price of the shares for the five consecutive business days immediately preceding the offer date; and

(iii) the nominal value of a share on the offer date.

(h) The remaining life of the share option

Approximately 7 years and 4.5 months (expiring on 16 August 2028)

No share option has been granted under the Share Option Scheme since the Listing Date, nor was there any share option outstanding as at the date of this annual report.

Save as disclosed above, no rights to subscribe for equity or debt securities of the Company have been granted to or exercised by any Directors or their associates since the effective date of the Share Option Scheme.

FINANCIAL SUMMARY

A summary of the published results and assets and liabilities of the Group for the years ended 31 December 2016, 2017, 2018, 2019 and 2020 is set out on page 146 of this annual report, This summary does not form part of the audited consolidated financial statements.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the amended and restated articles of association of the Company (the "**Articles of Association**") or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing Shareholders.

TAX RELIEF AND EXEMPTION

The Company is not aware of any tax relief and exemption available to the Shareholders by reason of their holding of the Shares.

DIRECTORS

The Directors during the year and up to the date of this report were:

Executive Directors:

Mr. Lao Chio Seng *(Chairman)*
Ms. Lao Chao U *(Chief Executive Officer)*
Mr. Lee Siu Cheung *(Chief Operating Officer and appointed on 1 September 2020)*
Ms. Lao Ka U
Mr. Cheang Iek Wai
Mr. Ip Kin Wa

Independent Non-executive Directors:

Mr. Chu Yat Pang Terry
Mr. Choy Wai Shek, Raymond, *MH, JP*
Mr. O'Yang Wiley

In accordance with Articles 108 of the Articles of Association, Mr. Lao Chio Seng, Mr. Cheang Iek Wai and Mr. Choy Wai Shek, Raymond, *MH, JP* shall hold office until the forthcoming annual general meeting ("**AGM**") and, being eligible, offer themselves for re-election.

In accordance with Articles 112 of the Articles of Association, Mr. Lee Siu Cheung who was appointed as the Chief Operating Officer and Executive Director on 1 September 2020 to hold office until the AGM will retire and, being eligible, has offered himself for election at the AGM.

Biographical details of the Directors of the Company and the Senior Management of the Group are set out on Page 41 to 53 of this annual report.

TERMS OF OFFICE FOR THE INDEPENDENT NON-EXECUTIVE DIRECTORS

All the Independent Non-executive Directors ("**INEDs**") were appointed for a specific term of three years but subject to the relevant provisions of the Articles of Association or any other applicable laws whereby the Directors shall vacate or retire from their office.

The Company has received from each INED an annual confirmation of his independence from the Group, and as at the date of this report still considers them to be independent pursuant to Rule 3.13 of the Listing Rules of the Stock Exchange.

DIRECTORS’ SERVICE CONTRACTS

None of the Directors proposed for re-election at the forthcoming AGM has an unexpired service contract with the Group which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

Particulars of the emoluments of the Directors on a named basis for the year are set out in note 12 to the consolidated financial statements of this annual report.

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial parts of the business of the Company has been entered into or existed during the year.

DIRECTORS’ MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

There were no other transactions, arrangements or contracts of significance in relation to the Group’s businesses to which the Company, its holding company, or any of its subsidiaries was a party, and in which any director of the Company or the director’s connected person had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS’ INTERESTS IN COMPETING BUSINESSES

As at the date of this report, none of the Directors and their respective close associates are considered to have interests in the businesses which compete or are likely to compete with the businesses of the Group pursuant to the Listing Rules.

PERMITTED INDEMNITY PROVISION

Pursuant to the Articles of Association, the Directors and every one of them is entitled to be indemnified out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses which the Directors or any of them, shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty, or supposed duty in their offices or otherwise in relation thereto provided that this indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to any of the Directors. Such permitted indemnity provision is currently in force and was in force throughout the year.

The Company has taken out and maintained Directors’ and officers’ liability insurance throughout the year which provides appropriate cover for legal actions brought against the Directors and which indemnifies against costs, charge, losses, expenses and liabilities that may be incurred by the Directors in the execution and discharge of their duties.

CHARITABLE DONATIONS

No charitable donation was made by the Group during the year ended 31 December 2020 (2019: MOP41,000).

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2020, the interests or short positions of the Directors and the chief executive of the Company in Shares, underlying Shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules, are set out below:

Name of directors	Capacity/Nature of interest	Number of ordinary Shares *(Note 1)*	Approximate percentage of shareholding in the Company
Mr. Lao Chio Seng ("**Mr. Lao**")*(Note 2)*	Interest in a controlled corporation and interest of spouse	390,000,000 (L)	65%
Mr. Ip Kin Wa	Beneficial Owner	60,000,000 (L)	10%

Notes:

1. The letter "L" denotes the director's long position in the Shares.

2. Shares in which Mr. Lao is interested consist of (i) 255,000,000 Shares held by Laos International Holdings Limited ("**Laos International**"), a company wholly owned by Mr. Lao is deemed to be interested under the SFO; and (ii) 135,000,000 Shares held by his spouse, Ms. Wong Hio Mei ("**Mrs. Lao**") (through her wholly-owned corporation, WHM Holdings Limited ("**WHM Holdings**")), in which Mr. Lao is deemed to be interested in such Shares under the SFO.

Saved as disclosed above, none of the directors, chief executives of the Company or their associates had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations as defined in Part XV of the SFO as recorded in the register to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code as at the date of this annual report.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

As at 31 December 2020, so far as was known to any Directors or chief executive of the Company, the following interests (other than those of Directors and the chief executive) of which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or who were deemed to be directly or indirectly interested in 5% or more of the issued capital of the Company, or which were recorded in the register of interests required to be kept under Section 336 of the SFO or have notified to the Company were as follows:

Name of Shareholders	Capacity/Nature of Interest	Number of ordinary Shares *(Note 1)*	Approximate percentage of shareholding in the Company
Mrs. Lao *(Note 2)*	Interest of a controlled corporation and interest of spouse	390,000,000 (L)	65.0%
Laos International *(Note 3)*	Beneficial owner	255,000,000 (L)	42.5%
WHM Holdings *(Note 4)*	Beneficial owner	135,000,000 (L)	22.5%

Notes:

1. The letter "L" denotes the substantial shareholders' long position in the Shares.

2. Shares in which Mrs. Lao is interested consist of (i) 135,000,000 Shares held by WHM Holdings, a company wholly owned by Mrs. Lao in which Mrs. Lao is deemed to be interested under SFO; and (ii). 255,000,000 Shares held by her spouse, Mr. Lao, in which Mrs. Lao is deemed to be interested in such Shares under the SFO.

3. Laos International is wholly owned by Mr. Lao, the controlling shareholder and executive Director of the Company.

4. WHM Holdings is wholly owned by Mrs. Lao, the controlling shareholder of the Company.

Saved as disclosed above, as at 31 December 2020, no person had registered an interest or short position in the Shares or underlying Shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate with the exception of granting of share options to subscribe for Shares under the Share Option Scheme.

NON-COMPETITION UNDERTAKING CONFIRMATION

Each of Mr. Lao, Mrs. Lao, Laos International and WHM Holdings (collectively the "**Covenantors**"), has entered into a deed of non-competition dated 17 August 2018 (the "**Deed of Non-Competition**") in favor of the Company (for itself and on behalf of its subsidiaries from time to time), pursuant to which each of the Covenantors, and will use his/her/its best endeavours to procure any Covenantor, his/her/its close associates (collectively, the "**Controlled Persons**") and any company directly or indirectly controlled by the Covenantor (the "**Controlled Company**")

(i) not to, either on his/her/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 is likely to compete with the business of our Group in Macau and Hong Kong, including but not limited to the provision of construction works in Macau and Hong Kong (the "**Restricted Business**");

(ii) if any Covenantor and/or any Controlled Company is offered or becomes aware of any business opportunity which directly or indirectly engages in or owns a Restricted Business (the "**New Business Opportunity**"), to engage in the New Business Opportunity only if (a) a notice is received by the Covenantor from the Company confirming that the New Business Opportunity is not accepted and/or does not constitute competition with the Restricted Business (the "**Non-acceptance Notice**"); or (b) the Non-acceptance Notice is not received by the Covenantor within 30 days after the proposal of the New Business Opportunity is received by the Company.

Details of the Deed of Non-Competition have been set out in the section headed "Relationship with the Controlling Shareholders" of the Prospectus.

The Company confirms that each of the Covenantors have complied with the Deed of Non-Competition for the year ended 31 December 2020. In order to ensure the Covenantors have complied with the Deed of Non-Competition, the following actions have been taken:

(i) the Company has required each of the Covenantors to give written confirmation to the Company on an annual basis as to whether he/she/it has complied with the Deed of Non-Competition for the year ended 31 December 2020;

(ii) each of the Covenantors has provided to the Company such written confirmation (a) in respect of his/her/its compliance with the Deed of Non-Competition for the year ended 31 December 2020; and (b) stating that he/she/it has not been conducted any business, or has not been offered or becomes aware of any New Business Opportunity directly or indirectly relating to the Restricted Business for the year ended 31 December 2020; and

(iii) the INEDs of the Company have reviewed the written confirmation made by the Covenantors of compliance by each of the Covenantors with the undertakings in the Deed of Non-Competition and have confirmed that, as far as they can ascertain, the Covenantors have complied with the Deed of Non-Competition.

The INEDs have also reviewed the status of the compliance by each of the Covenantors with the undertakings in the Deed of Non-Competition and have confirmed that, as far as they can ascertain, there is no breach by any of the Covenantors of the undertakings in the Deed of Non-Competition given by them.

As of the date of this report, the Company is not aware of any other matters regarding the compliance of the undertakings in the Deed of Non-Competition and there has not been any change in the terms of the Deed of Non-Competition since the Listing Date.

RELATIONSHIP WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

Employees are regarded as manpower and valuable assets of the Group. Details of renumerations are set out in the section headed "Management Discussion and Analysis" on page 38 of this annual report. The Group also recognizes the importance of maintaining good relationship with business partners, customers, suppliers and sub-contractors to achieve its long-term business growth and development. Accordingly, the Group has kept good communications and shared business updates with them when necessary.

CLOSURE OF REGISTER OF MEMBERS

For attending and voting at the AGM

The register of members of the Company will be closed from Friday, 25 June 2021 to Wednesday, 30 June 2021 (both days inclusive) during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the AGM, unregistered holders of Shares shall ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Boardroom Share Registrars (HK) Limited, at 2103B, 21/F, 148 Electric Road, North Point, Hong Kong for registration not later than 4:30 p.m. on Thursday, 24 June 2021.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the aggregate sales attributable to the Group's five largest customers and the aggregate purchases attributable to the Group's five largest suppliers were approximately 71.6% and 37.9% of the Group's sales and purchases respectively.

During the year, the aggregate sales attributable to the Group's largest customer and the aggregate purchases attributable to the Group's largest supplier were approximately 26.1% and 10.4% of the Group's sales and purchases respectively.

None of the directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's share capital) had any beneficial interest in the Group's five largest customers or suppliers.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Shares during the year ended 31 December 2020.

EMOLUMENT POLICY

It is the Group's policy to compensate each employee fairly and equitably. The Group has a system for measuring employees' and Directors' performance against agreed-upon goals with specific performance standards. Performance discussion is carried out on an ongoing basis and a formal evaluation is conducted once a year to review employees' overall performance, achievements, and areas in need of improvement. Salary review will be based on individual performance and subject to the Group's discretion.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE ("ESG")

The Group provides structural works and fitting-out works services in Macau and provides building construction and engineering services in Hong Kong.

In 2020, San Fong Seng Construction & Engineering Company Limited, a wholly-owned subsidiary incorporated in Macau, was accredited by the international standards the certifications of ISO 9001:2015, ISO 14001:2015 and ISO 45001:2018, while Lap Polly Engineering Company Limited ("**Lap Polly**"), an indirectly non-wholly owned subsidiary of the Group and a subcontractor incorporated in Hong Kong, obtained the certifications of ISO 9001:2015, ISO 14001:2015 and OHSAS 18001:2007. These accreditations demonstrate the Group's determination to achieve satisfactory performances in healthy and safe workplace requirements, services excellence and environmental protection.

The laws and regulations in Hong Kong have a significant impact on the Group include, among others, Air Pollution Control Ordinance (Chapter 311 of the Laws of Hong Kong), Noise Control Ordinance (Chapter 400 of the Laws of Hong Kong), Waste Disposal Ordinance (Chapter 354 of the Laws of Hong Kong) and Public Health and Municipal Services Ordinance (Chapter 132 of the Laws of Hong Kong).

In view of that, Lap Polly requires its subcontractors to be in strict legal compliance with the applicable environmental protection laws and regulations during the whole term of engagement. During the year ended 31 December 2020, the Group did not receive any notice of environmental non-compliance in Hong Kong addressed either to Lap Polly or its subcontractors.

Discussions on the environmental, social and governance policies, performance and compliance by the Group with the relevant laws and regulations that have a significant impact on the Group and the account of key relationships between the Group and our stakeholders will be disclosed in the ESG Report which will be separately prepared and expected to make it available in May, 2021.

CONNECTED TRANSACTION

The Group acquired 51% equity interest in ActivPro Limited ("**ActivPro**") on 9 September 2020 at a cash consideration of HK$80,000 (equivalent to approximately MOP83,000) (the "**Acquisition**"). Mr. Lee Siu Cheung ("**Mr. Lee**"), the executive Director and the Chief Operating Officer of the Company in effect from 1 September 2020, had a material interest in ActivPro. before the Acquisition. Mr. Lee abstained himself from voting in board resolution in relation to the Acquisition.

The Group expects a synergy of ActivPro's Air Purification Business with the Group's fitting out work business.

After the Acquisition, the Company agreed to provide ActivPro with the loan of up to HK$9,000,000 in two or more tranches. The interest rate of 6% per annum was arrived at after an arm's length negotiation. As Ms. Doris Chan continued to hold 24.5% of the equity interest in ActivPro, Mr. Lee had a material interest in the provision of the loan as his wife, Ms. Doris Chan, was the director and one of the controlling shareholders holding 50% equity interest in ActivPro and thus he abstained himself from voting in board resolution in relation to the provision of the loan. For further details, please refer to the Company's announcement dated 9 September 2020. Save as disclosed above, during the year 2020, there was no transaction or arrangement need to be disclosed as connected transaction or continuing connected transaction in accordance with the Listing Rules

RELATED PARTY TRANSACTIONS

Details of the related party transactions entered into by the Group are set out in note 34 to the consolidated financial statements. Such related party transactions do not fall under the definition of connected transaction or continuing connected transaction under Chapter 14A of the Listing Rules.

CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 19 to 32 of this annual report.

COMPLIANCE WITH LAWS AND REGULATIONS

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, our Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of our Group during the year.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this report, the Company has maintained sufficient public float as required under the Listing Rules.

AUDITORS

The consolidated financial statements have been audited by the Company's auditors, Deloitte Touche Tohmatsu which retire and, being eligible, offer themselves for re-appointment in the forthcoming AGM of the Company.

EVENTS AFTER THE REPORTING PERIOD

The Board is not aware of any significant event requiring disclosure that has taken place subsequent to 31 December 2020 and up to the date of this annual report.

On behalf of the Board

Lao Chio Seng
Chairman and Executive Director
Macau, 31 March 2021

INTRODUCTION

The Board of Directors (the "**Board**") of the Company is committed to achieving high standards of corporate governance to safeguard the interests of shareholders of the Company (the "**Shareholders**"), enhance the corporate value, formulate its business strategies and policies, and enhance its transparency and accountability.

CORPORATE GOVERNANCE PRACTICE

The Company has applied the principles as set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities (the "**Listing Rules**") on the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

From 1 January 2020 to 31 December 2020 and throughout the period to the date of this annual report (the "**Reporting Period**"), the Company has complied with the applicable code provisions as set out in the CG Code. The Company will enhance its corporate governance practices appropriate to the operation and growth of the business of the Group. The Directors will continue reviewing the Company's corporate governance practices in order to enhance its corporate governance standard, to comply with the increasingly tightened requirements from time to time, and to meet the rising expectation on the Company.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 of the Listing Rules as the code of conduct regarding Directors' securities transactions.

The Company has made specific enquiry with all Directors and the Directors have confirmed that they have complied with the required standard as set out in the Model Code throughout the Reporting Period. The Company was not aware of any non-compliance with the Model Code by the Directors during the Reporting Period.

BOARD OF DIRECTORS

The Board oversees the Group's businesses, strategic decisions and performance and should take decisions objectively in the best interests of the Company.

The Board should regularly review the contribution required from a Director to perform his responsibilities to the Company, and whether the Director is spending sufficient time performing them.

Board Composition

The Board currently comprises nine Directors, consisting of six executive Directors and three independent non-executive Directors ("**INEDs**").

BOARD OF DIRECTORS (Continued)

Board Composition (Continued)

Executive Directors

Mr. Lao Chio Seng *(Chairman)*
Ms. Lao Chao U *(Chief Executive Officer)*
Mr. Lee Siu Cheung *(Chief Operating Officer and appointed on 1 September 2020)*
Ms. Lao Ka U
Mr. Cheang Iek Wai
Mr. Ip Kin Wa

Independent Non-executive Directors

Mr. Chu Yat Pang Terry *(Chairman of the Renumeration Committee and a member of the Audit Committee)*
Mr. Choy Wai Shek, Raymond, *MH, JP (Chairman of the Nomination Committee and a member of the Remuneration Committee and a member of the Audit Committee)*
Mr. O'Yang Wiley *(Chairman of the Audit Committee and a member of the Nomination Committee)*

The biographical information of the Directors and relationship between board members are set out in the section headed "Biographical Details of Directors and Senior Management" on pages 41 to 53 of this annual report for the year ended 31 December 2020.

A list showing the role and functions of Directors and whether they are INEDs is maintained on the websites of the Stock Exchange and of the Company and updated where necessary.

Board Meetings

Form 1 January 2020 to 31 December 2020, eight board meetings were held. Apart from regular board meetings, the Chairman also held a meeting with the INEDs without the presence of executive Directors in 2020.

Notice of no less than 14 days was given to Directors for the regular Board meetings. Company Secretary prepares the draft agenda for the Board meetings and circulated to all Directors for comments before each meeting. Directors were given an opportunity to include any matters in the agenda. Board papers were sent to Directors within reasonable notice before the intended date of the regular Board meeting.

Minutes of Board meeting was prepared by the Company Secretary, with any concerns raised and details of decisions reached. The draft minutes were sent to all Directors after each meeting for review and comment before the minutes were formally signed by the chairman of the meetings. Final version of minutes was made for the inspection by all Directors.

BOARD OF DIRECTORS (Continued)

Board Meetings (Continued)

The attendance record of each Director at the Board Meeting is set out in the table below:

Name of Directors	Number of attendance/ Number of Board Meetings
Executive Directors	
Mr. Lao Chio Seng *(Chairman)*	7/8
Ms. Lao Chao U	8/8
Mr. Lee Siu Cheung *(appointed on 1 September 2020)*	2/2
Ms. Lao Ka U	7/8
Mr. Cheang Iek Wai	7/8
Mr. Ip Kin Wa	8/8
Independent Non-executive Directors	
Mr. Chu Yat Pang Terry	8/8
Mr. Choy Wai Shek, Raymond, *MH, JP*	8/8
Mr. O'Yang Wiley	8/8

Chairman and Chief Executive Officer

The roles of Chairman and Chief Executive Officer ("**CEO**") are separate and not performed by the same person.

The positions of Chairman and Chief Executive Officer are held by Mr. Lao Chio Seng and Ms. Lao Chao U respectively. The Chairman provides leadership and is responsible for the effective functioning and leadership of the Board. The Chief Executive Officer focuses on the Company's business development and daily management and operations generally.

Ms. Lao Chao U is the daughter of Mr. Lao Chio Seng.

Independent Non-executive Directors

During the Reporting Period, the Board at all times met the requirements of the Main Board Listing Rules relating to the appointment of at least three INEDs, representing at least one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received written annual confirmation from each of the INEDs in respect of his independence in accordance with the independence guidelines set out in Rule 3.13 of the Main Board Listing Rules. The Company considers all INEDs are independent.

BOARD OF DIRECTORS (Continued)

Independent Non-executive Directors (Continued)

Mr. Chu Yat Pang Terry and Mr. Choy Wai Shek Raymond, *MH, JP*, have entered letters of appointment with the Company with an initial term of three years commencing from 10 September 2018 (the "**Listing Date**") subject to the termination in certain circumstances as stipulated in the relevant letters of appointment.

Mr. O'Yang Wiley has entered a letter of appointment with the Company with an initial term of three years commencing from 11 June 2019 subject to the termination in certain circumstances as stipulated in the relevant letter of appointment.

Appointment and Re-election of Directors

Code provision A.4.1 of the CG Code stipulates that non-executive directors shall be appointed for a specific term, subject to re-election, whereas code provision A.4.2 states that all directors appointed to fill a casual vacancy shall be subject to election by Shareholders at the first general meeting after appointment and that every director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years.

Each of the executive Directors has entered into a service agreement with the Company for an initial term of three years commencing from the Listing Date, and will continue thereafter until terminated by not less than three months' notice in writing served by either party on the other.

Each of the INEDs has entered into a letter of appointment with the Company with an initial term of three years commencing from the relevant date subject to termination in certain circumstances as stipulated in the relevant letters of appointment.

According to our Articles of Association, one-third of the Directors for the time being, or, if the number is not three or a multiple of three, then the number nearest to but not less than one-third, shall retire from office by rotation at every annual general meeting of the Company, provided that every Director shall retire from office by rotation and are subject to re-election at the annual general meeting at least once every three years.

Responsibilities of the Directors

The Board should assume responsibility for leadership and control of the Company, and is collectively responsible for directing and supervising the Company's affairs.

The Board directly, and indirectly through its committees, leads and provides direction to management by laying down strategies and overseeing their implementation, monitors the Group's operational and financial performance, and ensures that sound internal control and risk management systems are in place.

All Directors, including INEDs, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

BOARD OF DIRECTORS (Continued)

Responsibilities of the Directors (Continued)

The INEDs are responsible for ensuring a high standard of regulatory reporting of the Company and providing a balance in the Board for bringing effective independent judgement on corporate actions and operations.

All Directors have full and timely access to all the information of the Company and may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company.

The Directors shall disclose to the Company details of other offices held by them.

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and coordinating the daily operation and management of the Company are delegated to the management.

Continuous Professional Development of Directors

Directors keep abreast of regulatory developments and changes in order to effectively perform their responsibilities and to ensure that their contribution to the Board remains informed and relevant.

Every newly appointed Director has received a tailored induction on the first occasion of his appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills. All Directors are encouraged to attend relevant training courses at the Company's expenses.

BOARD OF DIRECTORS (Continued)

Continuous Professional Development of Directors (Continued)

The Directors have participated in the following trainings during the year ended 31 December 2020:

Name of Directors	Type of Training Note
Executive Directors	
Mr. Lao Chio Seng *(Chairman)*	B
Ms. Lao Chao U	A&B
Mr. Lee Siu Cheung	A&B
Ms. Lao Ka U	A&B
Mr. Cheang Iek Wai	A&B
Mr. Ip Kin Wa	A&B
Independent Non-executive Directors	
Mr. Chu Yat Pang Terry	A&B
Mr. Choy Wai Shek, Raymond, *MH, JP*	B
Mr. O'Yang Wiley	A&B

Note:

Types of Training:

A: Attending training sessions, including but not limited to, expert briefings, seminars, conferences and workshops

B: Reading relevant newspaper, journals, magazines and relevant publications

BOARD COMMITTEES

The Board has established three committees, namely the Audit Committee, Remuneration Committee and Nomination Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with specific written terms of reference which deal clearly with their authorities and duties. The terms of reference of the Audit Committee, Remuneration Committee and Nomination Committee are posted on the Company's website and the Stock Exchange's website and are available to shareholders upon request.

The majority of the members of each Board committee are INEDs and the list of the chairman and members of each Board committee is set out under "Corporate Information" on page 2 of this annual report.

BOARD COMMITTEES (Continued)

Audit Committee

The Company established the Audit Committee on 17 August 2018 with written terms of reference in compliance with Rules 3.21 of the Main Board Listing Rules and paragraph C.3.3 of the CG Code. The primary duties of the Audit Committee include, but are not limited to, (a) making recommendations to the Board on the appointment, reappointment and removal of external auditors, and approving the renumeration and terms of engagement of the external auditor; (b) monitoring the integrity of the financial statements and reviewing significant financial reporting judgements contained in them; and (c) reviewing financial controls, internal control and risk management systems and internal audit function of the Company; (d) ensuring the corporate governance functions are in place and effective.

The Audit Committee consists of three INEDs, namely Mr. O'Yang Wiley, Mr. Chu Yat Pang Terry and Mr. Choy Wai Shek, Raymond, *MH, JP*. Mr. O'Yang Wiley is the chairman of the Audit Committee.

The Audit Committee held two meetings from 1 January 2020 to 31 December 2020 during which the Audit Committee, among other things, reviewed and approved the audited consolidated financial statements for the year ended 31 December 2019 and the unaudited consolidated financial statements for the period ended 30 June 2020 and met the external auditors twice a year without the presence of the executive Directors.

The attendance record of each member of the Audit Committee is set out in the table below:

Name of Directors	Number of attendance/ Number of board meetings
Mr. O'Yang Wiley *(Chairman)*	2/2
Mr. Chu Yat Pang Terry	2/2
Mr. Choy Wai Shek, Raymond, *MH, JP*	2/2

BOARD COMMITTEES (Continued)

Remuneration Committee

The Company established the Remuneration Committee on 17 August 2018 with written terms of reference in compliance with Rules 3.25 to 3.27 of the Main Board Listing Rules and paragraph B.1 of the CG Code. The primary duties of the Remuneration Committee are to make recommendations to the Board on the overall remuneration policy and structure relating to all Directors and senior management of the Group; review performance based remuneration; ensure none of our Directors determine their own remuneration; to determine the criteria for assessing employee performance; review and approve compensation payable to executive Directors and senior management of the Group for loss or termination of office or appointment to ensure that it is consistent with contractual terms; and review and approve compensation arrangement relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms.

The Remuneration Committee currently consists of three members, namely Mr. Chu Yat Pang Terry, Ms. Lao Chao U and Mr. Choy Wai Shek, Raymond, *MH, JP*. The chairman of the Remuneration Committee is Mr. Chu Yat Pang Terry.

Details of the remuneration of the Directors and of the senior management by band are set out in note 12 to the consolidated financial statements of this annual report.

The attendance record of each member of the Remuneration Committee is set out in the table below:

Name of Directors	**Number of attendance/ Number of board meetings**
Mr. Chu Yat Pang Terry *(Chairman)*	2/2
Ms. Lao Chao U	2/2
Mr. Choy Wai Shek, Raymond, *MH, JP*	2/2

Nomination Committee

The Company established the Nomination Committee on 17 August 2018 with written terms of reference in compliance with paragraph A.5 of the CG Code. The primary duties of the Nomination Committee are to review the structure, size, composition and diversity of the Board on a regular basis; identify individuals suitably qualified to become Board members; assess the independence of INEDs; and make recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors; make recommendations to the Board regarding candidates to fill vacancies on the Board and/or in senior management of the Group; and review the board diversity policy.

NOMINATION PROCESS

(a) Appointment of New Director

(i) The Nomination Committee and/or the Board should, upon receipt of the proposal on appointment of new director and the biographical information (or relevant details) of the candidate, evaluate such candidate based on the criteria as set out above to determine whether such candidate is qualified for directorship.

(ii) If the process yields one or more desirable candidates, the Nomination Committee and/or the Board should rank them by order of preference based on the needs of the Company and reference check of each candidate (where applicable).

(iii) The Nomination Committee should then recommend to the Board to appoint the appropriate candidate for directorship, as applicable.

(iv) For any person that is nominated by a shareholder for election as a Director at the general meeting of the Company, the Nomination Committee and/or the Board should evaluate such candidate based on the criteria as set out under the Director Nomination Policy to determine whether such candidate is qualified for directorship.

Where appropriate, the Nomination Committee and/or the Board should make recommendation to Shareholders in respect of the proposed election of director at the general meeting.

(b) Re-election of Director at General Meeting

(i) The Nomination Committee and/or the Board should review the overall contribution and service to the Company of the retiring Director and the level of participation and performance on the Board.

(ii) The Nomination Committee and/or the Board should also review and determine whether the retiring Director continues to meet the criteria as set out above.

(iii) The Nomination Committee and/or the Board should then make recommendation to shareholders in respect of the proposed re-election of Director at the general meeting.

Where the Board proposes a resolution to elect or re-elect a candidate as Director at the general meeting, the relevant information of the candidate will be disclosed in the circular to shareholders and/or explanatory statement accompanying the notice of the relevant general meeting in accordance with the Listing Rules and/or applicable laws and regulations.

The Nomination Committee currently consists of three members, namely Mr. Choy Wai Shek, Raymond, *MH, JP*, Mr. Cheang Iek Wai and Mr. O'Yang Wiley. The chairman of the Nomination Committee is Mr. Choy Wai Shek, Raymond, *MH, JP*.

NOMINATION PROCESS (Continued)

In assessing the Board composition, the Nomination Committee would take into account various aspects as well as factors concerning Board diversity as set out in the Company's Board diversity policy, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and industry and regional experience etc. The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption.

In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider the candidate's character, qualifications, experience, independence and other relevant criteria necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendation to the Board.

The attendance record of each member of the Nomination Committee is set out in the table below:

Name of Directors	**Number of attendance/ Number of board meetings**
Mr. Choy Wai Shek, Raymond, *MH, JP (Chairman)*	2/2
Mr. Cheang Iek Wai	2/2
Mr. O'Yang Wiley	2/2

Corporate Governance Functions

The Audit Committee is responsible for performing the functions set out in the code provision D.3.1 of the CG Code.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledges its responsibility for the risk management and internal control systems and reviewing their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss.

The Board has the overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Group's strategic objectives, and establishing and maintaining appropriate and effective risk management and internal control systems.

The Audit Committee assists the Board in leading the management and overseeing their design, implementation and monitoring of the risk management and internal control systems.

RISK MANAGEMENT AND INTERNAL CONTROLS (Continued)

The Group has adopted a three-tier risk management approach to identify, assess and manage different types of risks. As the first line of defence, business units are responsible for identifying, assessing and monitoring risk associated with each business or transaction. The management, as the second line of defence, defines rule sets and models, provides technical support, develops new system and oversees project management. It ensures that risks are within the acceptable range and that the first line of defence is effective. As the final line of defense, an independent consultant assists the Audit Committee to review the first and second lines of defense.

The Group is committed to the identification, evaluation and management of risks associated with its business activities through ongoing assessment by considering the likelihood and impact of each identified risk. The Group has implemented an effective control system which includes a defined management structure with limits of authority, a sound management system and periodic review of the Group's performance by the Audit Committee and the Board.

the Group has recruited an internal control officer and engaged an independent third party internal control consultant to review and provide recommendations on improving its internal control system in order to manage our business risks and to ensure our smooth operation on an annual basis. The review covered certain operational procedures. No significant internal control failings or weaknesses have been identified by the consultant during the review. The Board and the Audit Committee would review whether it is necessary to further strengthen the internal control function on an annual basis.

The management has reported to the Board and the Audit Committee on the effectiveness of the risk management and internal control systems for the year ended 31 December 2020. The Board and the Audit Committee considered the risk and management and internal control systems effective and adequate. No significant areas of concern that might affect shareholders were identified.

Control procedures have been implemented to ensure that unauthorized access and use of inside information are strictly prohibited.

Procedures and internal controls include:

i) Only designated persons are authorized to communicate the Company's corporate matters with investors, analysts, the media or other members of the investment community;

ii) Directors should report to the CEO any potential or suspected inside information as soon as possible for her to consult the Board for determining the nature of developments, and if required, making appropriate disclosure;

iii) Disclosure of inside information must be made in a manner that can provide for equal, timely and effective access by the public to the disclosed inside information.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2020.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement of the independent auditors of the Company about their reporting responsibilities on the consolidated financial statements is set out in the Independent Auditors' Report on pages 54 to 59.

AUDITORS' REMUNERATION

The remuneration paid to the external auditors of the Company in respect of audit services and non-audit services for the year ended 31 December 2020 amounted to HK$700,000 and HK$202,000 respectively.

An analysis of the remuneration paid to the external auditors of the Company, Messrs. Deloitte Touche Tohmatsu, in respect of audit services and non-audit services for the year ended 31 December 2020 is set out below:

Service Category	**Fees paid/payable (HK$)**
Audit services	**700,000**
Non-audit services	
— Interim review and Macau profits tax services	**202,000**

COMPANY SECRETARY

The appointment and removal of the Company Secretary is subject to the Board's approval in accordance with the Articles of Association (the "**Articles**") of the Company. The Company's secretarial functions are outsourced to an external services provider. Mr. Lai Yang Chau, Eugene ("**Mr. Lai**") was appointed as the Company Secretary on 18 April 2017. He is not an employee of the Company. Mr. Lai is currently a practicing solicitor in Hong Kong. He has experience in corporate finance, cross border merger and acquisition, and securities laws in Hong Kong. Mr. Lai obtained a bachelor of laws degree from the University of Hong Kong in 1992, a master of laws degree on Chinese laws from Renmin University of China in 1998, and an EMBA-Global Asia degree conferred jointly by Columbia University, London Business School and the University of Hong Kong in 2012. He has also completed Senior Executive Program for China (class 2011), jointly organised by Harvard Business School, Tsinghua University and China Europe International Business School. Mr. Lai has attained his alumnus status of Harvard Business School in July 2017. Mr. Lai is currently an independent non-executive director of Link Holdings Limited (stock code: 8237) whose shares are listed on GEM of the Stock Exchange, one of the joint company secretaries of Sinopec Kantons Holdings Limited (stock code: 934) and Hengxin Technology Limited (stock code: 1085), whose shares are listed on the Main Board of the Stock Exchange. Mr. Lai is a principal of Yang Chau Law Office, a law firm in Hong Kong.

COMPANY SECRETARY (Continued)

The Company Secretary is responsible for facilitating the Board's processes and communications among Board members, with Shareholders and with the management. Mr. Lai has complied with the requirement under Rule 3.29 of the Listing Rules during the year.

The external service provider's primary contact person of the Company is Mr. Cheang Iek Wai, executive Director of the Company, who is responsible for finance and account management aspects and engaging in corporate finance functions in the Group.

SHAREHOLDERS' RIGHTS

To safeguard shareholder interests and rights, separate resolution should be proposed for each substantially separate issue at general meetings, including the election of individual Director. All resolutions put forward at general meetings will be voted on by poll pursuant to the Main Board Listing Rules and poll results will be posted on the websites of the Company and of the Stock Exchange after each general meeting.

Convening an Extraordinary General Meeting

According to article 64 of the Articles, any 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 carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary of the Company, to require an extraordinary general meeting ("**EGM**") to be called by the Board for the transaction of any business specified in such requisition.

There are no provisions allowing Shareholders to move new resolutions at the general meeting under the Companies Law (Revised) of Cayman Islands. However, pursuant to the Articles of Associations, Shareholders who wish to move a resolution may be means of requisition convene an EGM following the procedure set out above.

SHAREHOLDERS' RIGHTS (Continued)

Putting Forward Enquiries to the Board and Contact Details

Shareholders may send their enquiries to the following contact as mentioned:

Address:	Bright Communications International Limited 2020A, 20/F, The Centrium 60 Wyndham Street Central HK
Tel:	(852) 2555 0230
Fax:	(852) 2555 0233
Email:	ir@brightcommns.com

Shareholders may also send written enquiries to the Company. Shareholders may send their enquiries or requests in respect of their rights to the Company's principal place of business in Hong Kong. The Company will not normally deal with anonymous enquiries.

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS/INVESTOR RELATIONS

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company endeavours to maintain an on-going dialogue with Shareholders and in particular, through the AGM and other general meetings. At the AGM, directors (or their delegates as appropriate) are available to meet Shareholders and answer their enquiries.

The Company has not made any changes to its Articles since the Listing Date. An up to date version of the Articles is also available on the Company's website and the Stock Exchange's website.

DIVIDEND POLICY

The Company has adopted a dividend policy ("**Dividend Policy**"), pursuant to which the Company may declare and distribute dividends to the Shareholders. A decision to declare and pay any dividends would require the approval of the Board and will be at their discretion. In addition, any final dividend for a financial year will be subject to Shareholders' approval at AGM. The Board will review the Dividend Policy of the Company from time to time in light of our financial performance, our retained earnings and distributable reserves, our business strategies, our current and future operations, liquidity position and capital requirements, the economic conditions, and other factors the Board may deem relevant in determining whether dividends to be declared and paid. There is no arrangement under which a Shareholder has waived or agreed to waive any dividend during the year.

BUSINESS REVIEW

During the year ended 31 December 2020, the Group recorded a revenue of approximately MOP197.7 million, representing a decrease of approximately MOP153.9 million or approximately 43.8% over the corresponding period of the last year. The decrease in revenue is mainly due to the prolonged COVID-19 and the overall economic depression in Macau and Hong Kong. As a result, the Group incurred a gross loss of approximately MOP16.9 million for the year ended 31 December 2020 whereas in 2019, the Group recorded a gross profit of approximately MOP47.6 million.

For the year ended 31 December 2020, the Group has completed 7 fitting-out works projects and was awarded with 14 fitting-out works projects with an aggregate contract sum of approximately MOP221.8 million.

As at 31 December 2020, the Group had 35 on-going projects (either in progress or yet to commence), including 6 structural works projects and 29 fitting-out works projects.

Outlook and prospects

Looking ahead, despite the on-going outbreak of Novel Coronavirus ("**COVID-19**"), the economy in Macau is expected to recover gradually in 2021 with the effective control of the pandemic and actions of government. Amid the market recovery, the delayed projects started to be resumed and contributed revenue. The Group has also secured one new fitting out project recently and it is expected to contribute revenue in 2021. As a result, the Group remains optimistic towards the Group's business performance and the outlook for 2021.

Construction is the major business sector of the Group and contributes a large portion of revenue to the Group. To maintain a strong performance, the Group will continue to expand its business network and customer base by actively participating in the bidding of both government and private sector projects, and exploring the business opportunities in Macau, Hong Kong and Mainland China. For example, the Group's subsidiary, San Fong Seng Construction and Engineering Company, Limited, has obtained the Macao Construction and Related Engineering Consulting Enterprise Qualification Record Certification by the Hengqin New District of Zhuhai City recently. The qualification has further solidified the Group's position in the construction industry and allowed the Group to commence its construction business in Hengqin. The Group strongly believes that it will be well-positioned to grab the opportunities arising in the Guangdong-Hong Kong-Macau Greater Bay Area.

Apart from construction works, the Group is actively expanding its business to building-related technologies to attain sustainable development and business growth. In light of the continuous pandemic outbreak, the Group embarked on a new chapter in exploring the air purification market through its acquisition of Hong Kong company, ActivPro Limited ("**ActivPro**") in 2020, to diversify the business of the Group. The management sees the importance of air quality and potential in air purification technology as an essential for the health and well-being of the public. In 2021, the Group will continue to adopt its advanced technology in construction work to expand its business.

BUSINESS REVIEW (Continued)

Outlook and prospects (Continued)

In addition, the Group has continued to introduce experienced talents to enhance the Group's competitive strength. It has appointed Mr. Lee Siu Cheung ("**Mr. Lee**") as Chief Operating Officer and executive Director on 1 September 2020, who is experienced in projects investment, development and management including real estate industry, commercial and residential properties and architecture industry. With the assistance of Mr. Lee, the Group will continue to attain sustainable development and business growth.

Looking ahead, the Group is actively looking for any possible opportunities arising from Guangdong-Hong Kong-Macau Greater Bay Area through merger and acquisition, partnership with reputable enterprises and tendering aggressively to expand the Group's business portfolio.

FINANCIAL REVIEW

Revenue

The table below sets forth a breakdown of the Group's revenue for the years ended 31 December 2020 and 2019:

	For the year ended 31 December			
	2020		2019	
	MOP'000	**%**	MOP'000	%
Types of construction works				
Fitting-out works	**142,704**	**72.2**	275,869	78.5
Structural works	**54,707**	**27.7**	75,673	21.5
Air purification business	**245**	**0.1**	—	—
Total	**197,656**	**100.0**	351,542	100.0

For the year ended 31 December 2020, The Group's revenue decreased by approximately MOP153.9 million or 43.8% as compared with the last year. Such decrease was mainly attributable to: (i) the decrease in revenue generated from fitting-out works projects of approximately MOP133.2 million or 48.3%, as a result of the substantial delay in the progress of several on-going construction projects due to the prolonged COVID-19 and the overall economic depression in Macau and Hong Kong; (ii) the decrease in revenue generated from structural works projects of approximately MOP21.0 million or 27.7% due to no structural works projects awarded in 2020.

Air purification business represented the sales of air-purification units/system for the period ended 31 December 2020 since the acquisition of ActivPro Limited in September, 2020.

FINANCIAL REVIEW (Continued)

Gross (loss) / profit and gross (loss) / profit margin

The following table sets forth a breakdown of the Group's gross (loss) / profit and gross (loss) / profit margin by types of revenue for the year ended 31 December 2020 and 2019 respectively:

	For the year ended 31 December			
	2020		2019	
	(Gross loss)/ profit MOP'000	(Gross loss)/ profit margin %	Gross profit MOP'000	Gross profit margin %
Types of construction works				
Fitting-out works	(13,446)	(9.4)	36,715	13.3
Structural works	(3,644)	(6.7)	10,847	14.3
Air purification business	145	59.2	—	
Total	(16,945)	(8.6)	47,562	13.5

For the year ended 31 December 2020, the Group's gross profit decreased from approximately MOP47.6 million for the year of 2019 to a gross loss of approximately MOP16.9 million for the year of 2020.

The gross loss margin of fitting-out works projects of -9.4% for the year of 2020 was mainly due to: (i) the recognition of loss arising from loss-making contracts which amounted to approximately MOP11.7 million; (ii) the cost of a project outweigh its corresponding revenue as a result of the substantial delay in the progress due to the outbreak of COVID-19.

For the year ended 31 December 2020, there was a gross loss margin of structural works projects of approximately -6.7% whereas for the year ended 31 December 2019, there was a gross profit margin of approximately 14.3%. The change was mainly attributable to the fact that the cost of certain projects outweigh their corresponding revenue as a result of the substantial delay in the progress of several construction projects due to the outbreak of COVID-19.

Other gains and losses

It mainly represented the gain from the fair value change of the financial asset at fair value through profit or loss.

FINANCIAL REVIEW (Continued)

Impairment losses

It mainly consisted of impairment losses on property, plant and equipment, goodwill, right-of-use assets, trade and other receivables and contract assets. It increased by approximately MOP11.9 million when compared with the last year due to the prolonged COVID-19 pandemic.

Administrative expenses

Administrative expenses increased by approximately MOP4.7 million from approximately MOP26.7 million for the year ended 31 December 2019 to approximately MOP31.4 million for the year ended 31 December 2020. Administrative expenses consisted primarily of staff costs and Directors' emoluments, depreciation and other administrative expenses. The increase was mainly attributable to the full year impact of Lap Polly Engineering Company Limited, an indirect non-wholly owned subsidiary, was consolidated in the year of 2020 whereas only four months impact was consolidated last year since its acquisition in September, 2019.

Income tax credit / (expense)

The Group's income tax expenses decreased by approximately MOP4.6 million from approximately MOP3.9 million for the year ended 31 December 2019 to tax credit of MOP0.7 million for the year ended 31 December 2020 which was in line with the decrease in the profit before tax of approximately MOP79.1 million.

(Loss) / profit and total comprehensive (expense) / income for the year

The Group's profit for the year was decreased by approximately MOP74.6 million when compared with the last year, mainly due to the combined effect of the aforementioned items.

Final dividend

The Board did not recommend any payment of a final dividend for the year ended 31 December 2020 (2019: Nil).

CORPORATE FINANCE AND RISK MANAGEMENT

Liquidity and financial resources

The Group's capital expenditure and daily operations during the year ended 31 December 2020 were mainly funded by cash generated from its operations.

The total cash and bank balances together with the pledged bank deposits as at 31 December 2020 was approximately MOP148.4 million, compared to approximately MOP185.8 million as at 31 December 2019.

The decrease of approximately MOP37.4 million was mainly related to the operating cash outflow.

As at 31 December 2020, the Group had no outstanding borrowings and had unutilized banking facilities of approximately MOP207.0 million (31 December 2019: MOP191.1 million) and thus, it is not applicable to compute any gearing ratios.

The current ratio of our Group as at 31 December 2020 decreased to 2.0 times (31 December 2019: 2.5 times).

Capital Structure

The capital structure of the Group consists of equity attributable to the owners of the Company comprising issued share capital, share premium, legal reserve, other reserve and retained earnings. During the year ended 31 December 2020, there has been no change in capital structure of the Company.

Future plans for material investments and capital assets

Save as disclosed in the prospectus of the Company dated 27 August 2018 (the "**Prospectus**") and in this result announcement, the Group did not have other plans for material investments or capital assets.

Pledge of assets

The following assets of the Group were pledged to secure the credit facilities to the Group during the year:

	2020 **MOP'000**	2019 MOP'000
Owned properties included in property, plant and equipment	**40,747**	42,152
Pledged bank deposits	**65,072**	63,518
	105,819	105,670

CORPORATE FINANCE AND RISK MANAGEMENT (Continued)

Capital commitments

As at 31 December 2020, the Group did not have any significant capital commitments (2019: MOP1.1 million).

Significant investments, acquisition and disposals

On 9 September 2020, the Company completed an indirect acquisition of 51% equity interest of ActivPro and it has become an indirect non-wholly owned subsidiary of the Group. ActivPro is principally engaged in air purification business.

Save as the above, during the year ended 31 December 2020, the Group did not have any significant investment, acquisition and disposal.

Exposure to exchange rate fluctuation

The Group entities collect most of its revenue and incur most of its expenditures in their respective functional currencies. The Group is exposed to currency risks primarily through purchase of raw materials and sale proceeds received from its customers that are denominated in a currency other than the Group's functional currency. The currencies giving rise to this risk are primarily Hong Kong dollars and Renminbi. The management of the Group considers that the exposure to foreign currency exchange risk is insignificant as the majority of its transactions are denominated in the functional currency of each of the Group entity.

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

Employee and renumeration policies

As at 31 December 2020, the Group had 146 (31 December 2019: 115) full time employees. The increase in the number of employees was mainly due to the need to hire additional workers to meet the progress of certain construction projects which the sites was previously suspended due to the outbreak of COVID-19. The Group has implemented a tight cost control and adjust the number of direct labour based on the progress and expected workload of our construction works and the expected completion dates of work projects.

The remuneration package offered to employees includes salary and other employee benefits such as bonus. In general, the Group determines the salaries of its employees based on their individual performance qualifications, position and seniority. The Group conducts annual salary and promotion review in order to attract and retain employees. In addition, the Group provides various types of training to its employees to promote overall efficiency, employee loyalty and retention. Total staff costs for the year ended 31 December 2020 were approximately MOP40.1 million (31 December 2019: MOP38.7 million).

CORPORATE FINANCE AND RISK MANAGEMENT (Continued)

Compliance with laws and regulations

The Group mainly carries out its business in Macau and Hong Kong. To the best of the Directors' knowledge, the Group has complied with all relevant laws and regulations in Macau and Hong Kong during the year.

Principal risk and uncertainties

The Group believes that the risk management practices are important and use its best effort to ensure it is sufficient to mitigate the risks present in our operations and financial position as efficiently and effectively as possible:

— Material changes in the cost of construction materials and labour costs may result in cost overrun, which could materially affect our results of operation and financial performance;

— Mismanagement or delay of our projects will materially affect our reputation and also our financial performance as penalties and/or additional costs may be incurred;

— Cash flow of our projects may fluctuate;

— We rely on subcontractors to help complete our projects. Underperformance by our subcontractors or unavailability of subcontractors may adversely affect our operations, profitability and reputation;

— Our success significantly depends on the key management and our ability to attract and retain technical and management staff; and

— The uncertainties on the worldwide economy due to the rapid and wide-spread of COVID-19.

— Our inventory level may be affected by the market demand for air purification units/system which may not be accurately estimated.

For other risks and uncertainties facing the Group, please refer to the section headed "Risk Factors" in the Prospectus.

USE OF PROCEEDS

The Company has raised gross proceeds of approximately HK$100.5 million through the Global Offering upon the listing of the Company's securities on the Main Board of the Stock Exchange of Hong Kong Limited on 10 September 2018. After deducting the listing expenses, the net proceeds were approximately HK$61.2 million. According to the announcement of the Company on 27 August 2020, the Board of the Company has resolved to reallocate the unutilized net proceeds up to 30 June 2020. The table below sets out the details of the Reallocation. The Board is of the view that it is in the best interests of the Company and its shareholders as a whole.

USE OF PROCEEDS (Continued)

As of 31 December 2020, the net proceeds from the Global Offering had been applied as follows:

	Planned use (HK$'million)	Revised allocation of the unutilised net proceeds as of 27 August 2020 (HK$'million)	Utilised up to 31 December 2020 (HK$'million)	Unutilised net proceeds as of 31 December 2020 (Note 1) (HK$'million)	Expected timeline for utilising the remaining net proceeds (Note 2)
— Financing the Group's construction projects and strengthening the financial position	26.4	9.2	33.6	2.0	On or before December 2021
— Purchasing suitable new machinery for forthcoming construction works	16.5	—	1.9	—	N/A
— Potential merger and acquisition	6.1	6.1	—	6.1	On or before December 2021
— Hire additional staff for the Group's business operation	6.1	8.2	4.4	7.1	On or before December 2022
— General working capital	6.1	1.2	5.9	0.2	On or before June 2021
	61.2	24.7	45.8	15.4	

Note 1

As at 31 December 2020, the unutilised net proceeds from Global Offering were deposited in the times deposit account of the bank of the Group.

Note 2

The expected timelines for utilizing the remaining net proceeds is based on the best estimation made by the Group barring unforeseen circumstances. It may be subject to further change based on the future development of the market condition.

DIRECTORS AND SENIOR MANAGEMENT

Our Board consists of nine Directors, comprising six executive Directors and three independent non-executive Directors. The following table sets out information concerning our Directors:

Name	Age	Present position(s) in our Company	Date of appointment as Director	Date of joining our Group	Roles and responsibilities	Relationship with other Directors and/or senior management
Executive Directors						
Mr. Lao Chio Seng (劉朝盛先生) ("**Mr. Lao**")	61	Chairman of the Board and executive Director	23 February 2017	5 July 1998	Responsible for leadership and the overall business strategies of our Group	Father of Ms. Vicki Lao and Ms. Athena Lao; father-in-law of Mr. Cheang
Ms. Lao Chao U (劉秋瑜女士) ("**Ms. Athena Lao**")	33	Chief executive officer and executive Director	23 February 2017	3 January 2011	Responsible for the business development and expansion of our Group	Daughter of Mr. Lao; younger sister of Ms. Vicki Lao; spouse of Mr. Cheang
Mr. Lee Siu Cheung (李兆祥先生)	56	Chief operating officer and executive Director	1 September 2020	1 September 2020	Responsible for the business development, expansion and operation of our Group	N/A
Ms. Lao Ka U (劉家裕女士) ("**Ms. Vicki Lao**")	34	Executive Director	23 February 2017	21 September 2009	Responsible for the overall business development and planning of our Group	Daughter of Mr. Lao; eldest sister of Ms. Athena Lao; sister-in-law of Mr. Cheang

Name	Age	Present position(s) in our Company	Date of appointment as Director	Date of joining our Group	Roles and responsibilities	Relationship with other Directors and/or senior management
Mr. Cheang Iek Wai (鄭益偉先生) ("**Mr. Cheang**")	33	Executive Director	23 February 2017	2 June 2014	Responsible for finance and account management aspects and engaging in corporate finance functions in our Group	Spouse of Ms. Athena Lao; son-in-law of Mr. Lao; brother-in-law of Ms. Vicki Lao
Mr. Ip Kin Wa (葉建華先生)	54	Executive Director	23 February 2017	17 April 2006	Responsible for project management	N/A
Independent Non-executive Directors						
Mr. Chu Yat Pang Terry (朱逸鵬先生)	49	Independent Non-executive Director	17 August 2018	17 August 2018	Supervising and providing independent advice to the Board	N/A
Mr. Choy Wai Shek, Raymond, *MH, JP* (蔡偉石先生，*榮譽勳章，太平紳士*)	71	Independent Non-executive Director	17 August 2018	17 August 2018	Supervising and providing independent advice to the Board	N/A
Mr. O'Yang Wiley (歐陽偉立先生)	58	Independent Non-executive Director	11 June 2019	11 June 2019	Supervising and providing independent advice to the Board	N/A

EXECUTIVE DIRECTORS

Mr. LAO Chio Seng (劉朝盛先生), aged 61, was appointed as our Director on 23 February 2017 and was re-designated as our Chairman and our executive Director on 17 August 2018. He is responsible for the overall business strategies and expansion of our Group. Mr. Lao is the founder of our Group, and he is also a director of certain subsidiaries of the Company.

Mr. Lao has been engaging in the construction industry for over 20 years and has been involved in various major construction projects such as casino-hotel complexes, department store and residential projects, thereby gaining extensive experience in the construction industry.

He was the deputy chairman of Jiangmen Youth Federation of Overseas Chinese (江門僑界青年聯合會副會長) in 2008. As a recognition of his contributions to the construction industry and society, Mr. Lao has received awards including "Special Contribution to the Construction of Xinhui Overseas Chinese Middle School (新會區創建廣東省教育強區特別貢獻獎)" from Xinhui People's Government, "Jiangmen honorary citizen (江門市榮譽市民)" by the Jiangmen Municipal People's Government (江門市人民政府), and "Outstanding Individual (先進個人)" from Jiangmen Returned Overseas Chinese Association (江門市歸國華僑聯合會) in 2008. He was appointed as the honorary chairman of International Police Association Macau Section (國際警察協會澳門分會榮譽會長) in 2016 and the honorary consultant of Macau Construction Machinery Engineering Association (澳門建築機械工程商會名譽顧問) in 2015.

Mr. Lao is the honorary chairman of Macau Engineering Superintendent Association (澳門工程施工主管協會名譽會長). He is also the permanent honorary consultant of Xinhui Daze Town Communal Society of Overseas Chinese (僑港新會大澤同鄉會永遠名譽顧問), the permanent honorary president of Xinhui Charity Organisation (新會慈善會永遠榮譽會長), the honorary deputy chairman of Global Cantonese Association of Guangdong (廣東省廣府人珠璣巷後裔海外聯誼會名譽副會長), the deputy director of Macau Construction Association (澳門建造商會副理事長), the honorary chairman of Macau ASEAN International Chamber of Commerce (澳門東盟國際商會名譽主席) and the deputy chairman of Macau Jiangmen Communal Society (澳門江門同鄉會副會長).

In addition, Mr. Lao is a member of Harbin Committee of Chinese People's Political Consultative Conference (中國人民政治協商會議哈爾濱市委員會委員) and an honorary director of Xinhui Branch Red Cross Society of China (江門市新會區紅十字會名譽理事).

Mr. Lao is the father of Ms. Vicki Lao and Ms. Athena Lao and is the father-in-law of Mr. Cheang.

Ms. LAO Chao U (劉秋瑜女士), aged 33, was appointed as our Director on 23 February 2017 and was re-designated as our chief executive officer and executive Director on 17 August 2018. She is responsible for the day-to-day operations of our Group. She serves as a member of the remuneration committee of the Company. She is also a director of a subsidiary of the Company. Ms. Athena Lao obtained a bachelor 's degree in science from University of California, Berkeley in the United States in December 2010 and a master degree of science in construction and real estate from The Hong Kong Polytechnic University in September 2019. Ms. Athena Lao is a civil engineer (執行工程指導職務而作之技術員) registered with Land, Public Works and Transport Bureau of Macau ("**DSSOPT**") and a civil engineer registered with the Council of Architecture, Engineering and Urban Planning (建築工程及城市規劃專業委員會) in Macau. She became a member and was appointed as a review examiner of the Chartered Institution of Civil Engineering Surveyors in July 2016 and April 2017, respectively.

Ms. Athena Lao has around ten years of experience in the construction industry in Macau. Ms. Athena Lao joined our Group in January 2011 as an engineer and had then been a project coordinator, a project assistant, an assistant project manager and a general manager from which she gained the knowledge and experience in the rundown of construction projects.

Ms. Athena Lao is the deputy director of Macao ASEAN International Chamber of Commerce (澳門東盟國際商會副理事長), the Deputy Chairman of Macau Jiangmen Youth Association (澳門江門青年會副會長) and the Honorary Secretary of Chartered Institution of Civil Engineering Surveyors (Macau Region) (英國皇家特許土木工程測量師學會(澳門區)秘書長). Ms. Athena Lao is also a member of the Macau Institution of Engineers (澳門工程師學會會員).

Ms. Athena Lao is the daughter of Mr. Lao, the younger sister of Ms. Vicki Lao and the spouse of Mr. Cheang.

Mr. LEE Siu Cheung (李兆祥先生), aged 56, was appointed as our Chief Operating Officer and Executive Director on 1 September 2020. He is responsible for the business development and operation of the Group. He is also a director of a subsidiary of the Company. Mr. Lee obtained a Bachelor Degree in Architecture from the University of Hong Kong. He also holds the Master Degree of Science in Global Finance from a course jointly organized by the Hong Kong University of Science and Technology and the New York University in 2012 and Master Degree of Business Administration by The Chinese University of Hong Kong in November 2017.

Mr. Lee has over 31 years of experience in the architecture industries, in particular, the business development and operation. Prior to joining our Group, he served as the Project Director of ChinaChem Agencies Limited from January 2014 to November 2019, supervising real estate development projects and managing the project department. Further, from May 2012 to January 2014, Mr. Lee served as the Director of Project and Development of Grandland Management Limited, a wholly-owned subsidiary of South China Holdings Company Limited (stock code: 00413.HK), overseeing real estate developments and supervising real estate projects in Mainland China in various aspects, including, but not limited to, budget, design, contract arrangement, and site supervision.

Mr. Lee is a member of the Hong Kong Institute of Architects since April 1991. He is also a registered architect under Architects Registration Ordinance and the Authorized Person (List of Architects) under Building Ordinance from July 1991 and November 1991, respectively. Last, but not the least, Mr. Lee is also a Registered Inspector under Building Ordinance and a member of the Appeal Tribunals Panel of the Planning and Lands Branch of Development Bureau of the Government of the Hong Kong Special Administrative Region.

Ms. LAO Ka U (劉家裕女士), aged 34, was appointed as our Director on 23 February 2017 and was re-designated as our executive Director on 17 August 2018. She is responsible for the overall business development and planning of our Group. She is also a director of certain subsidiaries of the Company. Ms. Vicki Lao obtained a bachelor 's degree in architecture from Woodbury University in the United States in May 2009. Ms. Vicki Lao is an architect (執行計劃編製職務而作之技術員) registered with DSSOPT in Macau and an architect registered with the Council of Architecture, Engineering and Urban Planning (建築、工程及城市規劃專業委員會) in Macau.

Ms. Vicki Lao has more than ten years of experience in the construction industry in Macau. Ms. Vicki Lao first joined our Group in September 2009 as the assistant to the chairman of a subsidiary of the Company and was promoted to be a Director on June 2010.

In 2012, she was a committee member of All-China Youth Federation (全國青年聯合會委員). In 2013, she was then appointed as the deputy president of Jiangmen Youth Federation of Overseas Chinese (江門僑界青年聯合會副理事長) and was named a Jiangmen honorary citizen (江門市榮譽市民) by Jiangmen Municipal People's Government (江門市人民政府). She was a committee member of Guangxi Chongzuo City Federation of Overseas Chinese (廣西崇左市歸國華僑聯合會委員) in 2014. In 2015, she was appointed as the director of Jiangmen Overseas Chinese Enterprise Federation (江門市僑商總會理事). In 2016, she was appointed as the deputy chairman of Global Cantonese Association of Macau (澳門廣府人(珠璣聯誼會)副會長).

She is currently a member of the 13th Yunnan Committee of the Chinese People's Political Consultative Conference (中國人民政治協商會議廣東省第十三屆雲南省委員會委員), the president of Macao Jiangmen Communal Society (澳門江門同鄉會理事長) and a member of the Community Affairs Consultative Committee of the Northern District (北區社區服務諮詢委員會委員).

Ms. Vicki Lao is the daughter of Mr. Lao, the elder sister of Ms. Athena Lao and the sister-in-law of Mr. Cheang.

Mr. CHEANG Iek Wai (鄭益偉先生), aged 33, was appointed as our Director on 23 February 2017 and was re-designated as our executive Director on 17 August 2018. He is responsible for finance and account management aspects and engaging in corporate finance functions in our Group. He also serves as a member of the nomination committee of the Company. Mr. Cheang obtained a bachelor 's degree of commence in majors of finance and accounting from the University of Sydney in Australia in October 2008 and a master degree of finance specialising in investment banking from the University of New South Wales in Australia in August 2009. Mr. Cheang was granted the designation of financial risk manager (FRM) by the Global Association of Risk Professionals in 2011.

Mr. Cheang joined our Group in June 2014 as a finance director and was mainly responsible for overseeing the financial matters. Prior to joining our Group, Mr. Cheang served as an officer of Market and Operational Risk Management Department of Luso International Banking Limited from September 2009 to September 2010, a personal banker at China Construction Bank (Macau) Limited from October 2010 to September 2012 and an account manager for private banking and institutional customers at Banco Nacional Ultramarino, S.A. from October 2012 to May 2014.

Mr. Cheang is the spouse of Ms. Athena Lao, the son-in-law of Mr. Lao and the brother-in-law of Ms. Vicki Lao.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. IP Kin Wa (葉建華先生) ("Mr. Ip"), aged 54, was appointed as our Director on 23 February 2017 and was re-designated as our executive Director on 17 August 2018. He is responsible for project management. Mr. Ip graduated from the Fujian Institutions of Higher Learning (福建高等學校) in the People's Republic of China in July 1988 and had obtained the diploma of safety supervisor from the Labour Affairs Bureau of Macau and Macau Construction Works School (澳門建築工程學校) in 1993. Mr. Ip completed the trainer course for occupational safety card for the construction industry organised by the Labour Affairs Bureau of Macau in December 2012.

Mr. Ip has more than 20 years of experience in the construction and fitting-out industry of Macau. Mr. Ip joined our Group as the deputy general manager of a subsidiary of the Company from April 2006 to September 2012. In July 2010, Mr. Ip established Wa Fa Kin Ip Engineering Co. Ltd (華發建業工程有限公司) ("**Wa Fa**"), a company which carried out construction works services and owned as to 90% by him and 10% by his spouse. In December 2013, while remaining as a director of Wa Fa, Mr. Ip rejoined our Group as a senior project manager for facilitating the works of Wa Fa to manage and supervise our four construction projects (i.e. to communicate as the representative of our Group with the parties working on the projects, in particular, the subcontractors). In July 2015, having considered the performance and contribution of Mr. Ip to our Group, as well as Mr. Ip's intention to develop his career within our Group and join the management team of our Group for future development, Mr. Ip was appointed as a managing director of a subsidiary of the Company and all the contracts entered into between our Group and Wa Fa were then terminated to avoid any conflict of interest. Prior to joining our Group in 2006, he was employed by Tong Lei Engineering & Construction Company Limited from December 1995 to April 2004 and the latest position he served was the project manager. Mr. Ip served as the project manager of Top Builders Group Limited from April 2004 to April 2006.

Mr. Ip has undertaken various social responsibilities. He is a member of the 12th Quanzhou Committee of the Chinese People's Political Consultative Conference (中國人民政治協商會議第十二屆泉州市委員會委員), the vice chairman of the Fujian Chamber of Commerce (福建總商會副會長), the vice chairman of the Macao-Taiwan Chamber of Commerce (澳門閩台商會副會長), the executive vice president of Fujian Natives General Association of Macau (澳門福建同鄉總會常務副理事長), the director of Hunan Overseas Friendship Association (湖南省海外聯誼會理事), the permanent chairman of Macau Engineering Superintendent Association (澳門工程施工主管協會永遠會長), the permanent chairman of Macau Nan An Shishan Association (澳門南安詩山同鄉會永遠會長), the executive deputy chairman and the executive deputy secretary general (常務副會長兼常務副秘書長) of Nam On Natives Association of Macau (澳門南安同鄉會) and Nanan Chamber of Commerce of Macau (澳門南安商會) and the deputy chairman of Macao Ip's Clan Association (澳門葉氏宗親會副會長). He was a trainer for occupational safety card for the construction industry organised by the Labour Affairs Bureau of Macau from October 2016 to December 2016.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. CHU Yat Pang Terry (朱逸鵬先生), aged 49, was appointed as our independent non-executive Director on 17 August 2018. He is responsible for overseeing the management of our Group independently. He also serves as the chairman of the remuneration committee of the Board and a member of the audit committee of the Board. Mr. Chu obtained the degree of bachelor of arts from the University of Western Ontario in Canada in June 1992 and a master of business administration degree in investment and finance from the University of Hull in the United Kingdom in June 1997. He also obtained a diploma in accounting from the School of Business and Economics of Wilfrid Laurier University in Canada in October 1993. Mr. Chu is a member of the Hong Kong Institute of Certified Public Accountants since June 1997.

Mr. Chu has over 25 years of experience in auditing and corporate finance. Prior to joining our Group, Mr. Chu worked for the Department of Assurance and Advisory Business Services of Ernst & Young, an international accounting firm from September 1993 to February 2000 when he left the firm as a manager. Mr. Chu joined China Everbright Capital Limited, a corporate finance company, as a manager in March 2000. In February 2001, he joined Haitong International Capital Limited, being a subsidiary of Haitong International Securities Group Limited (formerly known as Taifook Securities Group Limited), a financial institution whose shares are listed in the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (stock code: 665), till September 2012 when he last served as managing director — corporate finance where he was responsible for managing and supervising the corporate finance advisory business. From January 2013 to present, Mr. Chu is a managing director of a Halcyon Capital Limited and a licensed representative of Halcyon Securities Limited in Hong Kong. Mr. Chu manages initial public offerings and fund-raising exercises and advises listed companies on mergers and acquisitions, and other corporate transactions.

Mr. Chu has been an independent non-executive Director of Hong Kong Finance Group Limited (stock code: 1273) since September 2013 and Ten Pao Group Holdings Limited (stock code: 1979) since November 2015, the shares of which are listed on the Main Board of the Stock Exchange.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. CHOY Wai Shek, Raymond, ***MH, JP*** **(蔡偉石先生，*榮譽勳章，太平紳士*)**, aged 71, was appointed as our independent non-executive Director on 17 August 2018. He is responsible for overseeing the management of our Group independently. He also serves as the chairman of the nomination committee of the Board and a member of the audit committee and remuneration committee of the Board. Mr. Choy was awarded a diploma in Chinese Law from the University of East Asia Macau in Macau (currently known as the University of Macau) in October 1987 and a diploma in Political Science from the International Affairs College, Institute of International Relations Hong Kong in July 1988.

Prior to joining our Group, Mr. Choy was a member of the Sham Shui Po District Board from April 1985 to 2001 and subsequently became the chairman from April 1991 to September 1994. Mr. Choy was a member of the Consultative Committee on the New Airport and Related Projects of the Government in November 1991 to October 1997, a Hong Kong affairs adviser appointed by the Hong Kong and Macao Affairs Office and the Xinhua News Agency of the State Council from April 1994 to June 1997, a committee member and the vice-chairman of the Occupational Safety and Health Council of the Labour and Welfare Bureau from 2004 to 2010, a member of the Energy Advisory Committee of the Environment Bureau from 2006 to 2012 and a member of the Consumer Council of the Commerce and Economic Development Bureau from January 2006 to December 2011.

He was a member of the 9th to 12th Guangzhou Committee of the Chinese People's Political Consultative Conference (中國人民政治協商會議廣州市委員會第九至第十二屆委員). He was also an honorary president of GMC Hong Kong Member Association in February 2012 and has been an honorary committee member of Chinese General Chamber of Commerce since 2020.

Mr. Choy has been an independent non-executive Director of New Concept Holdings Limited (stock code: 2221) and Far East Hotels and Entertainment Limited (stock code: 37), the shares of which are listed on the Main Board of the Stock Exchange, since August 2014 and September 2004, respectively. Mr. Choy is also an independent non-executive Director of WAC Holdings Limited (stock code: 8619), the shares of which are listed on GEM of the Stock Exchange since 17 September 2018.

Mr. O'Yang Wiley (歐陽偉立先生), aged 58, has over 33 years of experience in the accounting, finance and legal industries. He was appointed as our independent non-executive Director on 11 June 2019. He is responsible for overseeing the management of the Group independently. He also serves as the chairman of the audit committee and a member of the nomination committee of the Board.

Mr. O'Yang has served as an independent non-executive director of Hong Kong Economic Times Holdings Limited (stock code: 0423) since October 2012, as an independent non-executive Director of Midea Real Estate Holding Limited (stock code: 3990) since the company's listing in October 2018 as an independent non-executive Director of D&G Technology Holding Company Limited (stock code: 1301) since May 2019 and as an independent non-executive Director of Tianyun International Holdings Limited (stock code: 6836) since November 2019.

Save as disclosed above, Mr. O'Yang did not hold any other directorship in other publicly listed companies in the last three years.

He serves as the managing director of Shanggu Securities Limited since February 2018. Prior to joining Shanggu Securities Limited, he worked for over 13 years in various financial institutions, including CMBC International Holdings Limited, a wholly-owned subsidiary of China Minsheng Banking Corp., Ltd. (stock code: 1988), Kim Eng Securities (Hong Kong) Limited, a wholly-owned subsidiary of Malayan Banking Berhad, UBS AG, Hong Kong branch, J.P. Morgan Securities (Asia Pacific) Limited and BNP Paribas Capital (Asia Pacific) Limited, and held the positions of managing Director and executive Director.

Mr. O'Yang had also worked as a solicitor in private practice at a number of solicitors' firms and was a partner of Richards Butler (currently known as Reed Smith Richards Butler) immediately before he joined BNP Paribas Capital (Asia Pacific) Limited in May 2004.

Mr. O'Yang graduated from the Chinese University of Hong Kong with a bachelor's degree in Social Science in December 1985 and a master's degree in Business Administration in October 1990. He obtained a common professional examination certificate from the School of Professional and Continuing Education of the University of Hong Kong in June 1993. He obtained the postgraduate certificate in Laws from the department of professional legal education of the Faculty of Law at the University of Hong Kong in June 1994. He is also a fellow member of the Association of Chartered Certified Accountants, a member of the Hong Kong Institute of Certified Public Accountants and a member of the Law Society of Hong Kong.

Save as disclosed, each of the Directors did not hold any other directorship in public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years.

At the date of and saved as disclosed in this annual report, each of the Directors confirms with respect to himself/herself that:

(i) He/she does not have any relationship with any other Director, senior management or substantial or controlling Shareholders of the Company;

(ii) He/she does not hold any other position in the Company or other members of the Group;

(iii) He/she does not have any other interest in the shares of the Company with the meaning of Part XV of the SFO;

(iv) There is no other information relating to him/her that should be disclosed pursuant to the events under Rule 13.51(2) (h) to 13.51(2) (v) of the Listing Rules.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

The following table sets out the information of our senior management:

Name	Age	Present position(s) in our Company	Date of appointment as senior management	Date of joining our Group	Roles and responsibilities	Relationship with other Directors and/or senior management
Mr. Ho Wai Chuen (何惠泉先生)	67	Managing director	28 March 2017	28 March 2017	Responsible for carrying out strategic plans and explore business opportunities	N/A
Mr. Yeung Yun Ki (楊潤祺先生)	63	Commercial manager	3 December 2012	3 December 2012	Responsible for tendering and contract management	N/A
Mr. Wong Kam Yin (王錦賢先生)	43	Financial Controller	14 February 2019	14 February 2019	Directing and financial management of the Group	N/A

Mr. HO Wai Chuen (何惠泉) ("Mr. Ho"), aged 67, is the managing director of a subsidiary of the Company. He joined our Group in March 2017 and is responsible for carrying out strategic plans and explore business opportunities.

Mr. Ho attained various qualifications relating to the construction industry. In February 1974, he obtained the certificate in training course for foremen in construction industry issued by the Building Contractors' Association Ltd. and the Hong Kong Productivity Centre. In January 1975, he completed training courses on basic industrial accident prevention and advanced industrial safety conducted by the Industrial Safety Training Centre of the Labour Department of Hong Kong. In June 1975, he obtained the certificate in concrete technology training course issued by the Hong Kong Productivity Centre. In October 1994, he completed the self-learning certificate programme on principles of business management organised by the Hong Kong Management Association. In June 2004, he completed and passed the examination for safety management training course for managers organised by the Occupational Safety & Health Management Institute.

Prior to joining our Group, Mr. Ho had worked at various construction companies such as Gammon (Hong Kong) Limited, Leighton Contractors (Asia) Company Limited and Wan Chung Construction Company Limited. Mr. Ho has over 41 years of work experience in the construction industry.

Mr. YEUNG Yun Ki (楊潤祺) ("Mr. Yeung"), aged 63, is the commercial manager of a subsidiary of the Company. He joined our Group in December 2012 and is responsible for tendering and contract management of our Group.

Mr. Yeung obtained the Certificate in Civil Engineering from Hong Kong Polytechnic (currently known as Hong Kong Polytechnic University) in November 1982. He further obtained the Higher Certificate in Civil Engineering from Hong Kong Polytechnic (currently known as Hong Kong Polytechnic University) in November 1985.

Mr. Yeung received other trainings relating to construction. He completed the construction safety officer course in September 1988 organised by the Construction Industry Training Authority, and the course on labour relations organised by Labour Department in August 1989. In April 1990, he completed the distance learning certificate programme on practical personnel management organised by the Hong Kong Management Association. In January 1992, he attended the quality auditor training seminar organised by Handley-Walker. In 2011, he completed the modern safety management training organised by Det Norske Veritas and the DNV ISRS element leader training organised by the Occupational Safety & Health & Environmental Training Institute.

Mr. Yeung has over 34 years of work experience in the construction industry. Prior to joining our Group, during the period from April 2005 to January 2006, he was employed as the site administration manager at Chun Wo Construction & Engineering Co., Ltd. He was then employed by Galaxy Professional Services Limited as the manager of Human Resources & Administration Corporate Office from November 2006 to July 2007, and as a manager of Administration StarWorld Hotel & Casino from August 2007 to December 2008. From March 2009 to July 2009, he was employed by Panda Sociedade de Gestao de Investimentos Limitada as administration manager for General Affair Department. Subsequently, he was employed by Nishimatsu Construction Co., Ltd as an administration manager from June 2011 to September 2012.

Mr. WONG Kam Yin (王錦賢) ("Mr. Wong"), aged 43, is the financial controller of the Group. He joined our Group in February 2019 and is responsible for overall management of our Group's financial and management reporting, budget, auditing functions, accounting and compliance matters.

He obtained a degree of Bachelor of Business Administration in Accountancy from the City University of Hong Kong in 2001. He is also a certified public accountant of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants.

Mr. Wong has over 18 years of experience in auditing and in-house financial management. He was the financial controller and company secretary of Polyfair Holdings Limited (stock code: 8532) from April 2017 to December 2018. He worked for InterContinental Hong Kong as a senior finance and business support manager from April 2016 to March 2017. Prior to that, he worked as manager, client accounting in the client accounting department of Brookfield Global Relocation Services Hong Kong Limited from July 2013 to March 2016. Before working as an in-house financial management, he worked in international CPA firms and gained the knowledge and experience in the auditing field.

Deloitte. 德勤

TO THE SHAREHOLDERS OF AB BUILDERS GROUP LIMITED
奧邦建築集團有限公司
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of AB Builders Group Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 60 to 145, which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board (the "**IASB**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("**the Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

TO THE SHAREHOLDERS OF AB BUILDERS GROUP LIMITED
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KEY AUDIT MATTERS (Continued)

Key audit matter	How our audit addressed the key audit matter
Recognition of revenue from construction contracts	
We identified the recognition of revenue from construction contracts as a key audit matter due to the significance of the amount to the consolidated financial statements as a whole and the degree of judgement and estimation uncertainty involved. The Group reviews and revises the estimates of contract revenue for construction contract as the contract progresses. As set out in note 4 to the consolidated financial statements, recognised amounts of contract revenue reflect management's best estimate, which are determined on the basis of a number of estimates. This includes assessment of progress of the construction contract. The actual outcome of the contract in terms of its total revenue may be higher or lower than the estimates and this will affect the revenue and profit or loss recognised. The contract revenue of provision of fitting-out works and structural works of MOP197,411,000, was recorded in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2020.	Our procedures in relation to the recognition of revenue from construction contracts included: • Obtaining an understanding of the Group's controls and processes over revenue recognition; • Agreeing the total budgeted contract revenue to the construction contracts and variation orders, if any, independent architect's instructions or other form of agreements or other correspondences, and discussing with the project management teams of the Group to evaluate the reasonableness of their estimated total budgeted contract revenue, on a sample basis; and • Verifying whether value of work has been reasonably recognised as contract revenue including variations in contract work, by agreeing to the latest payment certificates issued by the independent architects, surveyors or other representatives appointed by the customers, on a sample basis.

TO THE SHAREHOLDERS OF AB BUILDERS GROUP LIMITED
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KEY AUDIT MATTERS (Continued)

Key audit matter	How our audit addressed the key audit matter
Valuation of trade receivables and contract assets	
We identified the valuation of trade receivables and contract assets as a key audit matter due to the use of judgements and estimates by management in assessing the recoverability of trade receivables and contract assets. As set out in note 4 to the consolidated financial statements, the Group estimates the amount of impairment loss for expected credit loss ("**ECL**") on trade receivables and contract assets based on the credit risk of trade receivables and contract assets. The amount of the impairment loss is a function of the probability of default, loss given default and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Where the probability of default is higher than expected, or being revised upwards due to changes in facts and circumstances, a material impairment loss may arise. Due to greater financial uncertainty triggered by the COVID-19 pandemic, the Group has increased the expected loss rates in the current year as there is higher risk that a prolonged pandemic could led to increase of credit default rates. As disclosed in notes 21 and 22 to the consolidated financial statements, as at 31 December 2020, the carrying amounts of trade receivables and contract assets were MOP81,321,000 and MOP42,758,000, respectively.	Our procedures in relation to valuation of trade receivables and contract assets included: • Obtaining an understanding on management's credit review process and recoverability assessment process of trade receivables and contract assets; • Assessing the reasonableness of impairment under ECL model by examining the information used by management to form its judgments and estimates, including test of accuracy of the historical default data with reference to the credit history, delay in payments, settlement records, and aging analysis of each relevant debtor, on a sample basis; • Evaluating the reasonableness of the forward-looking information management has taken into account; and • Testing the mathematical accuracy of the ECL model on trade receivables and contract assets prepared by management.

TO THE SHAREHOLDERS OF AB BUILDERS GROUP LIMITED
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OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

TO THE SHAREHOLDERS OF AB BUILDERS GROUP LIMITED
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AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

TO THE SHAREHOLDERS OF AB BUILDERS GROUP LIMITED
奧邦建築集團有限公司
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AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Chu, Johnny Chun Yin.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
31 March 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

	NOTES	2020 MOP'000	2019 MOP'000
Revenue	5	**197,656**	351,542
Cost of sales		**(214,601)**	(303,980)
Gross (loss) profit		**(16,945)**	47,562
Other income	7	**4,228**	4,092
Other gains and losses	8	**1,864**	(48)
Impairment loss under expected credit loss model, net of reversal	9	**(6,772)**	(701)
Impairment loss on goodwill	18	**(1,510)**	—
Impairment loss on property, plant and equipment	19	**(3,847)**	—
Impairment loss on right-of-use asset	19	**(483)**	—
Administrative expenses		**(31,421)**	(26,663)
Interest expense on lease liabilities		**(18)**	—
(Loss) profit before taxation		**(54,904)**	24,242
Income tax credit (expense)	10	**683**	(3,900)
(Loss) profit and total comprehensive (expense) income for the year	11	**(54,221)**	20,342
(Loss) profit and total comprehensive (expense) income for the year attributable to:			
Owners of the Company		**(50,774)**	20,229
Non-controlling interests		**(3,447)**	113
		(54,221)	20,342
(Loss) earnings per share			
— Basic (MOP cents)	14	**(8.46)**	3.37

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2020

	NOTES	2020 MOP'000	2019 MOP'000
Non-current assets			
Property, plant and equipment	15	**40,803**	45,621
Right-of-use asset	16	**—**	—
Deposit for acquisition of property, plant and equipment		**—**	761
Intangible assets	17	**—**	1,810
Goodwill	18	**—**	1,510
Financial asset at fair value through profit or loss ("**FVTPL**")	20	**4,596**	2,564
		45,399	52,266
Current assets			
Inventories		**2,832**	—
Trade and other receivables	21	**118,263**	94,812
Contract assets	22	**42,758**	60,532
Pledged bank deposits	23	**65,072**	63,518
Bank balances and cash	23	**83,343**	122,290
		312,268	341,152
Current liabilities			
Trade and other payables	24	**124,744**	129,339
Contract liabilities	22	**25,928**	206
Lease liabilities	25	**342**	—
Amounts due to non-controlling shareholders of subsidiaries	26	**3,610**	2,472
Tax payable		**841**	4,833
		155,465	136,850
Net current assets		**156,803**	204,302
Total assets less current liabilities		**202,202**	256,568

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2020

	NOTES	2020 MOP'000	2019 MOP'000
Non-current liabilities			
Deferred tax liabilities	27	—	383
Lease liabilities	25	148	—
		148	383
Net assets		202,054	256,185
Capital and reserves			
Share capital	28	6,189	6,189
Reserves		198,314	249,088
Equity attributable to owners of the Company		204,503	255,277
Non-controlling interests		(2,449)	908
Total equity		202,054	256,185

The consolidated financial statements on pages 60 to 145 were approved and authorised for issue by the board of directors on 31 March 2021 and are signed on its behalf by:

Lao Chio Seng
DIRECTOR

Lao Chao U
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

	Attributable to owners of the Company							
	Share capital MOP'000	Share premium MOP'000	Legal reserve MOP'000 (Note (i))	Other reserve MOP'000 (Note (ii))	Retained earnings MOP'000	Subtotal MOP'000	Non-controlling interests MOP'000	Total MOP'000
At 1 January 2019	6,189	82,564	6,000	(86,724)	233,208	241,237	—	241,237
Profit and total comprehensive income for the year	—	—	—	—	20,229	20,229	113	20,342
Acquisition of subsidiaries (note 29)	—	—	—	—	—	—	795	795
Dividends paid (note 13)	—	—	—	—	(6,189)	(6,189)	—	(6,189)
At 31 December 2019	6,189	82,564	6,000	(86,724)	247,248	255,277	908	256,185
Loss and total comprehensive expense for the year	—	—	—	—	(50,774)	(50,774)	(3,447)	(54,221)
Acquisition of a subsidiary (note 29)	—	—	—	—	—	—	80	80
Capital contribution from a non-controlling shareholder	—	—	—	—	—	—	10	10
At 31 December 2020	6,189	82,564	6,000	(86,724)	196,474	204,503	(2,449)	202,054

Notes:

(i) In accordance with the Article 377 of the Commercial Code of Macau Special Administrative Region, the subsidiaries registered in Macau are required to transfer part of their profits of each accounting period of not less than 25% to legal reserve, until the amount reaches an amount equal to half of the respective share capital.

(ii) Other reserve includes (a) deemed distribution made to Mr. Lao Chio Seng ("**Mr. Lao**"), chairman and executive director of the Company, resulting from the provision of interest-free loans to Mr. Lao and entity controlled by Mr. Lao in prior years of MOP85,599,000; and (b) a net loss on disposal of subsidiaries and a joint venture of MOP1,125,000 to companies controlled by Mr. Lao and Ms. Wong Hio Mei ("**Mrs. Lao**"), spouse of Mr. Lao, arising as part of a group reorganisation completed in September 2017, which were regarded as equity transactions. Mr. Lao and Mrs. Lao are the ultimate controlling shareholders of the Company.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

	NOTE	2020 MOP'000	2019 MOP'000
Operating activities			
(Loss) profit before taxation		**(54,904)**	24,242
Adjustments for:			
Interest expense on lease liabilities		**18**	—
Depreciation of right-of-use asset		**199**	—
Depreciation of property, plant and equipment		**3,037**	2,706
Amortisation of intangible assets		**2,032**	433
Loss on disposal of property, plant and equipment		**24**	—
Bank interest income		**(3,390)**	(3,843)
Impairment loss on goodwill		**1,510**	—
Impairment loss under expected credit loss model, net of reversal		**6,772**	701
Impairment loss of property, plant and equipment		**3,847**	—
Impairment loss of right-of-use asset		**483**	—
Gain from fair value change of financial asset at FVTPL		**(2,032)**	—
Operating cash flows before movements in working capital		**(42,404)**	24,239
Increase in inventory		**(2,832)**	—
(Increase) decrease in trade and other receivables		**(28,114)**	4,304
Decrease (increase) in contract assets		**15,517**	(31,340)
(Decrease) increase in trade and other payables		**(4,562)**	15,063
Increase (decrease) in contract liabilities		**25,722**	(4,917)
Cash (used in) generated from operations		**(36,673)**	7,349
Macau Complementary Tax paid		**(3,684)**	(13,021)
Hong Kong Complementary Tax paid		**(8)**	—
Net cash used in operating activities		**(40,365)**	(5,672)
Investing activities			
Interest received		**3,538**	4,071
Proceeds on disposal of property, plant and equipment		**4**	—
Placement of pledged bank deposits		**(1,554)**	(16,930)
Purchase of property, plant and equipment		**(1,322)**	(2,801)
Net cash outflow on acquisition of subsidiaries	29	**(83)**	(4,610)
Withdrawal of pledged bank deposits		**—**	3,691
Deposit paid for acquisition of property, plant and equipment		**—**	(761)
Net cash from (used in) investing activities		**583**	(17,340)

For the year ended 31 December 2020

	NOTE	2020 MOP'000	2019 MOP'000
Financing activities			
Advances from non-controlling shareholders of subsidiaries		**1,138**	—
Capital contribution from a non-controlling shareholder		**10**	—
Repayment of lease liabilities		**(192)**	—
Interest paid on lease liabilities		**(18)**	—
Issue costs paid		**(103)**	(2,600)
Dividends paid	13	**—**	(6,189)
Repayments to a non-controlling shareholder of a subsidiary		**—**	(1,138)
Net cash from (used in) financing activities		**835**	(9,927)
Net decrease in cash and cash equivalents		**(38,947)**	(32,939)
Cash and cash equivalents at the beginning of the year		**122,290**	155,229
Cash and cash equivalents at the end of the year, representing bank balances and cash		**83,343**	122,290

1. GENERAL INFORMATION

AB Builders Group Limited (the "**Company**") was incorporated in the Cayman Islands with limited liability on 23 February 2017 and its shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 10 September 2018. In the opinion of the directors, the ultimate controlling shareholders of the Company are Mr. Lao and Mrs. Lao, through Laos International Holdings Limited, a company incorporated in the British Virgin Islands (the "**BVI**") with limited liability, and WHM Holdings Limited, a company incorporated in BVI with limited liability, respectively. Mr. Lao and Mrs. Lao are hereinafter collectively referred to as the "Controlling Shareholders". The addresses of the registered office and principal place of business of the Company are set out in the section headed "Corporate Information" to the annual report.

The Company acts as an investment holding company and its subsidiaries are principally engaged in provision of construction services including fitting-out works and structural works, and sales of air purification unit/system. The Company and its subsidiaries are hereinafter collectively referred to as the "Group".

The presentation and functional currency of the Company is Macau Pataca ("**MOP**").

The outbreak of novel coronavirus ("**COVID-19**") and the subsequent quarantine measure as well as the travel restrictions imposed by many countries have had negative impacts to the global economy, business environment and directly and indirectly affected the operations of the Group. As a result, there were less potential projects available for tendering and the progress of certain of the Group's on-going projects were delayed. As such, the financial positions and performance of the Group were affected in different aspects, including but not limited to, a reduction in revenue.

2. APPLICATION OF AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

Amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the "Amendments to References to the Conceptual Framework in IFRS Standards" and the following amendments to IFRSs issued by the International Accounting Standards Board ("**IASB**") for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2020 for the preparation of the Group's consolidated financial statements:

Amendments to IAS 1 and IAS 8	Definition of Material
Amendments to IFRS 3	Definition of a Business
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark

2. APPLICATION OF AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (Continued)

Amendments to IFRSs that are mandatorily effective for the current year (Continued)

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

Impacts on application of Amendments to IFRS 3 "Definition of a Business"

The Group has applied the amendments for the first time in the current year. The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs.

The amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs. The amendments also introduce additional guidance that helps to determine whether a substantive process has been acquired.

In addition, the amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. The election on whether to apply the optional concentration test is available on transaction-by-transaction basis.

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

2. APPLICATION OF AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (Continued)

New and amendments to IFRSs in issue but not yet effective

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

IFRS 17	Insurance Contracts and the related Amendments[1]
Amendment to IFRS 16	COVID-19-Related Rent Concessions[4]
Amendments to IFRS 3	Reference to the Conceptual Framework[2]
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform — Phase 2[5]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[1]
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies[1]
Amendments to IAS 8	Definition of Accounting Estimates[1]
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use[2]
Amendments to IAS 37	Onerous Contracts — Cost of Fulfilling a Contract[2]
Amendments to IFRS Standards	Annual Improvements to IFRS Standards 2018–2020[2]

1 Effective for annual periods beginning on or after 1 January 2023.
2 Effective for annual periods beginning on or after 1 January 2022.
3 Effective for annual periods beginning on or after a date to be determined.
4 Effective for annual periods beginning on or after 1 June 2020.
5 Effective for annual periods beginning on or after 1 January 2021.

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

2. APPLICATION OF AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (Continued)

Amendments to IAS 37 "Onerous Contracts — Cost of Fulfilling a Contract"

The amendments specify that, when an entity assesses whether a contract is onerous in accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets", the unavoidable costs under the contract should reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it. Costs of fulfilling the contract include incremental costs and an allocation of other costs that relate directly to fulfilling contracts (for example, an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The amendments are applicable to contracts for which the Group has not yet fulfilled all its obligations as at the date of initial application.

The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with IFRSs issued by the IASB. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The directors of the Company have, at the time of approving the consolidated financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the consolidated financial statements.

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair value at the end of each reporting period.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.1 Basis of preparation of consolidated financial statements (Continued)

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 the consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 "Share-based Payment", leasing transactions that are accounted for in accordance with IFRS 16 "Leases" and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 "Inventories" or value in use in IAS 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.

3.2 Significant accounting policies

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and 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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Basis of consolidation *(Continued)*

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 statement 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 even if this results in the non-controlling interests having a deficit balance.

When 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 and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Business combinations or asset acquisitions

Optional concentration test

Effective from 1 January 2020, the Group can elect to apply an optional concentration test, on a transaction-by-transaction basis, that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. If the concentration test is met, the set of activities and assets is determined not to be a business and no further assessment is needed.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Business combinations or asset acquisitions *(Continued)*

Asset acquisitions

When the Group acquires a group of assets and liabilities that do not constitute a business, the Group identifies and recognises the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to financial assets/financial liabilities at the respective fair values, the remaining balance of the purchase price is then allocated to the other identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

Business combination

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 "Income Taxes" and IAS 19 "Employee Benefits" respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 at the acquisition date;

- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" are measured in accordance with that standard; and

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Business combinations or asset acquisitions *(Continued)*

Business combination (Continued)

- lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in IFRS 16) as if the acquired leases were new leases at the acquisition date, except for leases for which (a) the lease term ends within 12 months of acquisition date; or (b) the underlying asset is of low value. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets or at fair value. The choice of measurement basis is made on a transaction-by-transaction basis.

When the consideration transferred by the Group in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Business combinations or asset acquisitions *(Continued)*

Business combination (Continued)

The subsequent accounting for the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured to fair value at subsequent reporting dates, with the corresponding gain or loss being recognised in profit or loss.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted retrospectively during the measurement period (see above), and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or group of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units).

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

***Goodwill** (Continued)*

On disposal of the relevant cash-generating unit or any of the cash-generating unit within the group of cash-generating units, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the cash-generating unit (or a cash-generating unit within a group of cash-generating units), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the cash-generating unit) disposed of and the portion of the cash-generating unit (or the group of cash-generating units) retained.

Revenue from contracts with customers

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.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or 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.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

Revenue is measured based on the consideration specified in a contract with a customer. The Group recognises revenue when it transfers control of a product or service to a customer. The Group's major source of revenue is its revenue from construction contracts for provision of fitting-out works and structural works and sales of air purification unit/system.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

***Revenue from contracts with customers** (Continued)*

Recognition

Construction contracts for provision of fitting-out works and structural works

The Group provides fitting-out works and structural works based on contracts entered with customers. Such contracts are entered into before the services begin. Under the terms of the contracts, the fitting-out works and structural works performed by the Group creates or enhances a property that the customers controls as the property is created or enhanced. Revenue from provision of fitting-out works and structural works is therefore recognised over time using output method, i.e. based on value of fitting-out works and structural works completed by the Group to date with reference to payment certificates issued by independent architects, surveyors or other representatives appointed by the customers. The directors of the Company consider that output method would faithfully depict the Group's performance towards complete satisfaction of these performance obligations under IFRS 15 "Revenue from Contracts with Customers".

Sales of air purification unit/system

The Group sells air purification unit/system directly to customers, revenue is recognised at a point in time when control of the goods has transferred, being when the goods have been shipped to the customers' specific location.

Contract assets or liabilities

A contract asset represents the Group's right to consideration in exchange for services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with IFRS 9 "Financial Instruments". In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Revenue from contracts with customers *(Continued)*

Contract assets or liabilities (Continued)

Construction contracts for provision of fitting-out works and structural works

Contract asset is recognised when (i) the Group completes the fitting-out works and structural works under such services contracts but yet certified by independent architects, surveyors or other representatives appointed by customers, or (ii) the customers retain retention money to secure the due performance of the contracts. Any amount previously recognised as a contract asset is reclassified to trade receivables at the point at which it is invoiced to the customer. If the considerations (including advances received from customers) exceeds the revenue recognised to date under the output method then the Group recognises a contract liability for the difference.

Principal versus agent

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified good or service provided by another party before that good or service is transferred to the customer. When the Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Leases

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application or arising from business combinations, the Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group applies practical expedient not to separate non-lease components from lease component, and instead account for the lease component and any associated non-lease components as a single lease component.

Short-term leases

The Group applies the short-term lease recognition exemption to that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognised as expense on a straight-line basis or another systematic basis over the lease term.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Leases *(Continued)*

The Group as a lessee (Continued)

Right-of-use assets

The cost of right-of-use asset represents the amount of the initial measurement of the lease liability.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted under IFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments represents fixed payments (including in-substance fixed payments) less any lease incentives receivable.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Such grants are presented under "other income".

Retirement benefits costs

Payments to defined contribution retirement benefits plans are recognised as an expense when employees have rendered services entitling them to the contributions.

Short-term 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 IFRS 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, annual leave and sick leave) after deducting any amount already paid.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before taxation because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liabilities for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Taxation *(Continued)*

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. 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 deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business consolidation) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

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 the 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 asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which 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 the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Taxation *(Continued)*

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 requirements to right-of-use assets and lease liabilities separately. Temporary differences on initial recognition of the relevant right-of-use assets and lease liabilities are not recognised due to application of the initial recognition exemption. Temporary differences arising from subsequent revision to the carrying amounts of right-of-use assets and lease liabilities, resulting from remeasurement of lease liabilities and lease modifications, that are not subject to initial recognition exemption are recognised on the date of remeasurement or modification.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

In assessing any uncertainty over income tax treatments, the Group considers whether it is probable that the relevant tax authority will accept the uncertain tax treatment used, or proposed to be use by individual group entities in their income tax filings. If it is probable, the current and deferred taxes are determined consistently with the tax treatment in the income tax filings. If it is not probable that the relevant taxation authority will accept an uncertain tax treatment, the effect of each uncertainty is reflected by using either the most likely amount or the expected value.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Financial instruments *(Continued)*

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and 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 asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at the date of initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 applies.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

***Financial instruments** (Continued)*

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets 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 from the next reporting period. If 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 from the beginning of the reporting period followings the determination that the assets is no longer credit-impaired.

Interest income is recognised in profit or loss and is included in the "other income" line item.

(ii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or designated as fair value through other comprehensive income are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the "other gains and losses" line item.

Impairment of financial assets and other items subject to impairment assessment under IFRS 9

The Group performs impairment assessment under expected credit losses ("**ECL**") model on financial assets (including trade and other receivables, pledged bank deposits and bank balances) and contract assets which are subject to impairment assessment under IFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

***Financial instruments** (Continued)*

Financial assets (Continued)

Impairment of financial assets and other items subject to impairment assessment under IFRS 9 (Continued)

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 ("**12m 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. Assessments 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 recognises lifetime ECL for trade receivables and contract assets. The ECL on these assets are assessed individually for debtors based on the Group's internal credit rating, 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 the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, in which case 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.

(i) 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 supportable, including historical experience and forward-looking information that is available without undue cost or effort.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Financial instruments *(Continued)*

Financial assets (Continued)

Impairment of financial assets and other items subject to impairment assessment under IFRS 9 (Continued)

(i) Significant increase in credit risk (Continued)

In particular, the following information is taken into account when assessing whether 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 the 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.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

***Financial instruments** (Continued)*

Financial assets (Continued)

Impairment of financial assets and other items subject to impairment assessment under IFRS 9 (Continued)

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when 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).

Irrespective of the above, the Group considers that default has occurred when a financial asset 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.

(iii) 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 that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the counterparty;

(b) a breach of contract, such as a default or past due event;

(c) 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

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Financial instruments *(Continued)*

Financial assets (Continued)

Impairment of financial assets and other items subject to impairment assessment under IFRS 9 (Continued)

(iv) 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, for example, 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 where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) 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 and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is 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.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

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 12m ECL at the current reporting date.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

***Financial instruments** (Continued)*

Financial assets (Continued)

Impairment of financial assets and other items subject to impairment assessment under IFRS 9 (Continued)

(v) Measurement and recognition of ECL (Continued)

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, other receivables and contract assets where the corresponding adjustment is recognised through a loss allowance account.

Derecognition of financial assets

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 measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities and equity instruments

Classification as debt or 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 entered into 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 a group entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Financial instruments *(Continued)*

Financial liabilities and equity instruments (Continued)

Financial liabilities at amortised cost

All financial liabilities, including trade and other payables and amounts due to non-controlling shareholders of subsidiaries, are subsequently measured at amortised cost using the effective interest method.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the 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.

Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes. Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of assets less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values 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.

An item of property, plant 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, plant 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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Intangible assets

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at costs less accumulated amortisation and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately. Amortisation for intangible assets with finite useful lives is recognised using the straight-line method over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Impairment on property, plant and equipment, right-of-use assets and intangible assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets and intangible assets with finite useful lives to determine whether there is any indication that these 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).

The recoverable amount of property, plant and equipment, right-of-use assets and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Impairment on property, plant and equipment, right-of-use assets and intangible assets other than goodwill *(Continued)*

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating units when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

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. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit or a group of cash-generating units) 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 or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of the 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, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group (i.e. MOP) using exchange rates prevailing at the end of the reporting period. Income and expenses items are translated at the average exchange rates for the reporting period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Inventories

Inventories represents the Group's trading products and are stated at the lower of cost and net realisable value. Costs of inventories are determined on weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Borrowing costs

All borrowing costs not directly attributable to the acquisition, construction or production of qualifying assets are recognised in profit or loss in the period in which they are incurred.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

Onerous contracts

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, management of the Group is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated 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.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Estimation uncertainty on revenue recognition from construction contracts

Revenue from construction contracts is recognised based on value of construction works completed by the Group to date with reference to payment certificates issued by independent architects, surveyors or other representatives appointed by the customers. Taking into consideration of timing of issuance of payment certificates and period of works covered by payment certificates, management reviews and estimates the progress of the construction contract as the contract progresses.

Notwithstanding that management reviews and revises the estimates of contract revenue for the construction contract as the contract progresses, the actual outcome of the contract in terms of its total revenue may be higher or lower than the estimates and this will have significant impact on the revenue and profit recognised.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty (Continued)

Estimated impairment of trade receivables and contract assets

Management of the Group estimates the amount of impairment loss for ECL on trade receivables and contract assets based on the credit risk of trade receivables and contract assets. The amount of the impairment loss is a function of the probability of default, loss given default and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Where the probability of default is higher than expected, or being revised upwards due to changes in facts and circumstances, a material impairment loss may arise. Due to greater financial uncertainty triggered by the COVID-19 pandemic, the Group has increased the expected loss rates in the current year as there is higher risk that a prolonged pandemic could led to increased credit default rates.

As at 31 December 2020, the carrying amount of trade receivables and contract assets are MOP81,321,000 (2019: MOP74,929,000) (net of loss allowance of MOP5,263,000 (2019: MOP3,605,000)) and MOP42,758,000 (2019: MOP60,532,000) (net of loss allowance of MOP2,801,000 (2019: MOP544,000)), respectively.

Estimated impairment of property, plant and equipment and right-of-use asset

Property, plant and equipment and right-of-use asset are stated at costs less accumulated depreciation and impairment, if any. In determining whether an asset is impaired, the Group has to exercise judgement and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and appropriate discount rates. When it is not possible to estimate the recoverable amount of an individual asset (including right-of-use asset), the Group estimates the recoverable amount of the cash generating unit to which the assets belongs, including allocation of corporate assets when a reasonable and consistent basis of allocation can be established, otherwise recoverable amount is determined at the smallest group of cash generating units, for which the relevant corporate assets have been allocated. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect the recoverable amounts. Furthermore, the cash flows projections, growth rates and discount rates are subject to greater uncertainties in the current year due to uncertainty on how the COVID-19 pandemic may progress and evolve and volatility in financial markets, including potential disruptions in the Group's construction projects.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty (Continued)

Estimated impairment of property, plant and equipment and right-of-use asset *(Continued)*

As at 31 December 2020, the carrying amounts of property, plant and equipment and right-of-use asset were MOP40,803,000 (2019: MOP45,621,000) and nil (2019: nil) respectively, after taking into account the impairment loss of MOP3,847,000 (2019: nil) and MOP483,000 (2019: nil) in respect of property, plant and equipment and right-of-use asset, respectively. Details of the impairment of right-of-use asset and property, plant and equipment, are set out in note 19.

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the recoverable amount of the cash-generating unit to which goodwill has been allocated, which is the higher of the value in use or fair value less costs of disposal. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, or changes in facts and circumstances which results in downward revision of future cash flows and/or upward revision of discount rate, a material impairment loss may arise. Furthermore, the estimated cash flows and discount rate are subject to higher degree of estimation uncertainties in the current year due to uncertainty on how the Covid-19 pandemic may progress and evolve and volatility in financial markets, including potential disruptions of the Group's construction projects.

During the year ended 31 December 2020, the goodwill of MOP1,510,000 (2019: nil) was fully impaired. Details of the impairment assessment of goodwill are set out in note 18.

5. REVENUE

Revenue represents the aggregate of the amounts received and receivable for construction contracts of fitting-out works and structural works rendered and sales of air purification unit/system by the Group to customers.

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

	2020 MOP'000	2019 MOP'000
Recognised over time:		
Contract revenue from provision of fitting-out works	**142,704**	275,869
Contract revenue from provision of structural works	**54,707**	75,673
	197,411	351,542
Recognised at a point in time:		
Revenue from sales of air purification unit/system	**245**	—
Total	**197,656**	351,542

Fitting-out works and structural works represent performance obligations that the Group satisfies over time for each respective contract. The period of fitting-out works and structural works varies from 1 to 2 years (2019: from 1 to 2 years).

The Group's disaggregation of revenue from contracts with customers by geographical location is same as the geographical information of revenue from external customers as disclosed in note 6.

Transaction price allocated to the remaining performance obligations

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

	2020 MOP'000	2019 MOP'000
Provision of fitting-out works	**246,500**	178,424
Provision of structural works	**7,439**	58,201
	253,939	236,625

5. REVENUE (Continued)

Transaction price allocated to the remaining performance obligations (Continued)

Based on the information available to the Group at the end of the reporting period, management of the Group expects the transaction price allocated to the above unsatisfied (or partially unsatisfied) contracts as of 31 December 2020 will be recognised as revenue during the year ending 31 December 2021 (2019: during the year ending 31 December 2021) in respect of provision of fitting-out works and structural works, respectively.

For sales of air purification unit/system, the Group applies the practical expedient that information regarding the transaction prices allocated to the remaining performance obligation for contracts with customer is not disclosed as the original expected duration of the contracts are less than one year.

6. 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 Chief Executive Officer of the Group, in order for 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.

During the year, the Group commenced the business engaging in air purification business along with the acquisition of ActivPro Limited ("**ActivPro**") (as detailed in note 29), and it is considered as a new operating and reportable segment by the CODM.

Specifically, the Group's reportable and operating segments under IFRS 8 "Operating Segments" are as follows:

(a) Fitting-out works;

(b) Structural works; and

(c) Air purification business

The CODM makes decisions according to the operating results of each segment. No analysis of segment assets and segment liabilities 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.

6. SEGMENT INFORMATION (Continued)

Segment revenue and results

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

For the year ended 31 December 2020

	Fitting-out works MOP'000	Structural works MOP'000	Air purification business MOP'000	Total MOP'000
Segment revenue — external	142,704	54,707	245	197,656
Segment results	(13,446)	(3,644)	145	(16,945)
Administrative expenses				(31,421)
Other income and other gains and losses				(6,520)
Interest expense on lease liabilities				(18)
Loss before taxation				(54,904)

For the year ended 31 December 2019

	Fitting-out works MOP'000	Structural works MOP'000	Air purification business MOP'000	Total MOP'000
Segment revenue — external	275,869	75,673	—	351,542
Segment results	36,715	10,847	—	47,562
Administrative expenses				(26,663)
Other income and other gains and losses				3,343
Profit before taxation				24,242

6. SEGMENT INFORMATION (Continued)

Segment revenue and results (Continued)

The accounting policies of the operating and reportable segments are the same as the Group's accounting policies described in note 3. Segment results represent the profit before taxation earned by each segment without allocation of administrative expenses, other income, other gains and losses, interest expense on lease liabilities, impairment loss under ECL model (net of reversal), impairment loss on property, plant and equipment, right-of-use asset and goodwill and gain from fair value change of financial asset at FVTPL. This is the measure reported to the CODM for the purposes of resource allocation and assessment of segment performance.

Geographical information

The Group's operations are located on Macau and Hong Kong.

Information about the Group's revenue from external customers is presented based on the location of the operation. Information about the Group's non-current assets (excluding financial assets at FVTPL) is presented based on the geographical location of the assets.

	Revenue from external customers		Non-current assets	
	2020 MOP'000	2019 MOP'000	**2020 MOP'000**	2019 MOP'000
Macau	**154,479**	339,094	**40,747**	46,382
Hong Kong	**43,177**	12,448	**56**	3,320
	197,656	351,542	**40,803**	49,702

Information about major customers

	2020 MOP'000	2019 MOP'000
Customer A (note (a))	**51,595**	N/A(c)
Customer B (note (b))	**44,502**	N/A(c)
Customer C (note (b))	**N/A(c)**	74,416
Customer D (note (b))	**N/A(c)**	47,710
Customer E (note (b))	**N/A(c)**	47,281
Customer F (note (b))	**N/A(c)**	44,889

6. SEGMENT INFORMATION (Continued)

Information about major customers (Continued)

Notes:

(a) The revenue was derived from both fitting-out works and structural works segments.

(b) The revenue was derived from fitting-out works segment.

(c) Revenue from the customer is less than 10% of the total revenue of the Group for the year.

7. OTHER INCOME

	2020 **MOP'000**	2019 MOP'000
Bank interest income	**3,390**	3,843
Government grants (Note)	**748**	—
Others	**90**	249
	4,228	4,092

Note: During the current year, the Group recognised government grant of MOP748,000 in respect of COVID-19-related subsidiaries, of which MOP548,000 relates to Employment Support Scheme provided by The Government of the Hong Kong Special Administrative Region.

8. OTHER GAINS AND LOSSES

	2020 **MOP'000**	2019 MOP'000
Gain from fair value change of financial asset at FVTPL (note 20)	**2,032**	—
Net exchange loss	**(131)**	(40)
Loss on disposal of property, plant and equipment	**(24)**	—
Others	**(13)**	(8)
	1,864	(48)

9. IMPAIRMENT LOSS UNDER EXPECTED CREDIT LOSS MODEL, NET OF REVERSAL

	2020 MOP'000	2019 MOP'000
Impairment loss recognised on:		
Trade receivables	4,471	215
Other receivables	44	63
Contract assets	2,257	423
	6,772	701

Details of impairment assessment are set out in note 38.

10. INCOME TAX CREDIT (EXPENSE)

	2020 MOP'000	2019 MOP'000
Current tax:		
Macau Complementary Tax	—	(4,348)
Hong Kong Profits Tax	—	(61)
	—	(4,409)
Overprovision in prior years:		
Macau Complementary Tax	300	522
	300	(3,887)
Deferred tax (note 27)	383	(13)
	683	(3,900)

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

10. INCOME TAX CREDIT (EXPENSE) (Continued)

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

Accordingly, the Hong Kong profits tax of the qualifying group entity is calculated at 8.25% on the first HK$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK$2 million.

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

	2020 MOP'000	2019 MOP'000
(Loss) profit before taxation	(54,904)	24,242
Tax at applicable statutory tax rate of 12% (2019: 12%)	6,588	(2,909)
Tax effect of expenses not deductible for tax purpose	(995)	(1,636)
Tax effect of income not taxable for tax purpose	362	4
Tax effect of tax exemption under Macau Complimentary Tax	—	72
Tax effect of tax losses not recognised	(3,348)	—
Tax effect of temporary differences not recognised	(2,712)	—
Overprovision in respect of prior years	300	522
Effect of different tax rate of a subsidiary operating in other jurisdiction	488	47
Income tax credit (expense) for the year	683	(3,900)

11. (LOSS) PROFIT AND TOTAL COMPREHENSIVE (EXPENSE) INCOME FOR THE YEAR

	2020 MOP'000	2019 MOP'000
(Loss) profit and total comprehensive (expense) income for the year has been arrived at after charging:		
Contract costs recognised as expense (Note)		
Provision of fitting-out works	**156,150**	239,154
Provision of structural works	**58,351**	64,826
	214,501	303,980
Cost of inventories recognised as expense	**100**	—
Staff costs		
Gross staff costs (including directors' emoluments below)	**40,090**	38,714
Less: Staff costs capitalised to contract costs incurred	**(21,868)**	(24,405)
	18,222	14,309
Directors' emoluments (note 12)	**4,372**	4,459
Auditor's remuneration	**722**	1,114
Depreciation of property, plant and equipment	**3,037**	2,706
Depreciation of right-of-use asset	**199**	—
Amortisation of intangible assets	**2,032**	433

Note: Included in contract costs was provision of onerous contracts of MOP4,593,000 recognised for provision of fitting-out works during the year ended 31 December 2020.

12. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS AND FIVE HIGHEST PAID EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments and chief executive's emoluments

The emoluments paid or payable by the Group to the directors of the Company represent their services rendered as the director of the Company. Details of which are as follows:

	Year ended 31 December 2020			
Name of directors	Fees MOP'000	Salaries and other allowances MOP'000	Retirement benefit scheme contributions MOP'000	Total MOP'000
Executive directors				
Mr. Lao	—	163	1	164
Ms. Lao Chao U ("**Athena Lao**")*	—	545	1	546
Ms. Lao Ka U ("**Vicki Lao**")*	—	545	1	546
Mr. Cheang Iek Wai	—	545	1	546
Mr. Ip Kin Wa	—	1,308	1	1,309
Mr. Lee Siu Cheung ("**Macro Lee**") (Note (a))	—	517	—	517
Independent non-executive directors				
Mr. Chu Yat Pang, Terry	248	—	—	248
Mr. Choy Wai Shek, Raymond	248	—	—	248
Mr. O'Yang Wiley (Note (b))	248	—	—	248
	744	3,623	5	4,372

12. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS AND FIVE HIGHEST PAID EMPLOYEES' EMOLUMENTS (Continued)

(a) Directors' emoluments and chief executive's emoluments (Continued)

	Year ended 31 December 2019			
Name of directors	Fees	Salaries and other allowances	Retirement benefit scheme contributions	Total
	MOP'000	MOP'000	MOP'000	MOP'000
Executive directors				
Mr. Lao	—	195	1	196
Athena Lao*	—	655	1	656
Vicki Lao*	—	650	1	651
Mr. Cheang Iek Wai	—	650	1	651
Mr. Ip Kin Wa	—	1,560	1	1,561
Independent non-executive directors				
Mr. Chu Yat Pang, Terry	248	—	—	248
Mr. Choy Wai Shek, Raymond	248	—	—	248
Mr. O'Yang Wiley (Note (b))	138	—	—	138
Mr. Law Wang Chak, Waltery (Note (b))	110	—	—	110
	744	3,710	5	4,459

* Daughters of the Controlling Shareholders

Notes:

(a) On 1 September 2020, Mr. Marco Lee was appointed as executive director of the Company.

(b) On 11 June 2019, Mr. Law Wang Chak, Waltery resigned and Mr. O'Yang Wiley was appointed as an independent non-executive director of the Company.

(c) No bonus was paid to any of the directors or the Chief Executive Officer of the Company during both years.

Executive directors

The executive directors' emoluments shown above were for their services in connection with management of the affairs of the Company and the Group. Ms. Athena Lao is also the Chief Executive of the Company and her emoluments disclosed above include those for services rendered by her as the Chief Executive Officer.

12. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS AND FIVE HIGHEST PAID EMPLOYEES' EMOLUMENTS (Continued)

(a) Directors' emoluments and chief executive's emoluments (Continued)

Independent non-executive directors

The emoluments of independent non-executive directors shown above were for their services as directors of the Company.

(b) Employees' emoluments

The five highest paid individuals of the Group for the year ended 31 December 2020 include one (2019: one) director, details of whose emoluments are set out in note 12(a) above. Details of the remaining four (2019: four) highest paid individuals are as follows:

	2020 MOP'000	2019 MOP'000
Salaries and other allowances	**3,868**	4,596

The emoluments of the highest paid employees were within the following bands:

	2020 No. of individuals	2019 No. of individuals
Nil to HK$1,000,000	**3**	1
HK$1,000,001 to HK$1,500,000	**1**	2
HK$1,500,001 to HK$2,000,000	**—**	1
	4	4

During both years, no emoluments were paid by the Group to any of the directors or Chief Executive of the Company or five highest paid individuals of the Group as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors of the Company have waived or agreed to waive any emoluments for both years.

13. DIVIDENDS

	2020 MOP'000	2019 MOP'000
Dividends for ordinary shareholders of the Company recognised as distribution during the year:		
Nil (2019: 2018 final dividend of HK$0.01 per share)	—	6,189

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

14. (LOSS) EARNINGS PER SHARE

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

	2020 MOP'000	2019 MOP'000
(Loss) profit and total comprehensive (expense) income for the year attributable to owners of the Company	(50,774)	20,229

	2020 '000	2019 '000
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	600,000	600,000

Diluted (loss) earnings per share are not presented as there were no potential ordinary shares in issue during both years.

15. PROPERTY, PLANT AND EQUIPMENT

	Owned properties MOP'000	Leasehold improvement MOP'000	Furniture, fixtures and equipment MOP'000	Motor vehicles MOP'000	Total MOP'000
COST					
At 1 January 2019	46,367	—	2,047	—	48,414
Additions	—	2,708	1,181	328	4,217
At 31 December 2019	46,367	2,708	3,228	328	52,631
Additions	—	—	2,083	—	2,083
Acquired on acquisition of a subsidiary	—	—	11	—	11
Disposals	—	—	(406)	—	(406)
At 31 December 2020	**46,367**	**2,708**	**4,916**	**328**	**54,319**
DEPRECIATION AND IMPAIRMENT					
At 1 January 2019	2,810	—	1,494	—	4,304
Provided for the year	1,405	819	422	60	2,706
At 31 December 2019	4,215	819	1,916	60	7,010
Provided for the year	1,405	903	663	66	3,037
Eliminated on disposals	—	—	(378)	—	(378)
Impairment loss recognised	—	986	2,659	202	3,847
At 31 December 2020	**5,620**	**2,708**	**4,860**	**328**	**13,516**
CARRYING VALUES					
At 31 December 2020	**40,747**	**—**	**56**	**—**	**40,803**
At 31 December 2019	42,152	1,889	1,312	268	45,621

15. PROPERTY, PLANT AND EQUIPMENT (Continued)

Depreciation is provided to write off the cost of items of property, plant and equipment over their estimated useful lives and after taking into account of their estimated residual values, using the straight-line method, at the following useful life:

Owned properties	Over remaining lease terms of 33 years
Leasehold improvement	Over the shorter of 3 years or the terms of the leases
Furniture, fixtures and equipment	3–5 years
Motor vehicles	5 years

The Group's owned properties are situated in Macau.

As at 31 December 2020, the Group has pledged its owned properties with a carrying value of MOP40,747,000 (2019: MOP42,152,000) to secure general banking facilities granted to the Group.

Details of the impairment on property, plant and equipment is set out in note 19.

16. RIGHT-OF-USE ASSET

	Leased properties MOP'000
COST	
At 1 January 2019 and 31 December 2019	—
Additions	682
At 31 December 2020	682
DEPRECIATION AND IMPAIRMENT	
At 1 January 2020	—
Provided for the year	199
Impairment loss recognised	483
At 31 December 2020	682
CARRYING AMOUNTS	
At 31 December 2020	—
At 31 December 2019	—

	2020 MOP'000	2019 MOP'000
Expense relating to short-term leases	503	711
Total cash outflow for lease	713	711

During the year ended 31 December 2020, the Group leases an office for its operations. Lease contracts are entered into for fixed terms of 2 years. Lease terms are negotiated on an individual basis. In determining the lease term and assessing the length of the non-cancellable period, the Company applies the definition of a contract and determines the period for which the contract.

The Group regularly entered into short-term leases for a warehouse and staff quarters. As at 31 December 2020, the regularly portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed above.

Details on impairment of right-of-use asset is set out in note 19.

17. INTANGIBLE ASSETS

	Secured customer contracts MOP'000	Distribution right agreement MOP'000	Total MOP'000
COST			
At 1 January 2019	—	—	—
Arising from acquisition of subsidiaries (note 29)	2,243	—	2,243
At 31 December 2019	2,243	—	2,243
Arising from acquisition of a subsidiary (note 29)	—	222	222
At 31 December 2020	2,243	222	2,465
AMORTISATION			
At 1 January 2019	—	—	—
Provided for the year	433	—	433
At 31 December 2019	433	—	433
Provided for the year	1,810	222	2,032
At 31 December 2020	2,243	222	2,465
CARRYING VALUES			
At 31 December 2020	—	—	—
At 31 December 2019	1,810	—	1,810

Secured customer contracts acquired in the business acquisition are identified and recognised as intangible assets. A distribution right agreement of air purification unit/system was acquired through the acquisition of 51% equity interest in ActivPro on 9 September 2020 (note 29). The above intangible asset have finite useful lives. Such intangible assets are amortised on a straight-line basis over the following periods:

Secured customer contracts	1 year
Distribution right agreement	1 year

18. GOODWILL

	MOP'000
COST	
At 1 January 2019	—
Arising from acquisition of subsidiaries (note 29)	1,510
At 31 December 2019 and 31 December 2020	1,510
IMPAIRMENT	
At 1 January 2019, 31 December 2019	—
Impairment loss recognised in the year	1,510
At 31 December 2020	1,510
CARRYING VALUES	
At 31 December 2020	—
At 31 December 2019	1,510

For the purposes of impairment testing, goodwill has been allocated to a cash generating unit in provision of construction services in Hong Kong (the "**CGU**").

The recoverable amount of this CGU has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a five-year period, and pre-tax discount rate of 14.1% (2019: 14.4%). The cash flows beyond the five-year period are extrapolated using a steady 2.0% (2019: 2.5%) growth rate. The key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted revenue and gross margin, such estimation is based on past performance and management's expectations for the market development including the fluctuation in the current economic environment.

After taken into consideration of the historical performance and most recent actual performance of this CGU, management considers that the estimated future growth in revenue from this CGU will be significantly lower than previously expected as there were less potential projects available for tendering due to impact of COVID-19. In view of the aggregate recoverable amount of this CGU is below its aggregate carrying amount, an impairment loss of MOP1,510,000 (2019: nil) on goodwill was recognised in profit or loss during the year ended 31 December 2020.

19. IMPAIRMENT TESTING ON PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSET

During the year ended 31 December 2020, the Group recorded a gross loss of approximately MOP16,945,000, the management of the Group concluded there was an indication of impairment and conducted an impairment assessment on recoverable amounts of its property, plant and equipment and right-of-use asset.

The recoverable amount has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by the management of the Group covering the following 5 years with a pre-tax discount rates range from 14.0% to 14.1% as at 31 December 2020. The cash flows beyond the five-year period are extrapolated using 2% to 2.5% growth rates, which do not exceed the long-term average growth rate of the relevant industry. Another key assumption for the value in use calculated is the budgeted gross margin, which is determined based on past performance and management expectations for the market development. The cash flows projections, growth rate and discount rate are subject to greater uncertainties in the current year due to uncertainty on how the Covid-19 pandemic may progress and evolve and volatility in financial markets, including potential disruptions in the Group's construction projects.

Based on the result of the assessment, management of the Group determined that the recoverable amount of the assets is lower than the respective carrying amounts. The impairment amount has been allocated to each category of property, plant and equipment and right-of-use asset such that the carrying amount of each category of asset is not reduced below the highest of its fair value less cost of disposal, its value in use and zero. Based on the value in use calculation and the allocation, an impairment of MOP3,847,000 and MOP483,000 (2019: nil and nil), respectively, has been recognised against the carrying amount of property, plant and equipment and right-of-use asset.

The carrying amount of the owned properties has not been reduced since the estimated fair value less cost of disposal of the owned properties with reference to market evidence is higher than the carrying amount.

20. FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

On 10 September 2019, the Group entered into a sale and purchase agreement with the vendors (the "**Vendors**") for acquisition (the "**Acquisition**") of 100% equity interest in Equally Tycoon Limited ("**Equally**"), details of which are set out in note 29. Pursuant to the sale and purchase agreement the Vendors, irrevocably warrants and guarantees to the Group that net profit of Lap Polly Engineering Company Limited ("**Lap Polly**"), a subsidiary of Equally, for the years ending 31 December 2020 and 31 December 2021 (the "**Relevant Periods**") which will not be less than the amounts as set out below (the "**Profit Guarantee**"). In the event that Lap Polly cannot meet the Profit Guarantee, the consideration of the Acquisition will be adjusted for 60% (i.e. shareholding in Lap Polly) of the aggregate sum of the shortfall between the actual profit/loss for the year and the Profit Guarantee during the Relevant Periods (the "**Contingent Consideration Adjustment**").

For the year ended/ending	**Profit Guarantee** MOP'000
31 December 2020	4,384
31 December 2021	4,384

	MOP'000
At 1 January 2019	—
Arising from acquisition of subsidiaries (note 29)	2,564
At 31 December 2019	2,564
Gain from fair value change of financial asset at FVTPL	2,032
At 31 December 2020	4,596

As at 31 December 2020, the estimated fair value of the Contingent Consideration Adjustment of HK$4,456,000 (equivalent to approximately MOP4,596,000) (2019: HK$2,486,000 equivalent to approximately MOP2,564,000) expected to be settled after twelve months from the end of reporting period is presented under the non-current assets.

21. TRADE AND OTHER RECEIVABLES

	2020 MOP'000	2019 MOP'000
Trade receivables, net of loss allowance	**81,321**	74,929
Advances paid to subcontractors and suppliers	**28,570**	13,715
Other receivables, prepayment and deposits	**8,372**	6,168
Total trade and other receivables	**118,263**	94,812

Trade receivables

Trade receivables represent amounts receivable for work certified in relation to provision of fitting-out works and structural works after deduction of retention money.

As at 1 January 2019, trade receivables, net of loss allowance from contracts with customers amounted to MOP73,560,000.

The Group generally allows a credit period ranging from 7 to 60 days to its customers. The following is an aged analysis of trade receivables presented based on dates of work certified at the end of the reporting period, net of loss allowance.

	2020 MOP'000	2019 MOP'000
1–30 days	**40,564**	54,612
31–60 days	**17,814**	7,023
61–90 days	**2,893**	2,431
Over 90 days	**20,050**	10,863
	81,321	74,929

As at 31 December 2020, included in the Group's trade receivable balances were receivables with aggregate carrying amount of MOP25,022,000 (2019: MOP12,160,000), which were past due at the end of the reporting period. Out of the past due balances, MOP20,050,000 (2019: MOP10,863,000) has been past due 90 days or more and is not considered as in default as the directors of the Company are of the opinion that the balances are still considered fully recoverable due to long-term/on-going relationship and good repayment record from these customers. The Group does not hold any collateral over these balances.

Details of impairment assessment of trade and other receivables are set out in note 38.

21. TRADE AND OTHER RECEIVABLES (Continued)

Trade receivables (Continued)

The Group's trade and other receivables denominated in currencies other than the functional currency of the relevant group entities are set out below:

	2020 MOP'000	2019 MOP'000
HK$	**14,035**	5,924

22. CONTRACT ASSETS (LIABILITIES)

	2020 MOP'000	2019 MOP'000
Analysed for reporting purposes, on a net basis of each respective contract as:		
Contract assets	**42,758**	60,532
Contract liabilities	**(25,928)**	(206)
	16,830	60,326

As at 1 January 2019, contract assets and contract liabilities amounted to MOP29,000,000 and MOP4,566,000, respectively.

As at 31 December 2020, contract assets and liabilities included retention receivables held by customers for contract works amounting to MOP35,864,000 (2019: MOP48,474,000).

Retention receivables represent the money retained by the Group's customers to secure the due performance of the contracts. The customers normally withhold 10% of the certified amount payable to the Group as retention money, 50% of which is normally recoverable upon completion of respective project and the remaining 50% is recoverable after the completion of defect liability period of the relevant contracts or in accordance with the terms specified in the relevant contracts, ranging from 3 months to 2 years from the date of completion of respective projects. The amount is unsecured and interest-free.

As at 31 December 2020, contract assets and liabilities included advances received from customers amounting to MOP27,259,000 (2019: MOP3,095,000).

22. CONTRACT ASSETS (LIABILITIES) (Continued)

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

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

Details of the impairment assessment of contract assets are set out in note 38.

23. BANK BALANCES AND CASH/PLEDGED BANK DEPOSITS

Bank balances and cash comprises cash on hand and bank balances. As at 31 December 2020, bank balances carry interest at prevailing market interest rates which were ranging from 0.001% to 0.010% (2019: 0.001% to 0.010%) per annum.

Pledged bank deposits represent deposits pledged to a bank to secure banking facilities granted to the Group. As at 31 December 2020, the pledged bank deposits carried an average fixed interest rate of 1.79% (2019: 2.50%) per annum.

The Group's bank balances and cash and pledged bank deposits that are denominated in currencies other than the functional currency of the relevant group entities are set out below:

	2020 MOP'000	2019 MOP'000
Bank balances and cash		
HK$	54,223	106,284
Pledged bank deposits		
HK$	65,072	63,518

24. TRADE AND OTHER PAYABLES

Trade and other payables at the end of the reporting period comprise amounts outstanding for trade purposes and daily operating costs. The credit period on trade purchase is 7 to 60 days.

	2020 MOP'000	2019 MOP'000
Trade payables	21,147	34,521
Retention payables	35,767	36,738
Accrued contract costs	55,932	49,120
Provision of onerous contracts	4,593	—
Accruals	7,305	8,960
Total trade and other payables	124,744	129,339

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

	2020 MOP'000	2019 MOP'000
1–30 days	19,661	33,206
31–60 days	595	602
Over 60 days	891	713
	21,147	34,521

Retention payables to sub-contractors of contract works are interest-free and payable by the Group after the completion of maintenance period of the relevant contracts or in accordance with the terms specified in the relevant contracts, ranging from 3 months to 2 years from the completion date of the respective service contracts.

24. TRADE AND OTHER PAYABLES (Continued)

The retention payables are to be settled, based on the expiry of maintenance period, at the end of the reporting period as follows:

	2020 MOP'000	2019 MOP'000
Within one year	29,779	23,241
After one year	5,988	13,497
	35,767	36,738

The Group's trade and retention payables denominated in currencies other than the functional currency of the relevant group entities are set out below:

	2020 MOP'000	2019 MOP'000
HK$	3,136	8,357

25. LEASE LIABILITIES

	2020 MOP'000
Lease liabilities payable:	
Within one year	342
Within a period of more than one year but not more than two years	148
	490
Less: Amount due for settlement within 12 months shown under current liabilities	(342)
Amount due for settlement after 12 months shown under non-current liabilities	148

26. AMOUNTS DUE TO NON-CONTROLLING SHAREHOLDERS OF SUBSIDIARIES

The amounts are unsecured, non-interest bearing and repayable on demand.

27. DEFERRED TAX LIABILITIES

The following are the deferred tax liabilities recognised and movements thereon during the year:

	Timing difference on revenue recognition MOP'000	Secured customer contracts MOP'000	Total MOP'000
At 1 January 2019	—	—	—
Arising from acquisition of subsidiaries (note 29)	—	370	370
Change (credit) to profit or loss (note 10)	84	(71)	13
At 31 December 2019	84	299	383
Credit to profit or loss (note 10)	(84)	(299)	(383)
At 31 December 2020	—	—	—

At the end of the reporting period, the Group has unused tax losses of MOP26,451,000 (2019: nil) available for offsetting against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams. Included in unrecognised tax losses is an amount of MOP22,582,000 (2019: nil) which can be carried forward up to three years from the year in which the loss was incurred and an amount of MOP3,869,000 (2019: nil) which does not expire under the current tax legislation.

At the end of the reporting period, the Group has deductible temporary differences in relation to timing difference on revenue recognition and impairment of financial assets, contract assets, right-of-use asset and property, plant and equipment of MOP22,137,000 (2019: nil). No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

28. SHARE CAPITAL

	Number of shares	Share capital MOP'000
Ordinary shares of HK$0.01 each		
Authorised:		
At 1 January 2019, 31 December 2019 and 31 December 2020	10,000,000,000	103,150
Issued and fully paid:		
At 1 January 2019, 31 December 2019 and 31 December 2020	600,000,000	6,189

29. ACQUISITION OF SUBSIDIARIES

(a) Acquisition during the year ended 31 December 2020

On 9 September 2020, the Group acquired 51% equity interest in ActivPro at a cash consideration of HK$80,000 (equivalent to approximately MOP83,000). One of the vendor of ActivPro is the spouse of a director of the Company, Mr Marco Lee. There is no business operation in ActivPro before acquisition, the directors of the Company consider that the acquired items (mainly the distribution right agreement of air purification unit/system of MOP222,000 as disclosed in note 17) do not constitute a business in accordance with IFRS 3, and therefore, this transaction has been accounted for as a purchase of assets rather than business combination. The non-controlling interest at acquisition, measured by the proportionate share of recognised amounts of net assets of ActivPro was HK$78,000 (equivalent to approximately MOP80,000).

29. ACQUISITION OF SUBSIDIARIES (Continued)

(b) Acquisition during the year ended 31 December 2019

On 10 September 2019, Speedy Profit International Investment Limited ("**Speedy**"), a subsidiary of the Company, and the Vendors entered into the Agreement, pursuant to which Speedy agreed to acquire and the Vendors agreed to sell the entire issued share capital of Equally at a cash consideration of HK$5,100,000 (equivalent to approximately MOP5,261,000). The Acquisition was completed on 10 September 2019 and has been accounted for using the acquisition method in accordance with IFRS 3 as the directors of the Company consider that the acquired items constitutes a business in accordance with IFRS 3. Equally acts as an investment holding company and it holds 60% equity interest of Lap Polly. Lap Polly is principally engaged in provision of construction services. Lap Polly was acquired so as to complement the Group's construction business in Hong Kong.

	MOP'000
Consideration transferred:	
Cash paid	5,261
Less: Contingent Consideration Adjustment (Note)	(2,564)
Total	2,697

Note: The Contingent Consideration Adjustment arrangement requires the Vendors to pay to the Group by reference to the operating performance of Lap Polly (i.e. profit for the year) for the Relevant Periods pursuant to the Agreement. The consideration will be adjusted for the aggregate sum of the shortfall between the actual profit/loss for the year and Profit Guarantee amount during the Relevant Periods. Details of the Contingent Consideration Adjustment are set out in note 20.

Acquisition-related costs amounting to MOP804,000 have been excluded from the consideration transferred and have been recognised as an expense in the year ended 31 December 2019, within the "administrative expenses" line item in the consolidated statement of profit or loss and other comprehensive income.

29. ACQUISITION OF SUBSIDIARIES (Continued)

(b) Acquisition during the year ended 31 December 2019 (Continued)

Assets acquired and liabilities recognised of Equally and its subsidiary at the date of acquisition are as follows:

	MOP'000
Intangible assets	2,243
Trade and other receivables	3,833
Contract assets	615
Bank balances and cash	651
Trade and other payables	(793)
Contract liabilities	(557)
Shareholder's loan	(3,610)
Tax payable	(30)
Deferred tax liabilities	(370)
Net assets acquired	1,982

The fair value of trade and other receivables at the date of acquisition amounted to MOP3,833,000. The gross contractual amounts of those trade and other receivables acquired amounted to MOP4,158,000 at the date of acquisition. The best estimate at acquisition date of the contractual cash flows expected to be collected amounted to MOP3,833,000.

Net cash outflow arising on acquisition of Equally and its subsidiary:

	MOP'000
Cash consideration paid	5,261
Less: Cash and cash equivalents balances acquired	(651)
	4,610

Included in the profit for the year ended 31 December 2019 is MOP675,000 attributable to the additional business generated by Lap Polly. Revenue for the year ended 31 December 2019 includes MOP12,448,000 generated from Lap Polly.

29. ACQUISITION OF SUBSIDIARIES (Continued)

(b) Acquisition during the year ended 31 December 2019 (Continued)

Had the acquisition been completed on 1 January 2019, revenue for the year ended 31 December 2019 of the Group would have been MOP356,435,000, and profit for the year ended 31 December 2019 of the Group would have been MOP20,511,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2019, nor is it intended to be a projection of future results.

Goodwill arising on acquisition:

	MOP'000
Consideration transferred	2,697
Plus: non-controlling interests (40% in Lap Polly) (note)	795
Less: net assets acquired	(1,982)
Goodwill arising on acquisition	1,510

Note: The non-controlling interests, represent 40% equity interest in Lap Polly, recognised at the acquisition date were measured by reference to their proportionate share of net assets acquired in Lap Polly.

30. PLEDGE OF ASSETS

The following assets of the Group were pledged to secure the credit facilities granted to the Group during the year:

	2020 MOP'000	2019 MOP'000
Owned properties included in property, plant and equipment	**40,747**	42,152
Pledged bank deposits	**65,072**	63,518
	105,819	105,670

31. PERFORMANCE GUARANTEES/BID BONDS

As at 31 December 2020, performance guarantees of MOP34,419,000 (2019: MOP46,765,000) were given by banks in favour of the Group's customers as security for the due performance and observance of the Group's obligations under the contracts entered into between the Group and its customers. If the Group fails to provide satisfactory performance to its customers to whom performance guarantees have been given, such customers may demand the banks to pay to them the sum or sum stipulated in such demand. The Group will become liable to compensate such banks accordingly. The performance guarantees will be released upon completion of the contract works. The performance guarantees were granted under the banking facilities of the Group which were secured by assets as set out in note 30.

As at 31 December 2020, bid bonds of MOP11,518,000 (2019: MOP2,230,000), were given by banks in favour of the Group for bidding of projects offering by the government of Macau.

In the opinion of management of the Group, they do not consider it is probable that a claim will be made against the Group in respect of the above performance guarantees or bid bonds.

32. RETIREMENT BENEFIT PLANS

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 Government of the Macau Special Administrative Region. 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 plans for employees in Hong Kong are a Mandatory Provident Fund Scheme ("**MPF Scheme**") established under the Mandatory Provident Fund Schemes Ordinance in December 2000. The assets of the schemes are held separately from those of the Group in funds under the control of trustees. For members of the MPF Scheme, the Group contributes 5% of relevant payroll costs to the MPF Scheme subject only to the maximum level of payroll costs of HK$30,000 per employee per month, which contribution is matched by the employees.

During the year ended 31 December 2020, a total cost of MOP382,000 (2019: MOP198,000) was charged to profit or loss representing contribution paid or payable to the above retirement benefit plans by the Group.

At the end of the reporting period, the Group had no significant obligation apart from the contribution as stated above.

33. SHARE OPTION SCHEME

The Company's share option scheme (the "**Scheme**") was conditionally adopted by the written resolutions of the shareholders of the Company passed on 17 August 2018. Under the Scheme, the board of directors of the Company may, at their absolute discretion, at any time within a period of ten years commencing from the effective date offer to grant to any eligible persons, including employees, directors, consultants, suppliers, customers and shareholders of any member of the Group, options to subscribe for shares. The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Up to the issuance of these consolidated financial statements, no option is granted under the Scheme.

34. RELATED PARTY TRANSACTIONS

(i) Transaction

Save as disclosed in other notes, the Group entered into the following transaction with its related party:

Related party	Relationship	Nature of transaction	**2020 MOP'000**	2019 MOP'000
Open China Construction Engineering Limited	Common director of a subsidiary and the related party	Contract revenue	**2,362**	557

As set out in note 29, the Group acquired ActivPro during the year, in which one of the vendor is the spouse of Mr. Marco Lee, a director of the Company.

34. RELATED PARTY TRANSACTIONS (Continued)

(ii) Compensation of key management personnel

The remuneration of key management personnel (including the directors of the Company) of the Group during the year is as follows:

	2020 MOP'000	2019 MOP'000
Fee	744	744
Salaries and other allowances	6,470	6,857
Retirement benefits scheme contributions	5	5
	7,219	7,606

The remuneration of key management personnel is determined with regard to the performance of individuals and market trends.

35. INTERESTS IN SUBSIDIARIES

The Company has direct and indirect equity interests in the following subsidiaries:

Name of subsidiary	Place of incorporation/ establishment and operation	Date of incorporation/ establishment	Issued and fully paid capital/ registered capital	Equity interest attributable to the Company as at 31 December		Principal activities
				2020	2019	
Directly held						
SFS Construction Holdings Limited	BVI	4 August 2011	United States dollar ("**US$**") 10	100%	100%	Investment holding
Speedy	BVI	22 May 2019	US$50,000	100%	100%	Investment holding
Indirectly held						
San Fong Seng Construction & Engineering Company Limited	Macau	5 July 1998	MOP12,000,000	100%	100%	Construction works
San Fong Seng Construction & Engineering Co., Limited	Hong Kong	18 March 2011	HK$1	100%	100%	Management services
Equally	BVI	2 April 2019	US$2	100%	100%	Investment holding
Lap Polly	Hong Kong	10 January 2001	HK$10,000	60%	60%	Construction works
New Forview Engineering Construction Co., Ltd.	Macau	22 October 2019	MOP25,000	60%	60%	Construction works
AB Geness Engineering Company Limited	Macau	24 February 2020	MOP100,000	100%	—	Construction works
ActivPro	Hong Kong	22 June 2020	HK$1,000	51%	—	Air purification business

None of the subsidiaries had issued any debt securities at the end of both years.

36. CAPITAL COMMITMENTS

	2020 MOP'000	2019 MOP'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	—	1,142

37. 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 the shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged throughout the year.

The capital structure of the Group consists of equity attributable to the owners of the Company, comprising issued share capital, share premium, other reserve, legal reserve and retained earnings.

The management of the Group reviews the capital structure on a continuous basis. As part of this review, the management of the Group considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the management, the Group will balance its overall capital structure through payment of dividends, issue of new shares as well as issue of new debts.

38. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2020 MOP'000	2019 MOP'000
Financial assets		
Financial assets at amortised cost	235,189	264,989
Financial asset at FVTPL	4,596	2,564
Financial liabilities		
Amortised cost	60,524	73,731

38. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies

The Group's financial instruments include financial asset at FVTPL, trade and other receivables, pledged bank deposits, bank balances and cash, trade and other payables and amounts due to non-controlling shareholders of subsidiaries. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. 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.

Market risk

Currency risk

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

The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities at the end of the reporting period are as follows:

	Assets		**Liabilities**	
	2020 MOP'000	2019 MOP'000	**2020 MOP'000**	2019 MOP'000
HK$	**133,330**	175,726	**3,136**	8,357

Sensitivity analysis

As the exchange rate of HK$/MOP is relatively stable, the management of the Group does not expect any significant foreign currency exposure arising from the fluctuation of the HK$/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. Hence, no sensitivity analysis is presented.

38. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Market risk *(Continued)*

Interest rate risk

The Group has minimal exposure to fair value interest rate risk in relation to fixed-rate pledged bank deposits and lease liabilities. Hence, no sensitivity analysis is presented for fair value interest rate risk.

The Group's cash flow interest rate risk relates primarily to floating-rate bank balances. The Group currently does not have an interest rate hedging policy. However, the management of the Group monitors interest rate exposure and will consider other necessary actions when significant interest rate exposure is anticipated. Group's exposure towards the change in interest rates is minimal. Hence, no sensitivity is presented for cash flow interest rate risk.

Credit risk and impairment assessment

Credit risk refers to the risk that the Group's counterparties default on their contractual obligations resulting in financial losses to the Group. The Group's credit risk exposures are primarily attributable to trade and other receivables, contract assets, pledged bank deposits and bank balances. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

The Group performed impairment assessment for financial assets and contract assets under ECL model. At the end of the reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties are arising from the carrying amounts of the respective recognised financial assets and contract assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk, management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customers. Moreover, the Group only transacts with high credit-rating banks or financial institutions. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

Trade receivables and contract assets arising from contracts with customers

The Group's construction contracts include payment terms which require progress payments, after deducting the retention monies as disclosed in note 22, over the construction period based on the payment certificates issued by independent architects, surveyors or other representatives appointed by the customers.

38. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment *(Continued)*

Trade receivables and contract assets arising from contracts with customers (Continued)

The Group is exposed to concentration of credit risk as at 31 December 2020 on trade receivables from the Group's three (2019: five) major customers amounting to MOP37.9 million (2019: MOP53.1 million) and accounted for 47% (2019: 71%) of the Group's total trade receivables. The Group is also exposed to concentration of credit risk as at 31 December 2020 on contract assets from the Group's one (2019: three) major customers amounting to MOP9.2 million (2019: MOP22.0 million) and accounted for 21% (2019: 36%) of the Group's total contract assets.

The Group applies the simplified approach to perform impairment assessment under ECL model, which permits the use of the lifetime expected loss provision for trade receivables and contract assets.

As part of the Group's credit risk management, the Group applies internal credit rating for the customers. The Group's trade receivables and contract assets are assessed for impairment on an individual basis.

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables/ contract assets	Other financial assets/ other items
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL — not credit-impaired	12m ECL
Watch list	Debtor frequently repays after due dates but usually settle in full	Lifetime ECL — not credit-impaired	12m ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL — not credit-impaired	Lifetime ECL — not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL — credit-impaired	Lifetime ECL — credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

38. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment *(Continued)*

Trade receivables and contract assets arising from contracts with customers (Continued)

The tables below detail the credit risk exposures of the Group's financial assets and contract assets, which are subject to ECL assessment:

	Notes	External credit rating	Internal credit rating	12m or lifetime ECL	2020 Gross carrying amount		2019 Gross carrying amount	
					MOP'000	MOP'000	MOP'000	MOP'000
Financial assets at amortised cost								
Trade receivables	21	N/A	Low risk	Lifetime ECL	62,012		17,354	
			Watch list	Lifetime ECL	—		58,414	
			Doubtful	Lifetime ECL	22,400		—	
			Loss	Lifetime ECL	2,172	86,584	2,766	78,534
Other receivables and deposits	21	N/A	Low risk	12m ECL		5,585		4,340
Pledged bank deposits	23	A or above	N/A	12m ECL		65,072		63,518
Bank balances	23	A or above	N/A	12m ECL		83,343		122,290
Other item								
Contract assets	22	N/A	Low risk	Lifetime ECL	44,734		61,076	
			Loss	Lifetime ECL	2,156	46,890	—	61,076

38. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment *(Continued)*

Trade receivables and contract assets arising from contracts with customers (Continued)

The following table shows the movement in lifetime ECL that has been recognised for trade receivables under the simplified approach.

	Lifetime ECL (not credit-impaired) MOP'000	Lifetime ECL (credit-impaired MOP'000	Total MOP'000
As at 1 January 2019	624	2,766	3,390
Changes due to financial instruments recognised as at 1 January 2019:			
Impairment loss reversed	(624)	—	(624)
New financial assets originated:			
Impairment loss recognised	839	—	839
As at 31 December 2019	839	2,766	3,605
Changes due to financial instruments recognised as at 1 January 2020:			
Transfer to credit-impaired	(11)	11	—
Impairment loss reversed	(286)	—	(286)
Impairment loss recognised	1,592	2,161	3,753
Write-offs	—	(2,766)	(2,766)
New financial assets originated:			
Impairment loss recognised	957	47	1,004
Write-offs	—	(47)	(47)
As at 31 December 2020	3,091	2,172	5,263

38. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment *(Continued)*

Trade receivables and contract assets arising from contracts with customers (Continued)

The following tables show reconciliation of loss allowances that has been recognised for contract assets:

	Lifetime ECL (not credit-impaired) MOP'000	Lifetime ECL (credit-impaired MOP'000	Total MOP'000
As at 1 January 2019	121	—	121
Changes due to financial instruments recognised as at 1 January 2019:			
Impairment loss reversed	(54)	—	(54)
Impairment loss recognised	66	—	66
New financial assets originated:			
Impairment loss recognised	411	—	411
As at 31 December 2019	544	—	544
Changes due to financial instruments recognised as at 1 January 2020:			
Transfer to credit-impaired	(11)	11	—
Impairment loss reversed	(221)	—	(221)
Impairment loss recognised	166	2,145	2,311
New financial assets originated:			
Impairment loss recognised	167	—	167
As at 31 December 2020	645	2,156	2,801

38. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment *(Continued)*

Other receivables

In respect of other receivables as at 31 December 2020, 12m ECL is assessed individually and recognised for an aggregate gross carrying amount of MOP5,585,000 (2019: MOP4,340,000), there has been no significant increase in credit risk since initial recognition based on past due information.

The following tables show reconciliation of loss allowances that has been recognised for other receivables:

	12m ECL (not credit-impaired) MOP'000
As at 1 January 2019	25
New financial assets originated:	
Impairment loss recognised	63
As at 31 December 2019	88
Changes due to financial instruments recognised as at 1 January 2019:	
Impairment loss reversed	(31)
New financial assets originated:	
Impairment loss recognised	75
As at 31 December 2020	132

Pledged bank deposits/bank balances

The Group is exposed to concentration of credit risk as at 31 December 2020 on Group's pledged bank deposits and bank balances from three (2019: one) major bank amounting to MOP132.0 million (2019: MOP137.6 million) which accounted for 89% (2019: 74%) of the Group's total pledged bank deposits and bank balances. Credit risk on pledged bank deposits and bank balances is limited because the counterparties are reputable banks with high credit ratings assigned by international credit agencies. No impairment allowance was made since the directors of the Company consider the probability of default is negligible as such amounts are receivable from or placed in banks in Macau and Hong Kong that have good credit rating.

38. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

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 to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management of the Group believes that the Group will have sufficient working capital for its future operational requirement.

The following table details the Group's remaining contractual maturity for its financial liabilities and derivative instruments. 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.

Liquidity tables

	Weighted average interest rate %	On demand or less than 3 months MOP'000	3 months to 1 year MOP'000	1 to 2 years MOP'000	Total undiscounted cash flows MOP'000	Carrying amount at 31 December 2020 MOP'000
2020						
Trade and other payables	N/A	56,914	—	—	56,914	56,914
Amounts due to non-controlling shareholders of subsidiaries	N/A	3,610	—	—	3,610	3,610
		60,524	—	—	60,524	60,524
Lease liability	5%	90	269	150	509	490

38. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Liquidity risk *(Continued)*

Liquidity tables (Continued)

	Weighted average interest rate %	On demand or less than 3 months MOP'000	Total undiscounted cash flows MOP'000	Carrying amount at 31 December 2019 MOP'000
2019				
Trade and other payables	N/A	71,259	71,259	71,259
Amount due to a non-controlling shareholder of a subsidiary	N/A	2,472	2,472	2,472
		73,731	73,731	73,731

Fair value

The management of the Group consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

The financial asset at FVTPL is measured at fair value at the end of each reporting period.

There were no transfer between Level 1, 2 and 3 during the year.

38. FINANCIAL INSTRUMENTS (Continued)

Fair value (Continued)

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis *(Continued)*

Reconciliation of asset measured at fair value based on Level 3:

	Contingent Consideration Adjustment MOP'000
At 1 January 2019	—
Arising from acquisition of subsidiaries (note 29)	2,564
At 31 December 2019	2,564
Gain from fair value changes of financial asset at FVTPL	2,032
At 31 December 2020	4,596

The following table gives information about how the fair value of the financial asset is determined.

Financial asset	**Fair value as at**		**Fair value hierarchy**	**Valuation technique and key input(s)**	**Significant unobservable input(s)**
	31/12/2020 MOP'000	31/12/2019 MOP'000			
Contingent Consideration Adjustment	**4,596**	2,564	Level 3	Discounted cash flow method was used to capture the present value of the expected future economic benefits that will be generated from the contingent consideration, based on an appropriate discount rate.	Discount rate of 14.1% (2019: 12.1%). (Note (a)) Probability of securing contracts with 0% (2019: range from 10% to 30%). (Note (b))

38. FINANCIAL INSTRUMENTS (Continued)

Fair value (Continued)

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis *(Continued)*

Notes:

(a) An increase in the discount rate used in isolation would result in a decrease in the fair value measurement of the Contingent Consideration Adjustment, and vice versa. In 2020, a 1% increase/decrease in the discount rate holding all other variables constant would decrease/increase the carrying amount of the Contingent Consideration Adjustment by MOP52,000 (2019: MOP60,000).

(b) A slight increase in the probability of securing contracts used in isolation would result in a significant decrease in the fair value measurement of the Contingent Consideration Adjustment, and vice versa. A 3% increase/decrease in the probability of securing contracts holding all other variables constant would decrease/increase the carrying amount of the Contingent Consideration Adjustment by MOP172,000 (2019: MOP641,000).

The Group appointed an independent professional valuer to determine the fair value of the Contingent Consideration Adjustment using the discount cash flow model. The discount cash flow model considers the probability of the possible outcomes and factors the volatility of these outcomes. The fair value is then determined based on the present value of the expected cash flow that are discounted at appropriate discount rates.

39. 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 statement of cash flows from financing activities.

	Accrued issue costs MOP'000	Dividends payable MOP'000	Amounts due to non-controlling interests of subsidiaries MOP'000 (Note 26)	Lease liability MOP'000	Total MOP'000
At 1 January 2019	2,703	—	—	—	2,703
Financing cash flows	(2,600)	(6,189)	(1,138)	—	(9,927)
Non-cash changes					
Dividends declared	—	6,189	—	—	6,189
Acquisition of subsidiaries (note 29)	—	—	3,610	—	3,610
At 31 December 2019 and 1 January 2020	103	—	2,472	—	2,575
Financing cash flows	(103)	—	1,138	(210)	825
Non-cash changes					
New lease entered	—	—	—	682	682
Interest expenses	—	—	—	18	18
At 31 December 2020	—	—	3,610	490	4,100

40. STATEMENT OF FINANCIAL POSITION AND RESERVE OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period includes:

	2020 MOP'000	2019 MOP'000
Non-current asset		
Investment in a subsidiary	**70,402**	70,402
Current assets		
Other receivables	**543**	557
Amounts due from subsidiaries	**14,237**	16,568
Bank balances and cash	**1,546**	3,760
	16,326	20,885
Current liabilities		
Other payables	**1,119**	1,494
Amounts due to subsidiaries	**618**	618
	1,737	2,112
Net current assets	**14,589**	18,773
Net assets	**84,991**	89,175
Capital and reserves		
Share capital	**6,189**	6,189
Reserves	**78,802**	82,986
Total equity	**84,991**	89,175

40. STATEMENT OF FINANCIAL POSITION AND RESERVE OF THE COMPANY

(Continued)

Movement in the reserves of the Company is as follows:

	Share premium MOP'000	(Accumulated losses) retained earnings MOP'000	Total MOP'000
At 1 January 2019	82,564	(24,813)	57,751
Profit and total comprehensive income for the year	—	31,424	31,424
Dividends paid	—	(6,189)	(6,189)
At 31 December 2019	82,564	422	82,986
Loss and total comprehensive expense for the year	—	(4,184)	(4,184)
At 31 December 2020	82,564	(3,762)	78,802

FINANCIAL SUMMARY

For the year ended 31 December 2020

	2020 MOP'000	2019 MOP'000	2018 MOP'000	2017 MOP'000	2016 MOP'000
RESULTS					
For the five years ended 31 December 2016, 2017, 2018, 2019 and 2020					
Revenue	**197,656**	351,542	262,597	185,201	371,255
(Loss)/Profit before taxation	**(54,904)**	24,242	30,216	40,573	66,444
Income tax credit/(expenses)	**683**	(3,900)	(5,522)	(4,772)	(6,178)
(Loss)/Profit and total comprehensive (expenses)/income for the year	**(54,221)**	20,342	24,694	35,801	60,266
ASSETS AND LIABILITIES					
As at 31 December					
Total assets	**357,667**	393,418	375,823	253,351	577,003
Total liabilities	**(155,613)**	(137,233)	(134,586)	(125,561)	(200,688)
Net assets	**202,054**	256,185	241,237	127,790	376,315

Notes:

The summary above does not form part of the audited consolidated financial statements.

The financial information for the years ended 31 December 2017, and 2016 was extracted from the prospectus of the Company dated 27 August 2018.

AB BUILDERS GROUP LIMITED
奧 邦 建 築 集 團 有 限 公 司