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

2021 ANNUAL REPORT 年報

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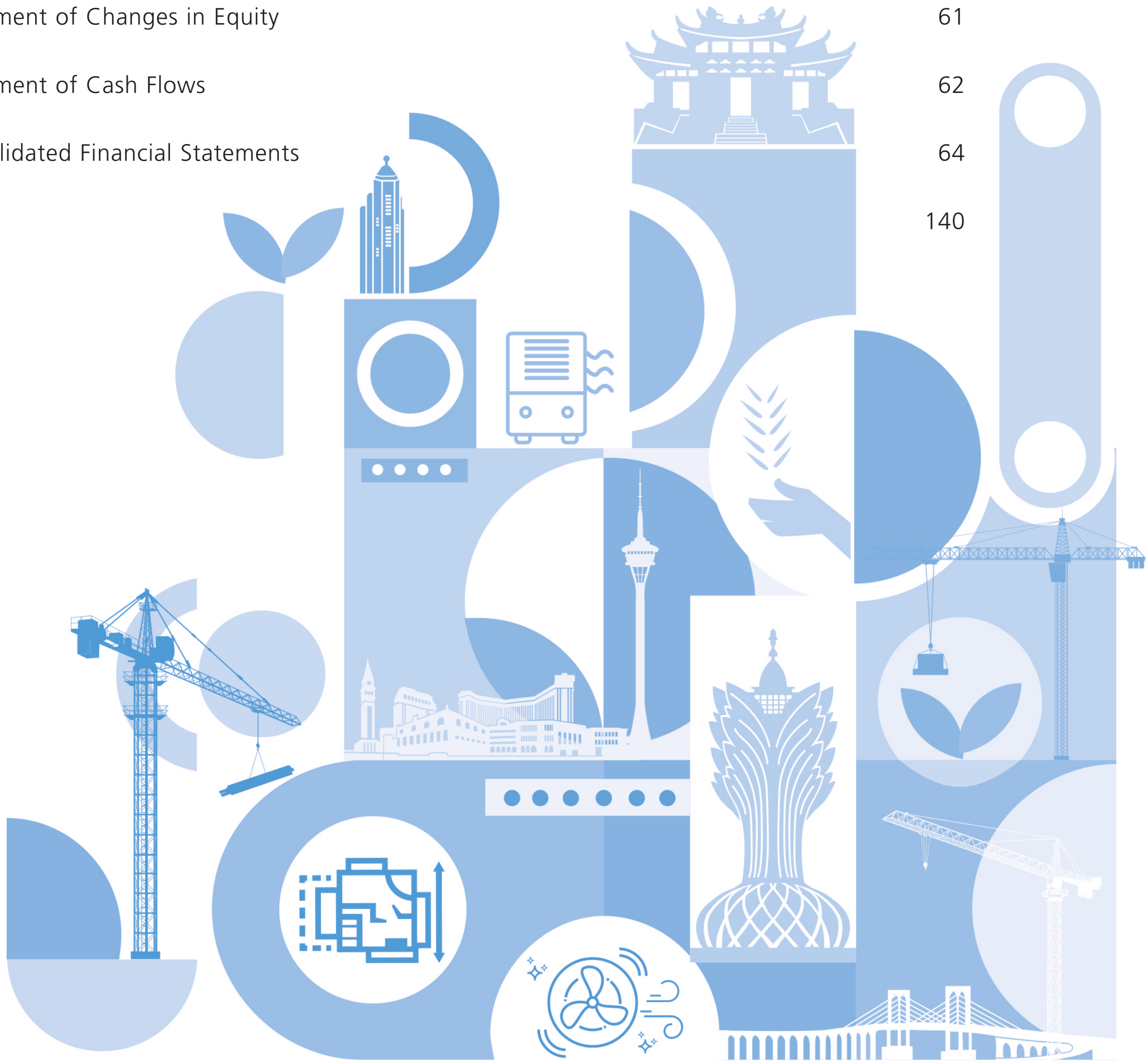

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Lao Chio Seng *(Chairman)*
Ms. Lao Chao U *(Chief Executive Officer)*
Mr. Lee Siu Cheung *(Chief Operating Officer, resigned on 28 October 2021)*
Ms. Lao Ka U *(resigned on 27 January 2022)*
Mr. Roberto Gnanavelu *(appointed on 27 January 2022)*
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) (resigned on 30 September 2021)*
Mr. Wong Wah *(appointed on 30 September 2021)*

AUTHORISED REPRESENTATIVES

Ms. Lao Chao U
Mr. Cheang Iek Wai

ALTERNATE AUTHORISED REPRESENTATIVE TO CHEANG IEK WAI

Mr. Lai Yang Chau, Eugene *(Practising Solicitor) (resigned on 30 September 2021)*
Mr. Wong Wah *(appointed on 30 September 2021)*

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

14 Floor
Harbour Commercial Building
122–124 Connaught Road Central
Hong Kong

AUDITOR

Baker Tilly Hong Kong Limited
Certified Public Accountants
Registered Public Interest Entity Auditors

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
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 2021 (the "**Review Year**").

OVERVIEW

In 2021, Novel Coronavirus ("**COVID-19**") pandemic situation remained volatile. However, with the introduction of vaccines and government's effective control of the pandemic, the economy in Macau has been recovered gradually. Amid the market recovery, the Group's business and financial performance recorded great enhancement during the Review Year, as the Group's certain on-going construction projects have resumed progressively and the Group has adopted effective cost saving measures.

During the Review Year, the Group recorded a revenue of approximately MOP353.1 million, representing an outstanding increase of approximately 78.7%; and generated a gross profit of approximately MOP17.2 million. The loss attributable to the shareholders of the Company for the Review Year also decreased significantly by MOP44.2 million.

FORWARD

With another wave of COVID-19 virus spreading in the world and also in some parts of Mainland China, Hong Kong and Macau in recent months, as well as the political conflicts and wars occurred between some certain countries, global economy is expected to face various challenges in 2022. However, in view of the growing vaccination rate and the strong economy recovery measures implemented by the government, the Group is cautiously optimistic to the industry and believes the economy in Macau will stabilise gradually in 2022.

Looking ahead, to against the global economic instabilities and challenges, the Group will continue to adopt a tight cost control procedure to minimise the unfavorable impact on ongoing projects. Furthermore, the Group will continue to improve its competitive strengths by actively seeking for new business opportunities arising from Guangdong-Hong Kong-Macau Greater Bay Area.

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

25 March 2022

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 2021.

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 10 September 2020, the Group entered a connected party transaction with ActivPro Limited, a non-wholly owned subsidiary, 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 2021 are set out in note 36 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 34 to 41 of this annual report.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2021 are set out in the consolidated financial statements on pages 58 to 63 of this annual report.

The Board does not recommend any payment of final dividend for the year ended 31 December 2021 (2020: HK$Nil).

DISTRIBUTABLE RESERVES

As at 31 December 2021, 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 MOP62.4 million (2020: MOP78.8 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 40 to 41 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 16 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 29 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 6 years and 4.5 months (expiring on 16 August 2028)

During the year ended 31 December 2021, no share option has been granted under the Share Option Scheme.

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 2017, 2018, 2019, 2020 and 2021 is set out on page 140 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' REPORT

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 resigned on 28 October 2021)*
Ms. Lao Ka U *(resigned on 27 January 2022)*
Mr. Roberto Gnanavelu *(appointed on 27 January 2022)*
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 Article 108 of the Articles of Association, Ms. Lao Chao U, Mr. Chu Yat Pang Terry and Mr. O'Yang Wiley shall hold office until the forthcoming annual general meeting ("**AGM**") and, being eligible, offer themselves for re-election.

In accordance with Article 112 of the Articles of Association, Mr. Roberto Gnanavelu who was appointed as the Executive Director on 27 January 2022 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 42 to 51 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 13 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

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 2021 (2020: MOPNil).

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

As at 31 December 2021, 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 of its 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 director	Capacity/Nature of interest	Number of 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, in which 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 2021, 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 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, Chairman 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 2021, 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 2021. 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 2021;

(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 2021; 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 2021; 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 remunerations are set out in the section headed, "Management Discussion and Analysis" on page 39 of this annual report. The Group also recognises 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, Thursday, 16 June 2022 to Tuesday, 21 June 2022 (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 Wednesday, 15 June 2022.

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 88.4% and 45.5% 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 41.7% and 14.5% 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 2021.

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

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

Both San Fong Seng Construction & Engineering Company Limited, a wholly-owned subsidiary incorporated in Macau, and 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 ISO 45001:2018. These certifications demonstrated the Group achieved satisfactory performances in healthy and safe workplace requirements, services excellence and environmental protection.

The laws and regulations in Hong Kong which 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).

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 2021, 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 ("**ESG**") 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, 2022.

CONNECTED TRANSACTION

During the year, the Group has not entered into any connected transaction or continuing connected transactions that are not exempted under Listing Rules. The Board confirms that the Company has complied with the applicable disclosure requirements in accordance with Chapter 14A of the Listing Rules.

RELATED PARTY TRANSACTIONS

Details of the related party transactions entered into by the Group are set out in note 35 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 33 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

Baker Tilly Hong Kong Limited was appointed as the auditor of the Company on 18 November 2021 to fill the causal vacancy following the resignation of Messrs Deloitte Touche Tohmatsu.

The consolidated financial statements have been audited by the Company's auditors, Baker Tilly Hong Kong Limited which retire and, being eligible, offer themselves for re-appointment in the forthcoming AGM of the Company.

EVENTS AFTER THE REPORTING PERIOD

On 24 February, 2022, the Company granted 3,000,000 options to subscribe for shares to Mr. Fan Chi Chiu, the Chief Investment Officer, in accordance with the terms of the Share Option Scheme. Please refer to the announcement issued by the Company on 24 February 2022 for further details.

On behalf of the Board

Lao Chio Seng
Chairman and Executive Director
Macau, 25 March 2022

INTRODUCTION

The Board of Directors (the "**Board**") of AB Builders Group Limited (the "**Company**" together with its subsidiaries, the "**Group**") 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 2021 to 31 December 2021 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 eight Directors, consisting of five 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 resigned on 28 October 2021)*
Ms. Lao Ka U *(resigned on 27 January 2022)*
Mr. Roberto Gnanavelu *(appointed on 27 January 2022)*
Mr. Cheang Iek Wai
Mr. Ip Kin Wa

Independent Non-executive Directors

Mr. Chu Yat Pang Terry *(Chairman of the Remuneration 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 42 to 51 of this annual report for the year ended 31 December 2021.

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 2021 to 31 December 2021, 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 2021.

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 *(resigned on 28 October 2021)*	6/6
Ms. Lao Ka U *(resigned on 27 January 2022)*	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.

BOARD OF DIRECTORS (Continued)

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.

Mr. Chu Yat Pang Terry and Mr. Choy Wai Shek Raymond, *MH, JP,* have renewed their letters of appointment with the Company for three years commencing from 16 August 2021 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.

BOARD OF DIRECTORS (Continued)

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.

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 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.

BOARD OF DIRECTORS (Continued)

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.

The Directors have participated in the following trainings during the year ended 31 December 2021:

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 *(resigned on 28 October 2021)*	B
Ms. Lao Ka U *(resigned on 27 January 2022)*	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.

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 remuneration 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 three meetings from 1 January 2021 to 31 December 2021 during which the Audit Committee, among other things, reviewed and approved the audited consolidated financial statements for the year ended 31 December 2020, the unaudited consolidated financial statements for the period ended 30 June 2021, made recommendation to the Board regarding the change of auditor after considering various factors and met the external auditors twice a year without the presence of the Executive Directors.

Name of Directors	Number of attendance/ Number of meetings
Mr. O'Yang Wiley *(Chairman)*	3/3
Mr. Chu Yat Pang Terry	3/3
Mr. Choy Wai Shek, Raymond, *MH, JP*	3/3

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 senior management by band are set out in note 13 to the consolidated financial statement 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 meetings**
Mr. Chu Yat Pang Terry *(Chairman)*	3/3
Ms. Lao Chao U	3/3
Mr. Choy Wai Shek, Raymond, *MH, JP*	3/3

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. O'Yang Wiley and Mr. Cheang Iek Wai. 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 meetings
Mr. Choy Wai Shek, Raymond, *MH, JP* *(Chairman)*	2/2
Mr. Cheang Iek Wai	1/2
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 weakness 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 2021. 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 unauthorised access and use of inside information are strictly prohibited.

Procedures and internal controls include:

i) Only designated persons are authorised 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.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Board has overall responsibility for the Group's ESG strategy and reporting. The Board is responsible for the Group's ESG risk management and internal control systems to ensure that the ESG strategies and reporting requirements are met. Detailed information on the ESG practices adopted by the Group will be disclosed in the ESG report which will be separately prepared and expected to make it available in May 2022.

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 2021.

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 52 to 57.

AUDITOR

The consolidated financial statements of the Group for the year ended 31 December 2021 were audited by Baker Tilly Hong Kong Limited, who were appointed as the Company's auditor on 18 November 2021 to fill the casual vacancy following the resignation of Messrs. Deloitte Touche Tohmatsu. Save as disclosed above, there has been no other change of auditor for the preceding three years.

AUDITORS' REMUNERATION

During the year, the remuneration payable to the external auditor of the Company, Baker Tilly Hong Kong Limited, in respect of audit services for the year ended 31 December 2021 amounted to HK$550,000.

The remuneration paid to the previous external auditor of the Company, Messrs. Deloitte Touche Tohmatsu, in respect of non-audit services representing the interim review for the six months ended 30 June 2021 and Macau profits tax services amounted to HK$150,000 and HK$50,000 respectively.

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. Mr. Lai resigned as the Company Secretary and Mr. Wong Wah ("**Mr. Wong**") was appointed as the Company Secretary with effect from 30 September 2021. Mr. Wong, obtained a bachelor degree in accountancy from The Hong Kong Polytechnic University in December 2006. Mr. Wong worked in PricewaterhouseCoopers until January 2016. From January 2016 to June 2018, Mr. Wong was the group financial controller, company secretary and authorised representative of AV Promotions Holdings Limited, the shares of which are listed on the GEM of the Stock Exchange (stock code: 8419). From June 2018 to September 2020, Mr. Wong was the chief financial officer and company secretary of a private company. Mr. Wong was the company secretary and an authorised representative of K Group Holdings Limited, the shares of which are listed on the GEM of the Stock Exchange (stock code: 8475), from October 2020 to October 2021. He has been an independent non-executive director of Global Dining Holdings Limited (previously known as Singapore Food Holdings Limited), the shares of which are listed on the GEM of the Stock Exchange (stock code: 8496) since February 2021. He has been an independent non-executive director of S&S Intervalue China Limited (previously known as China Futex Holdings Limited), the shares of which are listed on the GEM of the Stock Exchange (stock code: 8506) since August 2021. Mr. Wong has been a member of the Hong Kong Institute of Certified Public Accountants since January 2010.

The Company Secretary is responsible for facilitating the Board's processes and communications among Board members, with Shareholders and with the management. Mr. Lai and Mr. Wong have 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.

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 Room 3102A, 31/F, Citicorp Centre 18 Whitfield Road Causeway Bay 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.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the year ended 31 December 2021, AB Builders Group Limited (the "**Company**" together with its subsidiaries, the "**Group**") recorded a revenue of approximately MOP353.1 million, representing an increase of approximately MOP155.5 million or approximately 78.7% over the corresponding period of the last year. The outstanding increase in revenue was mainly due to the resumption in progress of some delayed projects of the Group with the effective control of Novel Coronavirus ("**COVID-19**") in 2021. As a result, the Group generated a gross profit of approximately MOP17.2 million for the year ended 31 December 2021 whereas in 2020, the Group recorded a gross loss of approximately MOP16.9 million.

For the year ended 31 December 2021, the Group completed 16 fitting-out works projects and was awarded with 11 fitting-out works projects with an aggregate contract sum of approximately MOP178.9 million.

As at 31 December 2021, the Group had 28 on-going projects (either in progress or yet to commence), including 4 structural works projects and 24 fitting-out works projects.

Outlook and prospects

In recent months, the Omicron variant of COVID-19 is spreading globally and the international political situation is intensifying. The rebounded COVID-19 cases and international tensions are expected to bring more uncertainties and challenges to the economy in 2022. Although the COVID-19 pandemic is still not fully under control, the Group believes the government can control the situation effectively by the tight pandemic restriction policies. Thus, the Group is cautiously optimistic to the industry and believes the economy in Macau will stabilise progressively in 2022.

As the Group's major business sector, construction contributes a large portion of revenue to the Group. To maintain the sector's strong and continuous performance, the Group will make great efforts to expand its business network and customer base by actively participating in the bidding of both government and private sector projects and exploring business opportunities in Macau and the Mainland China. For the Macau market, the recent rebounded COVID-19 cases in the region will slightly disrupt the pace of the recovery of gaming industry in Macau. According to Macau's Statistics and Census Bureau, the region's gross domestic product (GDP) grew by 18% year-on-year in real terms in 2021, but shrank by 4.4% year-on-year in the last quarter. Therefore, in 2022, the Group will continue to explore and secure new projects in Macau in an active and prudent manner. In view of the Mainland China market, the Group is strategically expanding its construction business to Guangdong-Hong Kong-Macau Greater Bay Area. The Group's subsidiary, San Fong Seng Construction and Engineering Company Limited, has achieved the Macao Construction and Related Engineering Consulting Enterprise Qualification Record Certification by the Hengqin New District of Zhuhai City, which further enhance the Group's competitiveness in the industry.

Under the challenging market environment, the Group will also continue to apply tight cost control measures for the Group's sustainable development. The board of directors (the "**Board**") believes that the above measures can help the Group maintain a healthy financial position and solidify its competitiveness to face the coming challenges.

FINANCIAL REVIEW

Revenue

The table below sets forth a breakdown of the Group's revenue for the years ended 31 December 2021 and 2020:

	For the year ended 31 December			
	2021		2020	
	MOP'000	**%**	MOP'000	%
Types of construction works				
Fitting-out works	**344,097**	**97.4**	142,704	72.2
Structural works	**8,491**	**2.4**	54,707	27.7
Air-purification business	**545**	**0.2**	245	0.1
Total	**353,133**	**100.0**	197,656	100.0

For the year ended 31 December 2021, The Group's revenue increased by approximately MOP155.5 million or 78.7% as compared with the last year. Such increase was mainly attributable to: (i) the increase in revenue generated from fitting-out works projects of approximately MOP201.4 million or 141.1%, as a result of the progress of several on-going construction projects which delayed in 2020 resumed to normal in 2021; (ii) the increase in revenue generated from air purification business of approximately MOP0.3 million or 122.4% due to increase in demand in air-purification units/system. The increase was partially offset by the decrease in revenue generated from structural works projects of approximately MOP46.2 million or 84.5% due to no structural works projects awarded in 2021.

FINANCIAL REVIEW (Continued)

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

The following table sets forth a breakdown of the Group's gross profit/(loss) and gross profit/(loss) margin by types of revenue for the year ended 31 December 2021 and 2020 respectively:

	For the year ended 31 December			
	2021		2020	
	Gross profit/ (Gross Loss) MOP'000	Gross profit/ (Gross Loss) margin %	Gross profit/ (Gross Loss) MOP'000	Gross profit/ (Gross Loss) margin %
Types of construction works				
Fitting-out works	**16,919**	**4.9**	(13,446)	(9.4)
Structural works	**592**	**7.0**	(3,644)	(6.7)
Air-purification business	**(282)**	**(51.7)**	145	59.2
Total	**17,229**	**4.9**	(16,945)	(8.6)

For the year ended 31 December 2021, the Group generated gross profit of approximately MOP17.2 million for the year of 2021 whereas for the year ended 31 December 2020, the Group incurred a gross loss of approximately MOP16.9 million.

The gross profit margin of fitting-out works projects of 4.9% for the year of 2021 was mainly due to: (i) the recognition of profit arising from newly awarded contract which amounted to approximately MOP8.6 million; (ii) the progress of certain projects which delayed in 2020 resumed to normal in 2021.

For the year ended 31 December 2021, there was a gross profit margin of structural works projects of approximately 7.0% whereas for the year ended 31 December 2020, there was a gross loss margin of approximately 6.7%. The improvement was mainly attributable to some variation orders were concluded at the final account stage during the year ended 31 December 2021.

Regarding the air purification business, an inventory provision of approximately MOP519K was made for the year ended 31 December 2021. If this provision was excluded, the sale of the air purification units/ system generated a gross profit of approximately MOP237K with the gross profit margin of approximately 43.5%.

Other gains and losses

It mainly represented the net impact of the write-off of the financial asset at fair value through profit or loss, which in nature, was the profit guarantee arising from the acquisition of Lap Polly Engineering Company Limited ("**Lap Polly**"). The profit guarantee was not met since Lap Polly incurred losses for both the years ended 31 December 2021 and 2020.

FINANCIAL REVIEW (Continued)

Impairment losses

It mainly consisted of impairment losses under expected credit loss model on trade and other receivables and contract assets. The decrease was mainly due to the reversal of provision as a result of the recovery of long-aged debts.

Administrative expenses

Administrative expenses decreased by approximately MOP2.9 million from approximately MOP31.4 million for the year ended 31 December 2020 to approximately MOP28.5 million for the year ended 31 December 2021. Administrative expenses consisted primarily of staff costs and Directors' emoluments, depreciation and other administrative expenses. The decrease was mainly attributable to the tighten cost control as a result of the economic uncertainties.

Loss and total comprehensive expense for the year

The Group's loss for the year was decreased by approximately MOP44.2 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 both years.

CORPORATE FINANCE AND RISK MANAGEMENT

Liquidity and financial resources

The Group's capital expenditure and daily operations during the year ended 31 December 2021 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 2021 was approximately MOP181.3 million, compared to approximately MOP148.4 million as at 31 December 2020.

The increase of approximately MOP32.9 million was mainly related to the operating cash inflow and withdrawal of bank overdrafts.

Our gearing ratio for the year ended 31 December 2021 was 8.7% which was mainly attributable to the increase in bank overdrafts by approximately MOP16.7 million. As at 31 December 2021, the Group had unutilised banking facilities of approximately MOP193.9 million.

The current ratio of the Group as at 31 December 2021 decreased to 1.9 times (31 December 2020: 2.0 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 2021, 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 and in this result report, 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:

	2021 MOP,000	2020 MOP,000
Owned properties included in property, plant and equipment	**39,341**	40,747
Pledged bank deposits	**66,233**	65,072
	105,574	105,819

CORPORATE FINANCE AND RISK MANAGEMENT (Continued)

Capital commitment

As at 31 December 2021, the Group did not have any significant capital commitments (2020: nil).

Significant investments, acquisition and disposals

During the year ended 31 December 2021, 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 remuneration policies

As at 31 December 2021, the Group had 136 (31 December 2020: 146) full time employees. The decrease in the number of employees was mainly due to the fact that the Group has implemented a tight cost control and adjusted 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 2021 were approximately MOP37.3 million (31 December 2020: MOP40.1 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;

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

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

USE OF PROCEED

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 unutilised net proceeds up to 30 June 2020 (the "**Reallocation**"). 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 PROCEED (Continued)

As of 31 December 2021, the net proceeds from the Global Offering had been applied as follows:

(HK$'million)

	Planned use	Unutilised net proceeds as of 30 June 2020	Revised allocation of the unutilised net proceeds as of 27 August 2020	Utilised of revised allocation of the unutilised net proceeds as of 27 August 2020 up to 31 December 2021	Unutilised net proceeds as of 31 December 2021 *(Note 1)*	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	9.2	—	N/A
— Purchasing suitable new machinery for forthcoming construction works	16.5	14.6	—	—	—	N/A
— Potential merger and acquisition	6.1	6.1	6.1	—	6.1	On or before December 2022
— Hire additional staff for the Group's business operation	6.1	2.8	8.2	7.3	0.9	On or before December 2022
— General working capital	6.1	1.2	1.2	1.2	—	N/A
	61.2	24.7	24.7	17.7	7.0	

Note 1

As at 31 December 2021, 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 utilising 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.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS AND SENIOR MANAGEMENT

Our Board consists of eight Directors, comprising five 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**")	62	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 (note) and Ms. Athena Lao; father-in-law of Mr. Gnanavelu and Mr. Cheang
Ms. Lao Chao U (劉秋瑜女士) ("**Ms. Athena Lao**")	34	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 (note); spouse of Mr. Cheang and sister-in-law of Mr. Gnanavelu
Mr. Roberto Gnanavelu (安加慰先生) ("**Mr. Gnanavelu**")	39	Executive Director	27 January 2022	27 January 2022	Responsible for project operation and business development	Son-in-Law of Mr. Lao, spouse of Ms. Vicki Lao (note), brother in-law of Ms Athena Lao and Mr. Cheang
Mr. Cheang Iek Wai (鄭益偉先生) ("**Mr. Cheang**")	34	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 (note) and Mr. Gnanavelu
Mr. Ip Kin Wa (葉建華先生)	55	Executive Director	23 February 2017	17 April 2006	Responsible for project management	N/A

Note: Ms. Lao Ka U ("**Ms. Vicki Lao**") was resigned as an executive Director of the Company on 27 January 2022.

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
Independent Non-executive Directors						
Mr. Chu Yat Pang Terry (朱逸鵬先生)	50	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*)	72	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)	59	Independent Non-executive Director	11 June 2019	11 June 2019	Supervising and providing independent advice to the Board	N/A

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. LAO Chio Seng (劉朝盛先生), aged 62, 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. Athena Lao and Ms. Vicki Lao and is the father-in-law of Mr. Gnanavelu and Mr. Cheang.

Ms. LAO Chao U (劉秋瑜女士), aged 34, 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 directors of certain subsidiaries of the Group. 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 over 10 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 and the sister-in-law of Mr. Gnanavelu.

Mr. Roberto Gnanavelu (安加慰先生) ("**Mr. Gnanavelu**"), aged 39, has over 10 years of experience in the construction industry in Macau. He was worked for our Group from 2011 to 2016 and responsible for the day-to-day projects operations. Mr. Gnanavelu has worked in a construction company, which is owned by Mr. Lao, Ms. Wong Hio Mei, spouse of Mr. Lao and Ms. Vicki Lao, since 2017 and responsible for the project operations and business development.

Mr. Gnanavelu obtained a bachelor of dental surgery from The Tamil Nadu Dr. M.G.R. Medical University in February 2007. Mr. Gnanavelu is a dentist registered with Health Bureau in Macau. Mr. Gnanavelu completed the courses for Construction Safety Supervisor and Safety Auditor jointly-organised by University of Macau and the Labour Affairs Bureau of Macau in 2015 and 2016 respectively. In addition, Mr. Gnanavelu is currently a member of the 16th Session of the Committee of Xinhui District, Jiangmen City of the Chinese People's Political Consultative Conference (中國人民政治協商會議江門市新會區委員會).

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

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. CHEANG Iek Wai (鄭益偉先生), aged 34, 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 and Mr. Gnanavelu.

Mr. IP Kin Wa (葉建華先生) ("Mr. Ip"), aged 55, 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 over 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 13th Quanzhou Committee of the Chinese People's Political Consultative Conference (中國人民政治協商會議第十三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 50, 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.

At present, Mr. Chu is a Managing Director of Halcyon Capital Limited which specialises in initial public offerings and corporate advisory in mergers and acquisitions. Mr. Chu possesses over 25 years of experience in corporate finance and auditing. Mr. Chu used to work for an international accounting firm and other corporate finance arms of listed financial institutions in Hong Kong. Mr. Chu graduated from the University of Western Ontario in Canada with a Bachelor of Arts degree in 1992 and from the University of Hull in the United Kingdom with a Master of Business Administration (Investment & Finance) degree in 1997. He also obtained a Diploma in Accounting from the School of Business and Economics of the Wilfrid Laurier University in Canada in 1993. Mr. Chu is a member of the Hong Kong Institute of Certified Public Accountants.

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 72, 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 59, has over 30 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 Edvantage Group Holdings Limited (stock code: 0382) since February 2022. He has served as an independent non-executive director of Tianyun International Holdings Limited (stock code: 6836) since November 2019 and has tendered a notice to resign as an independent non-executive director with effect from 12 May 2022.

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

Mr. O'Yang serves as a 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 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. Fan Chi Chiu (范智超先生)	36	Chief Investment Officer	29 November 2021	29 November 2021	Responsible for providing advice of investment opportunity and recommendations	N/A
Mr. Yeung Yun Ki (楊潤祺先生)	64	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)	44	Financial Controller	14 February 2019	14 February 2019	Directing and financial management of the Group	N/A

Mr. FAN Chi Chiu (范智超), aged 36, is the chief investment officer of our Company. Mr. Fan joined our Company in November 2021, primarily responsible for providing advice of investment opportunity and recommendations.

Mr. Fan has over 14 years of experience in accounting, corporate finance and investment. Prior to joining our Company, Mr. Fan worked as a senior associate at PricewaterhouseCoopers Hong Kong from October 2007 to June 2011. From July 2011 to February 2014, he worked as an analyst at Barclays Investment Bank. From March 2014 to March 2015, he served as the financial director of Vantasia Holdings (H.K.) Limited (萬安(香港)有限公司). From April 2015 to September 2021, he served as the chief financial officer of ELL Environmental Holdings Limited (強泰環保控股有限公司) (HKEX stock code: 1395). From July 2017 to September 2021, Mr. Fan served as an executive director of Grace Wine Holdings Limited (怡園酒業控股有限公司) (HKEX stock code: 8146).

Mr. Fan also holds multiple directorship positions in several listed companies. Since June 2019, Mr. Fan has served as an independent non-executive director of Hevol Services Group Company Limited (和泓服務集團有限公司) (HKEX stock code: 6093) and Shinelong Automotive Lightweight Application Limited (勛龍汽車輕量化應用有限公司) (HKEX stock code: 1930) respectively. He has also served as an independent non-executive director of Weihai City Commercial Bank Company Limited (威海市商業銀行股份有限公司) (HKEX stock code: 9677) since October 2020.

Mr. Fan obtained a bachelor's degree in business administration, with major in professional accountancy from the Chinese University of Hong Kong in September 2007. Mr. Fan has been a member of the Hong Kong Institute of Certified Public Accountants since January 2011.

Mr. YEUNG Yun Ki (楊潤祺) ("Mr. Yeung"), aged 64, 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 44, 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.

INDEPENDENT AUDITOR'S REPORT

bakertilly
天職國際

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 58 to 139, which comprise the consolidated statement of financial position as at 31 December 2021, 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 2021, 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
奧邦建築集團有限公司
(Incorporated in the Cayman Islands with limited liability)

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. As disclosed in note 5 to consolidated financial statements, the contract revenue of provision of fitting-out works and structural works amounted to MOP352,588,000 for the year ended 31 December 2021.	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, variation orders and, 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
奧邦建築集團有限公司
(incorporated in the Cayman Islands with limited liability)

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. As disclosed in notes 22 and 23 to the consolidated financial statements, as at 31 December 2021, the carrying amount of trade receivables and contract assets are MOP55,526,000 (net of loss allowance of MOP6,559,000) and MOP66,150,000 (net of loss allowance of MOP1,480,000), 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 judgements 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
奧邦建築集團有限公司
(Incorporated in the Cayman Islands with limited liability)

OTHER MATTER

The consolidated financial statements of the Group for the year ended 31 December 2020 were audited by another independent auditor whose report dated 31 March 2021 expressed an unmodified opinion on those consolidated financial statements.

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.

INDEPENDENT AUDITOR'S REPORT

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)

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
(Incorporated in the Cayman Islands with limited liability)

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 director on the audit resulting in the independent auditor's report is Chan Kwan Ho, Edmond.

Baker Tilly Hong Kong Limited
Certified Public Accountants
Hong Kong,
Chan Kwan Ho, Edmond
Practising certificate number P02092
25 March 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

	NOTES	2021 MOP'000	2020 MOP'000
Revenue	5	**353,133**	197,656
Cost of sales		**(335,904)**	(214,601)
Gross profit (loss)		**17,229**	(16,945)
Other income	7	**2,349**	4,228
Other gains and losses	8	**(1,053)**	1,864
Impairment loss under expected credit loss model, net of reversal	10	**(92)**	(6,772)
Impairment loss on goodwill	19	**—**	(1,510)
Impairment loss on property, plant and equipment	20	**—**	(3,847)
Impairment loss on right-of-use asset	20	**—**	(483)
Administrative expenses		**(28,472)**	(31,421)
Finance costs	9	**(27)**	(18)
Loss before taxation		**(10,066)**	(54,904)
Income tax credit	11	**65**	683
Loss and total comprehensive expense for the year	12	**(10,001)**	(54,221)
Loss and total comprehensive expense for the year attributable to:			
Owners of the Company		**(6,642)**	(50,774)
Non-controlling interests		**(3,359)**	(3,447)
		(10,001)	(54,221)
Loss per share			
— Basic (MOP cents)	15	**(1.11)**	(8.46)

The notes on pages 64 to 139 form part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2021

	NOTES	2021 MOP'000	2020 MOP'000
Non-current assets			
Property, plant and equipment	16	**39,602**	40,803
Financial asset at fair value through profit or loss ("**FVTPL**")	21	**—**	4,596
		39,602	45,399
Current assets			
Inventories		**1,981**	2,832
Trade and other receivables	22	**78,874**	118,263
Contract assets	23	**66,150**	42,758
Pledged bank deposits	24	**66,233**	65,072
Bank balances and cash	24	**115,050**	83,343
		328,288	312,268
Current liabilities			
Trade and other payables	25	**158,255**	124,744
Contract liabilities	23	**—**	25,928
Lease liabilities	26	**148**	342
Amounts due to non-controlling shareholders of subsidiaries	27	**—**	3,610
Tax payable		**776**	841
Bank overdrafts	24	**16,655**	—
		175,834	155,465
Net current assets		**152,454**	156,803
Total assets less current liabilities		**192,056**	202,202

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2021

	NOTES	2021 MOP'000	2020 MOP'000
Non-current liabilities			
Lease liabilities	26	—	148
		—	148
Net assets		**192,056**	202,054
Capital and reserves			
Share capital	29	**6,189**	6,189
Reserves		**191,672**	198,314
Equity attributable to owners of the Company		**197,861**	204,503
Non-controlling interests		**(5,805)**	(2,449)
Total equity		**192,056**	202,054

The consolidated financial statements on pages 58 to 139 were approved and authorised for issue by the board of directors on 25 March 2022 and are signed on its behalf by:

Lao Chio Seng
Director

Lao Chao U
Director

The notes on pages 64 to 139 form part of the consolidated financial statements.

	Attributable to owners of the Company							
	Share capital MOP'000	Share premium MOP'000	Legal reserve MOP'000	Other reserve MOP'000	Retained earnings MOP'000	Subtotal MOP'000	Non-controlling interests MOP'000	Total MOP'000
At 1 January 2020	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 30)*	—	—	—	—	—	—	80	80
Capital contribution from a non-controlling shareholder	—	—	—	—	—	—	10	10
At 31 December 2020 and 1 January 2021	6,189	82,564	6,000	(86,724)	196,474	204,503	(2,449)	202,054
Loss and total comprehensive expense for the year	—	—	—	—	(6,642)	(6,642)	(3,359)	(10,001)
Capital contribution from a non-controlling shareholder	—	—	—	—	—	—	3	3
At 31 December 2021	6,189	82,564	6,000	(86,724)	189,832	197,861	(5,805)	192,056

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.

The notes on pages 64 to 139 form part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

	NOTES	2021 MOP'000	2020 MOP'000
Operating activities			
Loss before taxation		**(10,066)**	(54,904)
Adjustments for:			
Finance costs	9	**27**	18
Depreciation of right-of-use asset	12	**—**	199
Depreciation of property, plant and equipment	12	**1,494**	3,037
Amortisation of intangible assets	12	**—**	2,032
Loss on disposal of property, plant and equipment	8	**—**	24
Bank interest income	7	**(1,802)**	(3,390)
Write-down of inventories	12	**503**	—
Impairment loss on goodwill	19	**—**	1,510
Impairment loss under expected credit loss model, net of reversal	10	**92**	6,772
Impairment loss of property, plant and equipment	20	**—**	3,847
Impairment loss of right-of-use asset	20	**—**	483
Loss (gain) from fair value change of financial asset at FVTPL	8	**986**	(2,032)
Operating cash flows before movements in working capital		**(8,766)**	(42,404)
Decrease (increase) in inventories		**348**	(2,832)
Decrease (increase) in trade and other receivables		**37,868**	(28,114)
(Increase) decrease in contract assets		**(21,276)**	15,517
Increase (decrease) in trade and other payables		**33,511**	(4,562)
(Decrease) increase in contract liabilities		**(26,723)**	25,722
Cash generated from (used in) operations		**14,962**	(36,673)
Macau Complementary Tax paid		**—**	(3,684)
Hong Kong Profits Tax paid		**—**	(8)
Net cash from (used in) operating activities		**14,962**	(40,365)
Investing activities			
Interest received		**1,913**	3,538
Placement of pledged bank deposits		**(1,161)**	(1,554)
Purchase of property, plant and equipment		**(293)**	(1,322)
Proceeds on disposal of property, plant and equipment		**—**	4
Net cash outflow on acquisition of subsidiaries	30	**—**	(83)
Net cash from investing activities		**459**	583

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

	2021 MOP'000	2020 MOP'000
Financing activities		
Drawdown of bank overdrafts	**16,655**	—
Repayment of lease liabilities	**(342)**	(192)
Interest paid	**(27)**	(18)
Advances from non-controlling shareholders of subsidiaries	**—**	1,138
Capital contribution from a non-controlling shareholder	**—**	10
Issue costs paid	**—**	(103)
Net cash from financing activities	**16,286**	835
Net increase (decrease) in cash and cash equivalents	**31,707**	(38,947)
Cash and cash equivalents at beginning of the year	**83,343**	122,290
Cash and cash equivalents at the end of the year, representing bank balances and cash	**115,050**	83,343

The notes on pages 64 to 139 form part of the consolidated financial statements.

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**").

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 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 2021 for the preparation of the Group's consolidated financial statements:

Amendment to IFRS 16	Covid-19-Related Rent Concessions
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform — Phase 2

In addition, the Group applied the agenda decision of the IFRS Interpretations Committee (the "**Committee**") of the IASB issued in June 2021 which clarified the costs an entity should include as "estimated costs necessary to make the sale" when determining the net realisable value of inventories.

The application of the amendments to IFRSs in the current year has 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.

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[3]
Amendments to IFRS 3	Reference to the Conceptual Framework[2]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendment to IFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021[1]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[3]
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies[3]
Amendments to IAS 8	Definition of Accounting Estimates[3]
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[3]
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 April 2021.

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

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

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

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 1 and IFRS Practice Statement 2 Disclosure of Accounting Policies

IAS 1 is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

IFRS Practice Statement 2 Making Materiality Judgements (the "**Practice Statement**") is also amended to illustrate how an entity applies the "four-step materiality process" to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments is not expected to have significant impact on the financial position or performance of the Group but may affect the disclosures of the Group's significant accounting policies. The impacts of application, if any, will be disclosed in the Group's future consolidated financial statements.

Amendments to IAS 8 Definition of Accounting Estimates

The amendments define accounting estimates as "monetary amounts in financial statements that are subject to measurement uncertainty". An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty — that is, the accounting policy may require such items to be measured at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. Developing accounting estimates involves the use of judgements or assumptions based on the latest available, reliable information.

In addition, the concept of changes in accounting estimates in IAS 8 is retained with additional clarifications.

The application of the amendments is not expected to have significant impact on the Group's consolidated financial statements.

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

(a) 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 certain financial instruments that are measured at fair value at the end of each reporting period, as explained in the accounting policies set out below.

3 Basis of preparation of consolidated financial statements and significant accounting policies (Continued)

(a) Basis of preparation of consolidated financial statements (Continued)

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in 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".

For financial instruments which are transacted at fair value and a valuation technique that unobservable inputs are to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

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 Basis of preparation of consolidated financial statements and significant accounting policies (Continued)

(b) 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.

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.

3 Basis of preparation of consolidated financial statements and significant accounting policies (Continued)

(b) Significant accounting policies (Continued)

Business combinations or asset acquisitions

Optional concentration test

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.

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.

3 Basis of preparation of consolidated financial statements and significant accounting policies (Continued)

(b) Significant accounting policies (Continued)

Business combinations or asset acquisitions *(Continued)*

Business combination (Continued)

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
- 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.

3 Basis of preparation of consolidated financial statements and significant accounting policies (Continued)

(b) Significant accounting policies (Continued)

Business combinations or asset acquisitions *(Continued)*

Business combination (Continued)

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.

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.

3 Basis of preparation of consolidated financial statements and significant accounting policies (Continued)

(b) Significant accounting policies (Continued)

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).

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.

3 Basis of preparation of consolidated financial statements and significant accounting policies (Continued)

(b) Significant accounting policies (Continued)

Revenue from contracts with customers *(Continued)*

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.

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".

3 Basis of preparation of consolidated financial statements and significant accounting policies (Continued)

(b) Significant accounting policies (Continued)

Revenue from contracts with customers *(Continued)*

Recognition (Continued)

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.

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) exceed the revenue recognised to date under the output method then the Group recognises a contract liability for the difference.

3 Basis of preparation of consolidated financial statements and significant accounting policies (Continued)

(b) Significant accounting policies (Continued)

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

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.

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 of IFRS 16 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.

3 Basis of preparation of consolidated financial statements and significant accounting policies (Continued)

(b) Significant accounting policies (Continued)

***Leases** (Continued)*

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.

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.

3 Basis of preparation of consolidated financial statements and significant accounting policies (Continued)

(b) Significant accounting policies (Continued)

Leases *(Continued)*

The Group as a lessee (Continued)

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.

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.

3 Basis of preparation of consolidated financial statements and significant accounting policies (Continued)

(b) Significant accounting policies (Continued)

Government grants *(Continued)*

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)

(b) 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)

(b) 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.

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.

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.

3 Basis of preparation of consolidated financial statements and significant accounting policies (Continued)

(b) Significant accounting policies (Continued)

Financial instruments *(Continued)*

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 "Business Combinations" applies.

3 Basis of preparation of consolidated financial statements and significant accounting policies (Continued)

(b) 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.

3 Basis of preparation of consolidated financial statements and significant accounting policies (Continued)

(b) Significant accounting policies (Continued)

***Financial instruments** (Continued)*

Financial assets (Continued)

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.

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)

(b) 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)

(b) 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)

(b) 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)

(b) 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)

(b) 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)

(b) 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 amounts 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)

(b) 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)

(b) 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.

Inventories

Inventories represent 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. Costs necessary to make the sale include incremental cost directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

3 Basis of preparation of consolidated financial statements and significant accounting policies (Continued)

(b) Significant accounting policies (Continued)

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.

4 Key sources of estimation uncertainty (Continued)

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.

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.

As at 31 December 2021, the carrying amount of trade receivables and contract assets are MOP55,526,000 (2020: MOP81,321,000) (net of loss allowance of MOP6,559,000 (2020: MOP5,263,000)) and MOP66,150,000 (2020: MOP42,758,000) (net of loss allowance of MOP1,480,000 (2020: MOP2,801,000)), respectively.

5 Revenue

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

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

	2021 MOP'000	2020 MOP'000
Recognised over time:		
Contract revenue from provision of fitting-out works	**344,097**	142,704
Contract revenue from provision of structural works	**8,491**	54,707
	352,588	197,411
Recognised at a point in time:		
Revenue from sales of air purification unit/system	**545**	245
Total	**353,133**	197,656

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 (2020: 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.

	2021 MOP'000	2020 MOP'000
Provision of fitting-out works	**135,760**	246,500
Provision of structural works	**—**	7,439
	135,760	253,939

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 2021 will be recognised as revenue during the year ending 31 December 2022 (2020: 31 December 2021) in respect of provision of fitting-out works and structural works.

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.

The Group commenced the business engaging in air purification business during the year ended 31 December 2020, along with the acquisition of ActivPro Limited ("**ActivPro**") (as detailed in note 30), and since then, it is considered as a separate 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 2021

	Fitting-out works MOP'000	Structural works MOP'000	Air purification business MOP'000	Total MOP'000
Segment revenue — external	**344,097**	**8,491**	**545**	**353,133**
Segment results	**16,919**	**592**	**(282)**	**17,229**
Administrative expenses				**(28,472)**
Other income and other gains and losses				**1,204**
Finance costs				**(27)**
Loss before taxation				**(10,066)**

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)
Finance costs				(18)
Loss before taxation				(54,904)

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/loss before taxation earned by each segment without allocation of administrative expenses, other income, other gains and losses, finance costs, impairment loss under ECL model (net of reversal), impairment loss on property, plant and equipment, right-of-use asset and goodwill and loss/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**	
	MOP'000	MOP'000	**MOP'000**	MOP'000
Macau	**287,854**	154,479	**39,552**	40,747
Hong Kong	**65,279**	43,177	**50**	56
	353,133	197,656	**39,602**	40,803

Information about major customers

	2021	2020
	MOP'000	MOP'000
Customer A *(note (a))*	**147,291**	N/A[(c)]
Customer B *(note (b))*	**98,401**	51,595
Customer C *(note (a))*	**39,119**	N/A[(c)]
Customer D *(note (a))*	**N/A[(c)]**	44,502

6 Segment information (Continued)

Information about major customers (Continued)

Notes:

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

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

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

7 Other income

	2021 MOP'000	2020 MOP'000
Bank interest income	**1,802**	3,390
Government grants *(Note)*	**200**	748
Others	**347**	90
	2,349	4,228

Note: During the current year, the Group recognised government grant of MOP200,000 (2020: MOP748,000) in respect of COVID-19-related subsidies, of which nil (2020: MOP548,000) relates to Employment Support Scheme provided by The Government of the Hong Kong Special Administrative Region.

8 Other gains and losses

	2021 MOP'000	2020 MOP'000
(Loss) gain from fair value change of financial asset at FVTPL *(note 21)*	**(986)**	2,032
Net exchange loss	**(44)**	(131)
Loss on disposal of property, plant and equipment	**—**	(24)
Others	**(23)**	(13)
	(1,053)	1,864

9 Finance costs

	2021 MOP'000	2020 MOP'000
Interest on bank overdrafts	**10**	—
Interest on lease liabilities	**17**	18
	27	18

10 Impairment loss under expected credit loss model, net of reversal

	2021 MOP'000	2020 MOP'000
Impairment loss recognised (reversed) on:		
Trade receivables	**1,296**	4,471
Other receivables	**117**	44
Contract assets	**(1,321)**	2,257
	92	6,772

Details of impairment assessment are set out in note 38.

11 Income tax credit

	2021 MOP'000	2020 MOP'000
Overprovision in prior years:		
Macau Complementary Tax	**65**	300
Deferred tax *(note 28)*	**—**	383
	65	683

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

No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the relevant group entities incurred tax losses for both years.

11 Income tax credit (Continued)

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

	2021 MOP'000	2020 MOP'000
Loss before taxation	**(10,066)**	(54,904)
Tax at applicable statutory tax rate of 12% (2020: 12%)	**1,208**	6,588
Tax effect of expenses not deductible for tax purpose	**(1,188)**	(995)
Tax effect of income not taxable for tax purpose	**24**	362
Tax effect of tax losses not recognised	**(2,258)**	(3,348)
Tax effect of temporary differences not recognised	**1,616**	(2,712)
Overprovision in respect of prior years	**65**	300
Effect of different tax rate of a subsidiary operating in other jurisdiction	**598**	488
Income tax credit for the year	**65**	683

12 Loss and total comprehensive expense for the year

	2021 MOP'000	2020 MOP'000
Loss and total comprehensive expense for the year has been arrived at after charging:		
Contract costs recognised as expense *(Note)*		
Provision of fitting-out works	**327,178**	156,150
Provision of structural works	**7,899**	58,351
	335,077	214,501
Cost of inventories recognised as expense (including write-down of inventory of MOP503,000 (2020: nil))	**827**	100
Staff costs		
Gross staff costs (including directors' emoluments below)	**37,348**	40,090
Less: Staff costs capitalised to contract costs incurred	**(19,401)**	(21,868)
	17,947	18,222
Directors' emoluments *(note 13)*	**5,624**	4,372
Auditor's remuneration	**516**	722
Depreciation of property, plant and equipment	**1,494**	3,037
Depreciation of right-of-use asset	**—**	199
Amortisation of intangible assets	**—**	2,032

Note: Included in contract costs was provision of onerous contracts of MOP705,000 (2020: MOP4,593,000) recognised for provision of fitting-out works during the year ended 31 December 2021.

13 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 2021			
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	—	168	1	169
Ms. Lao Chao U ("**Athena Lao**")*	—	560	1	561
Ms. Lao Ka U ("**Vicki Lao**")* *(Note (a))*	—	560	1	561
Mr. Cheang Iek Wai	—	560	1	561
Mr. Ip Kin Wa	—	1,344	1	1,345
Mr. Lee Siu Cheung ("**Macro Lee**") *(Note (b))*	—	1,669	14	1,683
Independent non-executive directors				
Mr. Chu Yat Pang, Terry	248	—	—	248
Mr. Choy Wai Shek, Raymond	248	—	—	248
Mr. O'Yang Wiley	248	—	—	248
	744	4,861	19	5,624

13 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 2020			
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	—	163	1	164
Ms. Athena Lao*	—	545	1	546
Ms. Vicki Lao*	—	545	1	546
Mr. Cheang Iek Wai	—	545	1	546
Mr. Ip Kin Wa	—	1,308	1	1,309
Mr. Macro Lee *(Note (b))*	—	517	—	517
Independent non-executive directors				
Mr. Chu Yat Pang, Terry	248	—	—	248
Mr. Choy Wai Shek, Raymond	248	—	—	248
Mr. O'Yang Wiley	248	—	—	248
	744	3,623	5	4,372

* Daughters of the Controlling Shareholders

Notes:

(a) On 27 January 2022, Ms. Vicki Lao resigned and Mr. Roberto Gnanavelu was appointed as an executive director of the Company.

(b) Mr. Marco Lee was appointed as an executive director and Chief Operating Officer of the Company on 1 September 2020 and he resigned on 28 October 2021.

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 Officer of the Company and her emoluments disclosed above include those for services rendered by her as the Chief Executive Officer.

13 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 2021 include two (2020: one) directors, details of whose emoluments are set out in note 13(a) above. Details of the remaining three (2020: four) highest paid individuals are as follows:

	2021 MOP'000	2020 MOP'000
Salaries and other allowances	**2,437**	3,868

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

	2021 No. of individuals	2020 No. of individuals
Nil to HK$1,000,000	**3**	3
HK$1,000,001 to HK$1,500,000	**—**	1
	3	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.

14 Dividends

No dividend was paid or proposed for ordinary shareholders of the Company during both years, nor has any dividend been proposed since the end of each reporting period.

15 Loss per share

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

	2021 **MOP'000**	2020 MOP'000
Loss and total comprehensive expense for the year attributable to owners of the Company	**(6,642)**	(50,774)

	2021 **'000**	2020 '000
Weighted average number of ordinary shares for the purpose of basic loss per share	**600,000**	600,000

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

16 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 2020	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 and 1 January 2021	46,367	2,708	4,916	328	54,319
Additions	—	—	293	—	293
Disposals	—	—	(3)	—	(3)
At 31 December 2021	**46,367**	**2,708**	**5,206**	**328**	**54,609**
Depreciation and impairment					
At 1 January 2020	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 and 1 January 2021	5,620	2,708	4,860	328	13,516
Provided for the year	1,406	—	88	—	1,494
Eliminated on disposals	—	—	(3)	—	(3)
At 31 December 2021	**7,026**	**2,708**	**4,945**	**328**	**15,007**
Carrying values					
At 31 December 2021	**39,341**	**—**	**261**	**—**	**39,602**
At 31 December 2020	40,747	—	56	—	40,803

16 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 lives:

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 2021, the Group has pledged its owned properties with a carrying value of MOP39,341,000 (2020: MOP40,747,000) to secure general banking facilities granted to the Group.

Details of the impairment on property, plant and equipment is set out in note 20.

17 Right-of-use asset

	Leased properties MOP'000
Cost	
At 1 January 2020	—
Additions	682
At 31 December 2020 and 31 December 2021	682
Depreciation and impairment	
At 1 January 2020	—
Provided for the year	199
Impairment loss recognised	483
At 31 December 2020 and 31 December 2021	682
Carrying amounts	
At 31 December 2020 and 31 December 2021	—

	2021 MOP'000	2020 MOP'000
Expense relating to short-term leases	526	503
Total cash outflow for lease	885	713

For both years, 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 2021 and 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 20.

18 Intangible assets

	Secured customer contracts MOP'000	Distribution right agreement MOP'000	Total MOP'000
Cost			
At 1 January 2020	2,243	—	2,243
Arising from acquisition of subsidiary (note 30)	—	222	222
At 31 December 2020 and 31 December 2021	2,243	222	2,465
Amortisation			
At 1 January 2020	433	—	433
Provided for the year	1,810	222	2,032
At 31 December 2020 and 31 December 2021	2,243	222	2,465
Carrying values			
At 31 December 2020 and 31 December 2021	—	—	—

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 30). The above intangible assets 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

19 Goodwill

	MOP'000
Cost	
At 1 January 2020	1,510
At 31 December 2020 and 31 December 2021	1,510
Impairment	
At 1 January 2020	—
Impairment loss recognised in the year	1,510
At 31 December 2020 and 31 December 2021	1,510
Carrying values	
At 31 December 2020 and 31 December 2021	—

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 as at 31 December 2020 was determined based on a value in use calculation. This calculation used cash flow projections based on financial budgets approved by management covering a five-year period, and pre-tax discount rate of 14.1%. The cash flows beyond the five-year period were extrapolated using a steady 2% growth rate. The key assumptions for the value in use calculations related to the estimation of cash inflows/outflows which included budgeted revenue and gross margin, such estimation was 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 considered that the estimated future growth in revenue from this CGU would be significantly lower than previously expected as there were less potential projects available for tendering due to impact of Covid-19 pandemic. In view of the aggregate recoverable amount of this CGU being below its aggregate carrying amount, an impairment loss of MOP1,510,000 on goodwill was recognised in profit or loss during the year ended 31 December 2020.

20 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 had been determined based on a value in use calculation. That calculation used 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 were extrapolated using 2% to 2.5% growth rates, which did not exceed the long-term average growth rate for the relevant industry. Another key assumption for the value in use calculated was the budgeted gross margin, which was determined based on past performance and management expectations for the market development.

Based on the results of the assessment, management of the Group determined that the recoverable amount of the assets was lower than the respective carrying amounts. The impairment amount had 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 was 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 respectively, was recognised against the carrying amount of property, plant and equipment and right-of-use asset during the year ended 31 December 2020.

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.

During the year ended 31 December 2021, the recoverable amounts of the assets approximate to their carrying amounts, and hence there is no recognition of further impairment nor reversal of previously recognised impairment.

21 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**"). Pursuant to the sale and purchase agreement ("**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 ended 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	**Profit Guarantee** MOP'000
31 December 2020	4,384
31 December 2021	4,384

	MOP'000
At 1 January 2020	2,564
Gain from fair value change of financial asset at FVTPL	2,032
At 31 December 2020	4,596
Netting off of amounts due to non-controlling shareholders of a subsidiary	(3,610)
Loss from fair value change of financial asset at FVTPL	(986)
31 December 2021	—

As at 31 December 2021, given Lap Polly cannot meet the Profit Guarantee, the consideration of the Acquisition has been adjusted of which MOP3,610,000 has been set off against the Contingent Consideration Adjustment according to the Agreement.

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) expected to be settled after twelve months from the end of reporting period was presented under the non-current assets.

22 Trade and other receivables

	2021 MOP'000	2020 MOP'000
Trade receivables, net of loss allowance	**55,526**	81,321
Advances paid to subcontractors and suppliers	**16,595**	28,570
Other receivables, prepayments and deposits	**6,753**	8,372
Total trade and other receivables	**78,874**	118,263

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 2020, trade receivables, net of loss allowance from contracts with customers amounted to MOP74,929,000.

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.

	2021 MOP'000	2020 MOP'000
1–30 days	**34,536**	40,564
31–60 days	**12,224**	17,814
61–90 days	**471**	2,893
Over 90 days	**8,295**	20,050
	55,526	81,321

As at 31 December 2021, included in the Group's trade receivable balances were receivables with aggregate carrying amount of MOP20,990,000 (2020: MOP25,022,000), which were past due at the end of the reporting period. Out of the past due balances, MOP8,295,000 (2020: MOP20,050,000) 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.

22 Trade and other 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:

	2021 MOP'000	2020 MOP'000
HK$	**17,058**	14,035

23 Contract assets (liabilities)

	2021 MOP'000	2020 MOP'000
Analysed for reporting purposes, on a net basis of each respective contract as:		
Contract assets	**66,150**	42,758
Contract liabilities	**—**	(25,928)
	66,150	16,830

As at 1 January 2020, contract assets and contract liabilities amounted to MOP60,532,000 and MOP206,000, respectively.

As at 31 December 2021, contract assets and liabilities included retention receivables held by customers for contract works amounting to MOP48,658,000 (2020: MOP35,864,000).

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 2021, contract assets and liabilities included advances received from customers amounting to nil (2020: MOP27,259,000).

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.

23 Contract assets (liabilities) (Continued)

Contract liabilities as at 31 December 2021 are expected to be recognised as revenue during the year ending 31 December 2022 (2020: 31 December 2021).

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

24 Bank balances and cash/pledged bank deposits/bank overdrafts

Bank balances and cash comprises cash on hand and bank balances. As at 31 December 2021, bank balances carry interest at prevailing market interest rates which were ranging from 0.001% to 0.010% (2020: 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 2021, the pledged bank deposits carried an average fixed interest rate of 1.30% (2020: 1.79%) per annum.

Bank overdrafts as of 31 December 2021 are repayable on demand and secured by assets as disclosed in note 31, and bear interests at Prime Rate minus 1.5% (2020: N/A).

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

	2021 MOP'000	2020 MOP'000
Bank balances and cash		
HK$	**87,678**	54,223
Pledged bank deposits		
HK$	**66,233**	65,072
Bank overdrafts		
HK$	**16,655**	—

25 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.

	2021 MOP'000	2020 MOP'000
Trade payables	25,737	21,147
Retention payables	51,244	35,767
Accrued contract costs	69,812	55,932
Provision of onerous contracts	3,995	4,593
Accruals	7,467	7,305
Total trade and other payables	158,255	124,744

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

	2021 MOP'000	2020 MOP'000
1–30 days	24,395	19,661
31–60 days	152	595
Over 60 days	1,190	891
	25,737	21,147

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.

25 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:

	2021 MOP'000	2020 MOP'000
Within one year	**24,432**	29,779
After one year	**26,812**	5,988
	51,244	35,767

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

	2021 MOP'000	2020 MOP'000
HK$	**2,424**	3,136

26 Lease liabilities

	2021 MOP'000	2020 MOP'000
Lease liabilities payable:		
Within one year	**148**	342
Within a period of more than one year but not more than two years	**—**	148
	148	490
Less: Amount due for settlement within 12 months shown under current liabilities	**(148)**	(342)
Amount due for settlement after 12 months shown under non-current liabilities	**—**	148

27 Amounts due to non-controlling shareholders of subsidiaries

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

28 Deferred tax liabilities

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

	Timing difference on revenue recognition	**Secured customer contracts**	**Total**
	MOP'000	MOP'000	MOP'000
At 1 January 2020	84	299	383
Credit to profit or loss (note 11)	(84)	(299)	(383)
At 31 December 2020 and 31 December 2021	—	—	—

At the end of the reporting period, the Group has unused tax losses of MOP42,731,000 (2020: MOP26,451,000) 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 MOP32,096,000 (2020: MOP22,582,000) which can be carried forward up to three years from the year in which the loss was incurred and an amount of MOP10,635,000 (2020: MOP3,869,000) 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 MOP8,753,000 (2020: MOP22,137,000). 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.

29 Share capital

	Number of shares	Share capital MOP'000
Ordinary shares of HK$0.01 each		
Authorised:		
At 1 January 2020, 31 December 2020 and 31 December 2021	10,000,000,000	103,150
Issued and fully paid:		
At 1 January 2020, 31 December 2020 and 31 December 2021	600,000,000	6,189

30 Acquisition of a subsidiary

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 this transaction is the spouse of a former director of the Company, Mr. Marco Lee. There was 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 18) 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).

31 Pledge of assets

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

	2021 MOP'000	2020 MOP'000
Carrying amount:		
Owned properties included in property, plant and equipment	**39,341**	40,747
Pledged bank deposits	**66,233**	65,072
	105,574	105,819

32 Performance guarantees/bid bonds

As at 31 December 2021, performance guarantees of MOP50,058,000 (2020: MOP34,419,000) 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 31.

As at 31 December 2021, bid bonds of MOP1,990,000 (2020: MOP11,518,000), were given by banks in favour of the Group for bidding of projects offering by the government of Macau.

Management of the Group 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.

33 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.

Contributions to the above plans vest immediately, there is no forfeited contribution that may be used by the Group to reduce the existing level of contribution.

During the year ended 31 December 2021, a total cost of MOP372,000 (2020: MOP382,000) 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.

34 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 other than that as disclosed in note 41.

35 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	2021 MOP'000	2020 MOP'000
Open China Construction Engineering Limited	Common director of a subsidiary and the related party	Contract revenue	**1,767**	2,362

As set out in note 30, the Group acquired ActivPro in 2020, in which one of the vendor is the spouse of Mr. Marco Lee, an executive director and Chief Operating Officer of the Company between 1 September 2020 and 28 October 2021.

(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:

	2021 MOP'000	2020 MOP'000
Fee	**744**	744
Salaries and other allowances	**6,620**	6,470
Retirement benefits scheme contributions	**19**	5
	7,383	7,219

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

36 Interests in subsidiaries

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

Name of subsidiary	Place of incorporation/ establishment	Date of incorporation/ establishment	Issued and fully paid capital/ registered capital	Equity interest attributable to the Company as at 31 December 2021	2020	Principal activities
Directly held						
SFS Construction Holdings Limited	BVI	4 August 2011	United States dollar ("**US$**") 10	**100%**	100%	Investment holding
Speedy Profit International Investment Limited	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 works	Macau	22 October 2019	MOP25,000	**60%**	60%	Construction works
AB Geness Engineering Company Limited	Macau	24 February 2020	MOP100,000	**100%**	100%	Construction works
ActivPro	Hong Kong	22 June 2020	HK$1,000	**51%**	51%	Air purification business
New Lap Polly Engineering Company Limited	Hong Kong	19 November 2020	HK$100	**100%**	100%	Inactive
ActivPro Company Ltd.	Macau	9 February 2021	MOP25,000	**51%**	N/A	Inactive
Owei Fire Protection And Engineering Company Limited	Macau	24 March 2021	MOP25,000	**90%**	N/A	Inactive

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

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

	2021 **MOP'000**	2020 MOP'000
Financial assets		
Financial assets at amortised cost	**240,125**	235,189
Financial asset at FVTPL	**—**	4,596
Financial liabilities		
Amortised cost	**93,636**	60,524

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, amounts due to non-controlling shareholders of subsidiaries and bank overdrafts. 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.

38 Financial instruments (Continued)

Financial risk management objectives and policies (Continued)

Market risk

Currency risk

The Group is exposed to currency risk primarily through sales proceeds received from customers and purchase of raw materials 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	
	2021	2020	**2021**	2020
	MOP'000	MOP'000	**MOP'000**	MOP'000
HK$	**170,969**	133,330	**19,079**	3,136

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 and bank overdrafts. 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. The Group's exposure towards the change in interest rates is minimal. Hence, no sensitivity analysis 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 23, 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 2021 on trade receivables from the Group's three (2020: three) major customers amounting to MOP44.5 million (2020: MOP37.9 million) and accounted for 80% (2020: 47%) of the Group's total trade receivables. The Group is also exposed to concentration of credit risk as at 31 December 2021 on contract assets from the Group's three (2020: one) major customers amounting to MOP41.4 million (2020: MOP9.2 million) and accounted for 62% (2020: 21%) 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	12-month or lifetime ECL	2021 Gross carrying amount		2020 Gross carrying amount	
					MOP'000	MOP'000	MOP'000	MOP'000
Financial assets at amortised cost								
Trade receivables	22	N/A	Low risk	Lifetime ECL	47,387		62,012	
			Doubtful	Lifetime ECL	8,526		22,400	
			Loss	Lifetime ECL	6,172	62,085	2,172	86,584
Other receivables and deposits	22	N/A	Low risk	12m ECL	3,410		5,585	
			Loss	Lifetime ECL	155	3,565	—	5,585
Pledged bank deposits	24	A or above	N/A	12m ECL		66,233		65,072
Bank balances	24	A or above	N/A	12m ECL		115,050		83,343
Other item								
Contract assets	23	N/A	Low risk	Lifetime ECL	58,103		44,734	
			Doubtful	Lifetime ECL	9,452		—	
			Loss	Lifetime ECL	75	67,630	2,156	46,890

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 2020	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 and 1 January 2021	3,091	2,172	5,263
Changes due to financial instruments recognised as at 1 January 2021:			
Transfer to credit-impaired	(213)	213	—
Impairment loss reversed	(2,672)	—	(2,672)
Impairment loss recognised	—	3,787	3,787
New financial assets originated:			
Impairment loss recognised	181	—	181
As at 31 December 2021	387	6,172	6,559

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 2020	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 and 1 January 2021	645	2,156	2,801
Changes due to financial instruments recognised as at 1 January 2021:			
Transfer to credit-impaired	(2)	2	—
Impairment loss reversed	(197)	(2,156)	(2,353)
Impairment loss recognised	910	73	983
New financial assets originated:			
Impairment loss recognised	49	—	49
As at 31 December 2021	1,405	75	1,480

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 2021, 12m ECL is assessed individually and recognised for an aggregate gross carrying amount of MOP3,565,000 (2020: MOP5,585,000), 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	**Lifetime ECL (credit-impaired)** MOP'000	**Total** MOP'000
As at 1 January 2020	88	—	88
Changes due to financial instruments recognised as at 1 January 2020:			
Impairment loss reversed	(31)	—	(31)
New financial assets originated:			
Impairment loss recognised	75	—	75
As at 31 December 2020 and 1 January 2021	132	—	132
Changes due to financial instruments recognised as at 1 January 2021:			
Transfer to credit-impaired	(5)	5	—
Impairment loss reversed	(58)	—	(58)
Impairment loss recognised	25	150	175
As at 31 December 2021	94	155	249

38 Financial instruments (Continued)

Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment *(Continued)*

Pledged bank deposits/bank balances

The Group is exposed to concentration of credit risk as at 31 December 2021 on Group's pledged bank deposits and bank balances from three (2020: three) major bank amounting to MOP163.9 million (2020: MOP132.0 million) which accounted for 90% (2020: 89%) 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.

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. 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	Total undiscounted cash flows MOP'000	Carrying amount at 31 December 2021 MOP'000
2021					
Trade and other payables	N/A	76,981	—	76,981	76,981
Bank overdrafts	3.75	16,655	—	16,655	16,655
		93,636	—	93,636	93,636
Lease liability	5%	90	60	150	148

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	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

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 2020	2,564
Gain from fair value changes of financial asset at FVTPL	2,032
At 31 December 2020	4,596
Netting off of amounts due to non-controlling shareholders	(3,610)
Loss from fair value change of financial asset at FVTPL	(986)
At 31 December 2021	—

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)**
	31/12/2021 MOP'000	31/12/2020 MOP'000			
Contingent Consideration Adjustment	N/A	4,596	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% (2021 N/A). (Note (a)) Probability of securing contracts with 0% (2021: N/A). (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 (2021: N/A).

(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. In 2020, 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 (2021: N/A).

The Group appointed an independent professional valuer to determine the fair value of the Contingent Consideration Adjustment using the discounted cash flow model. The discounted 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	Amounts due to non-controlling interests of subsidiaries MOP'000	Bank overdrafts MOP'000	Lease liability MOP'000	Total MOP'000
At 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
Financing cash flows	—	—	16,645	(359)	16,286
Non-cash changes					
Netting off of financial assets at FVTPL	—	(3,610)	—	—	(3,610)
Interest expenses	—	—	10	17	27
At 31 December 2021	—	—	16,655	148	16,803

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:

	2021 MOP'000	2020 MOP'000
Non-current asset		
Investment in a subsidiary	**55,826**	70,402
Current assets		
Other receivables	**431**	543
Amounts due from subsidiaries	**13,013**	14,237
Bank balances and cash	**849**	1,546
	14,293	16,326
Current liabilities		
Other payables	**894**	1,119
Amounts due to subsidiaries	**618**	618
	1,512	1,737
Net current assets	**12,781**	14,589
Net assets	**68,607**	84,991
Capital and reserves		
Share capital	**6,189**	6,189
Reserves	**62,418**	78,802
Total equity	**68,607**	84,991

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
As at 1 January 2020	82,564	422	82,986
Loss and total comprehensive expenses for the year	—	(4,184)	(4,184)
As at 31 December 2020 and 1 January 2021	82,564	(3,762)	78,802
Loss and total comprehensive expenses for the year	—	(16,384)	(16,384)
As at 31 December 2021	82,564	(20,146)	62,418

41 Event after the end of the reporting period

On 24 February 2022, the Company granted 3,000,000 options to subscribe for shares to Mr. Fan Chi Chiu, the chief investment officer of the Company, in accordance with the terms of the Scheme.

FINANCIAL SUMMARY

For the year ended 31 December 2021

	2021 MOP'000	2020 MOP'000	2019 MOP'000	2018 MOP'000	2017 MOP'000
RESULTS					
For the five years ended 31 December 2017, 2018, 2019, 2020 and 2021					
Revenue	**353,133**	197,656	351,542	262,597	185,201
(Loss)/Profit before taxation	**(10,066)**	(54,904)	24,242	30,216	40,573
Income tax credit/(expenses)	**65**	683	(3,900)	(5,522)	(4,772)
(Loss)/Profit and total comprehensive (expenses)/income for the year	**(10,001)**	(54,221)	20,342	24,694	35,801
ASSETS AND LIABILITIES					
As at 31 December					
Total assets	**367,890**	357,667	393,418	375,823	253,351
Total liabilities	**(175,834)**	(155,613)	(137,233)	(134,586)	(125,561)
Net assets	**192,056**	202,054	256,185	241,237	127,790

Notes:

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

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

AB BUILDERS GROUP LIMITED

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