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AB BUILDERS GROUP LIMITED

奧邦建築集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 01615)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

The board of directors (the “**Board**”) of AB Builders Group Limited (the “**Company**”) hereby announces the audited annual results of the Company and its subsidiaries for the year ended 31 December 2020. This announcement complies with the relevant requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited in relation to information to accompany preliminary announcements of annual results.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This results announcement is available on the website of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the Company’s website (www.abbuildersgroup.com).

The Company’s 2020 annual report will be despatched to shareholders and published on the websites of the Company and The Stock Exchange of Hong Kong Limited in due course.

By order of the Board
Lao Chio Seng
Chairman and Executive Director

Macau, 31 March 2021

As at the date of this announcement, the Board comprises six executive directors, namely Mr. Lao Chio Seng, Ms. Lao Chao U, Mr. Lee Siu Cheung, Ms. Lao Ka U, Mr. Cheang Iek Wai and Mr. Ip Kin Wa; and three independent non-executive directors, namely Mr. Chu Yat Pang Terry, Mr. Choy Wai Shek, Raymond, MH, JP and Mr. O’Yang Wiley.

ANNUAL RESULTS

The board of directors (the “**Board**”) of AB Builders Group Limited (the “**Company**”) is pleased to announce the audited consolidated annual results of the Company and its subsidiaries (collectively the “**Group**”) for the year ended 31 December 2020, together with the comparative figures for the year ended 31 December 2019 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2020

	NOTES	2020 MOP'000	2019 MOP'000
Non-current assets			
Property, plant and equipment		40,803	45,621
Right-of-use asset		—	—
Deposit for acquisition of property, plant and equipment		—	761
Intangible assets		—	1,810
Goodwill		—	1,510
Financial asset at fair value through profit or loss (“FVTPL”)		4,596	2,564
		<u>45,399</u>	<u>52,266</u>
Current assets			
Inventories		2,832	—
Trade and other receivables	12	118,263	94,812
Contract assets		42,758	60,532
Pledged bank deposits		65,072	63,518
Bank balances and cash		83,343	122,290
		<u>312,268</u>	<u>341,152</u>
Current liabilities			
Trade and other payables	13	124,744	129,339
Contract liabilities		25,928	206
Lease liabilities		342	—
Amounts due to non-controlling shareholders of subsidiaries		3,610	2,472
Tax payable		841	4,833
		<u>155,465</u>	<u>136,850</u>
Net current assets		<u>156,803</u>	<u>204,302</u>
Total assets less current liabilities		<u>202,202</u>	<u>256,568</u>
Non-current liabilities			
Deferred tax liabilities		—	383
Lease liabilities		148	—
		<u>148</u>	<u>383</u>
Net assets		<u>202,054</u>	<u>256,185</u>
Capital and reserves			
Share capital		6,189	6,189
Reserves		198,314	249,088
Equity attributable to owners of the Company		204,503	255,277
Non-controlling interests		(2,449)	908
Total equity		<u>202,054</u>	<u>256,185</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

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 Chio Seng (“**Mr. Lao**”) and Ms. Wong Hio Mei (“**Mrs. Lao**”), spouse of Mr. 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 Company acts as investment holding company and its subsidiaries are principally engaged in provision of construction services including fitting-out works and structural works, and sales of air purification unit/system. The Company and its subsidiaries are hereinafter collectively referred to as the “**Group**”.

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

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

2. APPLICATION OF AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARD (“**IFRSs**”)

Amendments to IFRSs that are mandatorily effective for the current year

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

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

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

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

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

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

4. REVENUE

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

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

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

5. SEGMENT INFORMATION

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

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

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

- (a) Fitting-out works;
- (b) Structural works; and
- (c) Air purification business.

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

Segment revenue and results

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

For the year ended 31 December 2020

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

For the year ended 31 December 2019

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

6. OTHER INCOME

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

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

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

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

8. INCOME TAX CREDIT (EXPENSE)

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

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

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

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

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

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

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

10. DIVIDENDS

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

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

11. (LOSS) EARNINGS PER SHARE

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

	2020 <i>MOP'000</i>	2019 <i>MOP'000</i>
(Loss) profit and total comprehensive (expense) income for the year attributable to owners of the Company	<u>(50,774)</u>	<u>20,229</u>
	2020 '000	2019 '000
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	<u>600,000</u>	<u>600,000</u>

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

12. TRADE AND OTHER RECEIVABLES

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

Trade receivables

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

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

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

	2020 <i>MOP'000</i>	2019 <i>MOP'000</i>
1–30 days	40,564	54,612
31–60 days	17,815	7,023
61–90 days	2,893	2,431
Over 90 days	<u>20,049</u>	<u>10,863</u>
	<u>81,321</u>	<u>74,929</u>

13. 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 generally from 7 to 60 days.

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

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

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

Outlook and prospects

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

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

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

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

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

FINANCIAL REVIEW

Revenue

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

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

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

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

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

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

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

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

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

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

Other gains and losses

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

Impairment loss

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

Administrative expenses

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

Income tax credit/(expense)

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

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

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

Final dividend

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

CORPORATE FINANCE AND RISK MANAGEMENT

Liquidity and financial resources

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

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

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

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

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

Capital Structure

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

Future plans for material investments and capital assets

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

Pledge of assets

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

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

Capital commitment

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

Significant investments, acquisition and disposals

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

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

Exposure to exchange rate fluctuation

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

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

Employee and remuneration policies

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

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

Compliance with laws and regulations

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

Principal risk and uncertainties

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

- Material changes in the cost of construction materials and labour costs may result in cost overrun, which could materially affect our results of operation and financial performance;
- Mismanagement or delay of our projects will materially affect our reputation and also our financial performance as penalties and/or additional costs may be incurred;
- Cash flow of our projects may fluctuate;

- We rely on subcontractors to help complete our projects. Underperformance by our subcontractors or unavailability of subcontractors may adversely affect our operations, profitability and reputation;
- Our success significantly depends on the key management and our ability to attract and retain technical and management staff; and
- The uncertainties on the worldwide economy due to the prolonged COVID-19 pandemic and the tension between China, US and the European Union.
- Our inventory level may be affected by the market demand for air purification units/system which may not be accurately estimated.

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

USE OF 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 table below sets out the details of the utilisation of net proceeds. The Board is of the view that it is in the best interests of the Company and its shareholders as a whole.

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

		(HK\$’million)			
	Planned use	Revised allocation of the unutilised net proceeds as of 27 August 2020	Utilised up to 31 December 2020	Unutilised net proceeds as of 31 December 2020 ^(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	33.6	2.0	On or before December 2021
— Purchasing suitable new machinery for forthcoming construction works	16.5	—	1.9	—	N/A
— Potential merger and acquisition	6.1	6.1	—	6.1	On or before December 2021
— Hire additional staff for the Group’s business operation	6.1	8.2	4.4	7.1	On or before December 2022
— General working capital	6.1	1.2	5.9	0.2	On or before June 2021
	<u>61.2</u>	<u>24.7</u>	<u>45.8</u>	<u>15.4</u>	

Note 1

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

Note 2

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

CORPORATE GOVERNANCE

For the year ended 31 December 2020 and up to the date of this announcement, the Company has applied the principles and code provisions in the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”). During the year ended 31 December 2020, to the best knowledge of the Board, the Company has complied with all the applicable code provisions set out in the CG Code.

DIRECTORS’ INTERESTS IN COMPETING INTERESTS

For the year ended 31 December 2020, the Directors were not aware of any business or interest of each of the Directors, or the controlling shareholders of the Company and their respective close associates (as defined under the Listing Rules) that competes or may compete with the business of the Group and any other conflicts of interest which any such person has or may have within the Group.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 December 2020, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the “**Model Code**”) as its own code of conduct regarding the securities transactions by the directors of the Company. Having made specific enquiries of all directors, all directors confirmed that they have complied with the required standard as set out in Model Code throughout the year ended 31 December 2020.

EVENTS AFTER THE REPORTING PERIOD

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

AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive Directors: Mr. O'Yang Wiley, Mr. Chu Yat Pang Terry and Mr. Choy Wai Shek, Raymond, *MH, JP*. Mr. O'Yang Wiley was appointed to serve as the chairman of the Audit Committee. The primary duties of the Audit Committee are to make recommendations to the Board on the appointment and dismissal of external auditor, review the financial statements and the information and provide advice in respect of financial reporting and oversee the internal control procedures of the Company.

The Company's consolidated financial statements for the year ended 31 December 2020 have been reviewed by the Audit Committee on 31 March 2021. The Audit Committee is of the opinion that the consolidated financial statements of the Company for the year ended 31 December 2020 comply with applicable accounting standards, the Listing Rules and that adequate disclosures have been made.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

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

FINAL DIVIDEND

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

ANNUAL GENERAL MEETING

The forthcoming Annual General Meeting (the "AGM") of the Company will be held on Wednesday, 30 June 2021 at 3:00 p.m.. A notice convening the AGM will be published and despatched to the shareholders of the Company in due course.

CLOSURE OF REGISTER OF MEMBERS

For attending and voting at the AGM

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