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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 2021

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 2021. 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 2021 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, 25 March 2022

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

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 2021, together with the comparative figures for the year ended 31 December 2020 as follows:

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	4	353,133	197,656
Cost of sales		<u>(335,904)</u>	<u>(214,601)</u>
Gross profit (loss)		17,229	(16,945)
Other income	6	2,349	4,228
Other gains and losses		(1,053)	1,864
Impairment loss under expected credit loss model, net of reversal	7	(92)	(6,772)
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		(28,472)	(31,421)
Finance costs		<u>(27)</u>	<u>(18)</u>
Loss before taxation		(10,066)	(54,904)
Income tax credit	8	<u>65</u>	<u>683</u>
Loss and total comprehensive expense for the year	9	<u>(10,001)</u>	<u>(54,221)</u>
Loss and total comprehensive expense for the year attributable to:			
Owners of the Company		(6,642)	(50,774)
Non-controlling interests		<u>(3,359)</u>	<u>(3,447)</u>
		<u>(10,001)</u>	<u>(54,221)</u>
Loss per share			
— Basic (MOP cents)	11	<u>(1.11)</u>	<u>(8.46)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION*At 31 December 2021*

	<i>NOTES</i>	2021 <i>MOP'000</i>	2020 <i>MOP'000</i>
Non-current assets			
Property, plant and equipment		39,602	40,803
Financial asset at fair value through profit or loss		—	4,596
		39,602	45,399
Current assets			
Inventories		1,981	2,832
Trade and other receivables	<i>12</i>	78,874	118,263
Contract assets		66,150	42,758
Pledged bank deposits		66,233	65,072
Bank balances and cash		115,050	83,343
		328,288	312,268
Current liabilities			
Trade and other payables	<i>13</i>	158,255	124,744
Contract liabilities		—	25,928
Lease liabilities		148	342
Amounts due to non-controlling shareholders of subsidiaries		—	3,610
Tax payable		776	841
Bank overdraft		16,655	—
		175,834	155,465
Net current assets		152,454	156,803
Total assets less current liabilities		192,056	202,202
Non-current liability			
Lease liabilities		—	148
		—	148
Net assets		192,056	202,054
Capital and reserves			
Share capital		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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

1. GENERAL INFORMATION

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

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 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.

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 certain financial instruments that are measured at fair values at the end of each reporting period.

4. REVENUE

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

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

	2021	2020
	<i>MOP'000</i>	<i>MOP'000</i>
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 units/system	545	245
	353,133	197,656

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.

The Group commenced the business engaging in air purification business during the year ended 31 December 2020, along with the acquisition of ActivPro Limited, and since then, 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 2021

	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>344,097</u>	<u>8,491</u>	<u>545</u>	<u>353,133</u>
Segment results	<u>16,919</u>	<u>592</u>	<u>(282)</u>	17,229
Administrative expenses				(28,472)
Other income and other gains and losses				1,204
Finance costs				<u>(27)</u>
Loss before taxation				<u>(10,066)</u>

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)
Finance costs				<u>(18)</u>
Loss before taxation				<u>(54,904)</u>

6. OTHER INCOME

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

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.

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

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

8. INCOME TAX CREDIT

	2021 <i>MOP'000</i>	2020 <i>MOP'000</i>
Overprovision in prior years		
Macau Complementary Tax	65	300
	<u>65</u>	<u>300</u>
Deferred tax	—	383
	<u>65</u>	<u>683</u>

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.

9. LOSS AND TOTAL COMPREHENSIVE EXPENSE FOR THE YEAR

	2021 <i>MOP'000</i>	2020 <i>MOP'000</i>
Loss and total comprehensive expense for the year has been arrived at after charging (crediting):		
Contract costs recognised as expense (<i>Note</i>)		
Provision of fitting-out works	327,178	156,150
Provision of structural works	7,899	58,351
	<u>335,077</u>	<u>214,501</u>
Cost of inventories recognised as expense (including the write-down of inventories of MOP519,000 (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)
	<u>17,947</u>	<u>18,222</u>
Directors' emoluments	5,624	4,372
Auditor's remuneration	516	722
Depreciation of property, plant and equipment	1,494	3,037
Depreciation of right-of-use assets	—	199
Amortisation of intangible assets	—	2,032
	<u> </u>	<u> </u>

Note: Included in the 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.

10. 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 the reporting period.

11. LOSS PER SHARE

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

	2021 <i>MOP'000</i>	2020 <i>MOP'000</i>
Loss and total comprehensive expense for the year attributable to owners of the Company	<u>(6,642)</u>	<u>(50,774)</u>
	2021 <i>'000</i>	2020 <i>'000</i>
Weighted average number of ordinary shares for the purpose of basic loss per share	<u>600,000</u>	<u>600,000</u>

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

12. TRADE AND OTHER RECEIVABLES

	2021 <i>MOP'000</i>	2020 <i>MOP'000</i>
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	<u>6,753</u>	<u>8,372</u>
Total trade and other receivables	<u>78,874</u>	<u>118,263</u>

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 <i>MOP'000</i>	2020 <i>MOP'000</i>
1–30 days	34,536	40,564
31–60 days	12,224	17,815
61–90 days	471	2,893
Over 90 days	<u>8,295</u>	<u>20,049</u>
	<u>55,526</u>	<u>81,321</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.

	2021 <i>MOP'000</i>	2020 <i>MOP'000</i>
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
	<hr/>	<hr/>
Total trade and other payables	158,255	124,744
	<hr/> <hr/>	<hr/> <hr/>

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the year ended 31 December 2021, 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 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 gradually 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, Hong Kong 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 exploring its construction business opportunities 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 strongly 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	
	<i>MOP'000</i>	%	<i>MOP'000</i>	%
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	<u>353,133</u>	<u>100.0</u>	<u>197,656</u>	<u>100.0</u>

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%. 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.

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	<u>17,229</u>	<u>4.9</u>	<u>(16,945)</u>	<u>(8.6)</u>

For the year ended 31 December 2021, the Group generated gross profit of approximately MOP17.2 million 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 contracts 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 with higher profits margin 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.

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 drawdown 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 unutilized 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 (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:

	2021 <i>MOP'000</i>	2020 <i>MOP'000</i>
Owned properties included in property, plant and equipment	39,341	40,747
Pledged bank deposits	<u>66,233</u>	<u>65,072</u>
	<u><u>105,574</u></u>	<u><u>105,819</u></u>

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).

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 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 2021, the net proceeds from the Global Offering had been applied as follows:

		(HK\$'million)					
				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)
	Planned use	Unutilised net proceeds as of 30 June 2020	unutilised net proceeds as of 27 August 2020				
—	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
		<u>61.2</u>	<u>24.7</u>	<u>24.7</u>	<u>17.7</u>	<u>7.0</u>	

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.

CORPORATE GOVERNANCE

For the year ended 31 December 2021 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 2021, 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 2021, 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 2021, 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 2021.

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, Chief Investment Officer of the Company, in accordance with the terms of the Scheme. Please refer to the announcement issued by the Company on 24 February 2022 for further details.

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 2021 have been reviewed by the Audit Committee on 25 March 2022. The Audit Committee is of the opinion that the consolidated financial statements of the Company for the year ended 31 December 2021 comply with applicable accounting standards, the Listing Rules and that adequate disclosures have been made.

SCOPE OF WORK OF BAKER TILLY HONG KONG LIMITED

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 2021 as set out in the preliminary announcement have been agreed by the Group's auditor, Baker Tilly Hong Kong Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Baker Tilly Hong Kong Limited 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 Baker Tilly Hong Kong Limited on the preliminary announcement.

FINAL DIVIDEND

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

ANNUAL GENERAL MEETING

The forthcoming Annual General Meeting (the "AGM") of the Company will be held on Tuesday, 21 June 2022 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 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.