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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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2022

The board of directors (the “**Board**”) of AB Builders Group Limited (the “**Company**”) hereby announces the unaudited interim results of the Company and its subsidiaries for the six months ended 30 June 2022. 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 interim results.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM 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 2022 interim 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
AB Builders Group Limited
Lao Chio Seng
Chairman and Executive Director

Macau, 29 August 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. Chu Yat Pang Terry, Mr. Choy Wai Shek, Raymond, MH, JP and Mr. O’Yang Wiley.

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

	<i>NOTES</i>	Six months ended 30 June	
		2022	2021
		<i>MOP'000</i>	<i>MOP'000</i>
		(unaudited)	(unaudited)
Revenue	3	98,041	130,154
Cost of sales		(95,713)	(127,466)
Gross profit		2,328	2,688
Other income	5	3,028	998
Other gains and losses		(14)	390
Impairment losses under expected credit loss model, net of reversal	13	(5,792)	(2,725)
Administrative expenses		(11,656)	(14,793)
Interest expense on lease liability		(2)	(10)
Loss and total comprehensive expense for the period	7	(12,108)	(13,452)
Loss and total comprehensive expense for the period attributable to:			
Owners of the Company		(7,622)	(11,813)
Non-controlling interests		(4,486)	(1,639)
		(12,108)	(13,452)
Loss per share	9		
– Basic (MOP)		(0.01)	(0.02)
– Diluted (MOP)		(0.01)	N/A

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>NOTES</i>	As at 30 June 2022 <i>MOP'000</i> (unaudited)	As at 31 December 2021 <i>MOP'000</i> (audited)
Non-current assets			
Property, plant and equipment	<i>10</i>	38,843	39,602
Current assets			
Inventories		1,548	1,981
Trade and other receivables	<i>11</i>	33,903	78,874
Contract assets	<i>12</i>	50,461	66,150
Pledged bank deposits		66,312	66,233
Bank balances and cash		149,214	115,050
		301,438	328,288
Current liabilities			
Trade and other payables	<i>14</i>	159,380	158,255
Lease liabilities		—	148
Tax payable		776	776
Bank overdrafts		—	16,655
		160,156	175,834
Net current assets		141,282	152,454
Net assets		180,125	192,056

		As at 30 June 2022 <i>MOP'000</i> (unaudited)	As at 31 December 2021 <i>MOP'000</i> (audited)
	<i>NOTE</i>		
Capital and reserves			
Share capital	<i>15</i>	6,189	6,189
Reserves		184,227	191,672
		<hr/>	<hr/>
Equity attributable to owners of the Company		190,416	197,861
Non-controlling interests		(10,291)	(5,805)
		<hr/>	<hr/>
Total equity		180,125	192,056
		<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

1. GENERAL INFORMATION AND BASIS OF PREPARATION

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.

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

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” issued by the International Accounting Standards Board (“**IASB**”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange.

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

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis.

Other than changes in accounting policies resulting from application of amendments to International Financial Reporting Standards (“**IFRSs**”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2022 are the same as those presented in the Group’s annual financial statements for the year ended 31 December 2021.

Application of amendments to IFRSs

In the current interim period, the Group has applied the following amendments to IFRSs issued by the IASB, for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2022 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to IFRS 3	Reference to the Conceptual Framework
Amendments to IFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to IAS 16	Property, Plant and Equipment — Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts — Cost of Fulfilling a Contract
Amendments to IFRSs	Annual Improvements to IFRSs 2018–2020

Except as described below, the application of the amendments to IFRSs in the current interim period has had no material impact on the Group’s financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

Impacts and accounting policies on application of Amendments to IAS 37 Onerous Contracts — Cost of Fulfilling a Contract

Accounting policies

Provisions

Onerous contracts

For assessment of outstanding unfulfilled contracts as at 1 January 2022, the unavoidable costs under a contract 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. When assessing whether a contract is onerous or loss-making, the Group includes costs that relate directly to the contract, consisting of both the incremental costs and an allocation of other costs that relate directly to fulfilling contracts.

Transition and summary of effects

The Group has applied the amendments to contracts for which the Group has not yet fulfilled all its obligations as at the date of initial application, 1 January 2022. The application of the amendments has had no material impact on the Group's financial position and performance.

3. REVENUE

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

	Six months ended 30 June	
	2022 MOP'000 (unaudited)	2021 MOP'000 (unaudited)
Recognised over time		
Contract revenue from provision of fitting-out works	97,162	123,798
Contract revenue from provision of structural works	—	6,164
	<u>97,162</u>	<u>129,962</u>
Recognised at a point in time:		
Revenue from sales of air purification unit/system	<u>879</u>	<u>192</u>
Total	<u><u>98,041</u></u>	<u><u>130,154</u></u>

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 (six months ended 30 June 2021: 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 4.

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.

	At 30 June 2022 MOP'000 (unaudited)	At 31 December 2021 MOP'000 (audited)
Provision of fitting-out works	<u>32,711</u>	<u>135,760</u>

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 30 June 2022 will be recognised as revenue during the years ending 31 December 2022 and 2023 (31 December 2021: during the year ending 31 December 2022) in respect of provision of fitting-out 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.

4. 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.

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 period ended 30 June 2022 (unaudited)

	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>97,162</u>	<u>—</u>	<u>879</u>	<u>98,041</u>
Segment results	<u>1,882</u>	<u>—</u>	<u>446</u>	2,328
Other income and other gains and losses				3,014
Impairment losses under expected credit loss model, net of reversal				(5,792)
Administrative expenses				(11,656)
Interest expense on lease liability				(2)
Loss before taxation				<u>(12,108)</u>

For the period ended 30 June 2021 (unaudited)

	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>123,798</u>	<u>6,164</u>	<u>192</u>	<u>130,154</u>
Segment results	<u>1,840</u>	<u>756</u>	<u>92</u>	2,688
Other income and other gains and losses				1,388
Impairment losses under expected credit loss model, net of reversal				(2,725)
Administrative expenses				(14,793)
Interest expense on lease liability				(10)
Loss before taxation				<u>(13,452)</u>

Segment results represent the loss before taxation resulted from each segment without allocation of other income and other gains and losses, impairment losses under expected credit loss model, net of reversal, administrative expenses and interest expense on lease liability. This is the measure reported to the CODM for the purposes of resource allocation and assessment of segment performance.

Geographical information

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 is presented based on the geographical location of the assets.

	Revenue from external customers		Non-current assets	
	1.1.2022 to 30.6.2022 MOP'000	1.1.2021 to 30.6.2021 MOP'000	30.6.2022 MOP'000	31.12.2021 MOP'000
Macau	82,894	96,219	38,806	39,552
Hong Kong	15,147	33,935	37	50
	<u>98,041</u>	<u>130,154</u>	<u>38,843</u>	<u>39,602</u>

5. OTHER INCOME

	Six months ended 30 June	
	2022 MOP'000 (unaudited)	2021 MOP'000 (unaudited)
Bank interest income	1,056	992
Government grants (<i>Note</i>)	833	—
Others	1,139	6
	<u>3,028</u>	<u>998</u>

Note: During the current interim period, the Group recognised government grant of MOP833,000 (six months ended 30 June 2021: nil) in respect of COVID-19-related subsidies under the Employment Support Scheme provided by The Government of the Hong Kong Special Administrative Region.

6. INCOME TAX

No provision for Macau Complementary Tax has been made in both periods as the relevant group entities have no assessable profits for prior interim period and the assessable profits for the current interim period are absorbed by tax losses brought forward from prior years.

No provision for Hong Kong Profits Tax has been made as the relevant group entities have no assessable profits for both periods.

7. LOSS AND TOTAL COMPREHENSIVE EXPENSE FOR THE PERIOD

	Six months ended 30 June	
	2022 <i>MOP'000</i> (unaudited)	2021 <i>MOP'000</i> (unaudited)
Loss and total comprehensive expense for the period has been arrived at after charging:		
Contract costs recognised as expense		
Fitting-out works	95,280	121,958
Structural works	—	5,408
	<u>95,280</u>	<u>127,366</u>
Cost of inventories recognised as expense (including net reversal of written-down of inventory of MOP48,000 (six months ended 30 June 2021: nil))	433	100
Depreciation of property, plant and equipment	761	735
Expenses related to short-term leases for warehouses and staff quarter	<u>263</u>	<u>215</u>

8. DIVIDENDS

No dividends were paid, declared or proposed during both interim periods, nor has dividend been proposed since the end of each reporting period.

9. LOSS PER SHARE

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

	Six months ended 30 June	
	2022 <i>MOP'000</i> (unaudited)	2021 <i>MOP'000</i> (unaudited)
Loss		
Loss for the purpose of basic and diluted loss per share for the period attributable to the owners of the Company	<u>(7,622)</u>	<u>(11,813)</u>

	Six months ended 30 June	
	2022	2021
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	600,000	600,000
Effect of dilutive potential ordinary shares:		
Share options	11	
Weighted average number of ordinary shares for the purpose of diluted loss per share	600,011	

Diluted loss per share was not presented for the six months ended 30 June 2021 as there were no potential ordinary shares in issue.

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2022, the Group made additions to furniture, fixtures and equipment of MOP2,000 (six months ended 30 June 2021: MOP282,000).

11. TRADE AND OTHER RECEIVABLES

	At 30 June	At 31 December
	2022	2021
	MOP'000	MOP'000
	(unaudited)	(audited)
Trade receivables, net of loss allowance	16,938	55,526
Advances paid to subcontractors and suppliers	9,624	16,595
Other receivables, prepayment and deposits	7,341	6,753
Total trade and other receivables	33,903	78,874

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

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

	At 30 June	At 31 December
	2022	2021
	MOP' 000	MOP'000
	(unaudited)	(audited)
1 – 30 days	11,600	34,536
31 – 60 days	—	12,224
61 – 90 days	—	471
Over 90 days	5,338	8,295
	16,938	55,526

12. CONTRACT ASSETS

At 30 June 2022 MOP'000 (unaudited)	At 31 December 2021 MOP'000 (audited)
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Analysed for reporting purposes, on a net basis of each receptive contract as:

Contract assets	<u>50,461</u>	<u>66,150</u>
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As at 30 June 2022, contract assets include retention receivables held by customers for contract works amounting to MOP41,495,000 (31 December 2021: MOP48,658,000).

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 projects 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.

The changes in contract assets are due to i) adjustments arising from changes in the measure of progress of construction work, or ii) reclassification to trade receivables when the Group has unconditional right to the consideration, and/or iii) recognition or reversal of impairment loss on contract assets.

13. IMPAIRMENT ASSESSMENT ON FINANCIAL ASSETS AND OTHER ITEMS SUBJECT TO EXPECTED CREDIT LOSS MODEL

Six months ended 30 June 2022 MOP'000 (unaudited)	2021 MOP'000 (unaudited)
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Impairment loss recognised (reversed) on:

Trade receivables	1,290	2,512
Other receivables	244	(1)
Contact assets	<u>4,258</u>	<u>214</u>
	<u>5,792</u>	<u>2,725</u>

The basis of determining the inputs and assumptions and the estimation techniques used in the condensed consolidated financial statements for the six months ended 30 June 2022 are the same as those used in the preparation of the Group's annual financial statements for the year ended 31 December 2021.

During the current interim period, the Group recognised impairment allowance of MOP5,792,000 (six months ended 30 June 2021: MOP2,725,000), in particular, MOP4,027,000 (six months ended 30 June 2021: MOP4,426,000) has been made on credit-impaired debtors.

14. 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.

	At 30 June 2022 MOP'000 (unaudited)	At 31 December 2021 MOP'000 (audited)
Trade payables	7,165	25,737
Retention payables	51,634	51,244
Accrued contract costs	90,299	69,812
Provision of onerous contracts	4,143	3,995
Accruals and other payables	6,139	7,467
	<hr/>	<hr/>
Total trade and other payables	159,380	158,255

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

	At 30 June 2022 MOP'000 (unaudited)	At 31 December 2021 MOP'000 (audited)
1 – 30 days	5,807	24,395
31 – 60 days	18	152
Over 60 days	1,340	1,190
	<hr/>	<hr/>
	7,165	25,737

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.

15. SHARE CAPITAL

	Number of shares '000	Share capital MOP'000
Ordinary shares of HK\$0.01 each		
Authorised:		
At 1 January 2021, 31 December 2021 and 30 June 2022	10,000,000	103,150
	<hr/>	<hr/>
Issued and fully paid:		
At 1 January 2021, 31 December 2021 and 30 June 2022	600,000	6,189
	<hr/>	<hr/>

16. 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.

The table below discloses movement of the Scheme:

	Number of share options
Outstanding as at 1 January 2022	—
Granted during the period	<u>3,000,000</u>
Outstanding as at 30 June 2022	<u><u>3,000,000</u></u>

The closing price of the Company's shares immediately before 24 February 2022, the date of grant, was Hong Kong Dollars ("HK\$") 0.255.

In the current interim period, 3,000,000 share options were granted on 24 February 2022. The fair value of the options determined at the dates of grant using the Binomial option pricing model was HK\$264,000 (equivalent to approximately MOP272,000).

The following assumptions were used to calculate the fair value of share options:

	24 February 2022
Spot price	HK\$0.245
Exercise price	HK\$0.272–HK\$0.67
Expected volatility	55.92%
Expected dividend yield	0%
Risk-free rate	1.57%

The Binomial option pricing model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the valuer's best estimate. Changes in variables and assumptions may result in changes in the fair value of the options.

During the six months ended 30 June 2022, the Group recognised equity-settled share-based payments of approximately MOP177,000 (six months ended 30 June 2021: nil) in relation to share options granted by the Company to Mr. Fan Chi Chiu, the chief investment officer of the Company.

17. PERFORMANCE GUARANTEES/BID BONDS

As at 30 June 2022, performance guarantees of MOP50,058,000 (31 December 2021: MOP50,058,000) 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:

- (i) a legal charge over the office premises of the Group with carrying amount of MOP38,638,000 (31 December 2021: MOP39,341,000); and
- (ii) pledged bank deposits of MOP66,312,000 (31 December 2021: MOP66,233,000).

As at 30 June 2022, bid bonds of MOP1,730,000 (31 December 2021: MOP1,990,000), were given by banks for bidding the projects offered by the government of Macau.

Management of the Group does not consider it is probable that a claim will be made against the Group in respect of the above performance guarantees or bid bonds.

18. RELATED PARTY TRANSACTIONS

Compensation of key management personnel

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

	Six months ended 30 June	
	2022 MOP'000 (unaudited)	2021 MOP'000 (unaudited)
Fee	371	371
Salaries and other allowances	3,018	3,165
Retirement benefits scheme contributions	3	15
	<u>3,392</u>	<u>3,551</u>

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

19. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities as at 30 June 2022 recorded at amortised cost in the condensed consolidated financial statements approximate their fair value.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Despite a recent rebound in Novel Coronavirus (“**COVID-19**”) cases, effective policies have been implemented by government to safely resume business activities. During the first half of 2022, the Group actively sought for opportunities and projects that benefit the Group holistically, from boosting morale to increasing revenue. That said, for the six months ended 30 June 2022 (the “**Review Period**”), the Group made a revenue of approximately MOP98.0 million, which represented a decrease of approximately MOP32.1 million or approximately 24.7% over the corresponding period of last year. Accordingly, the Group recorded a gross profit of MOP2.3 million in the first half of 2022, as compared with a gross profit of MOP2.7 million in the same period of 2021.

During the Review Period, the Group has been awarded with 2 fitting-out works projects with an aggregate contract sum of approximately MOP5.6 million. As at 30 June 2022, the Group had 25 ongoing projects (either in progress or yet to commence or substantially completed but pending finalisation or agreement of the final accounts), including 3 structural works projects and 22 fitting out works projects.

Outlook and prospects

New variants of the COVID-19 virus are still impacting many places around the globe, and cases in Mainland China as well as Macau have yet to be eliminated. Macau was emerging from a two-week “quasi-lockdown” in July of 2022. As one of the world’s largest gambling hub, it was the second time it has had to close its casinos due to COVID-19. Nevertheless, the Group remains hopeful for a post-pandemic world in the near future with the help of constructive government policies and the gaming licenses to be awarded by the end of 2022. As businesses and consumers flexibly accommodate their daily activities to the realities of the pandemic, the Group believes that the economy will soon stabilise and progressively improve in 2023.

To maintain its competitiveness, the Group will continue expanding its business network and customer base by actively joining the bidding of both public and private sector projects, and exploring the business opportunities in Macau, Hong Kong and the Mainland China. Since Macau government has clung to Beijing’s “dynamic-zero” COVID-19 infection strategy to stifle any transmission risks once found in society, Macau underwent a short “quasi-lockdown” in July. This has posed challenges for the industry to recover smoothly. But the Group will work closely with its team and clients to ensure a safe working environment for all parties. Looking broader into the Mainland China market, the Group is strategically expanding its construction business to Guangdong-Hong Kong-Macau Greater Bay Area (“**Greater Bay Area**”).

The government has provided much support and resources in hopes to encourage normal business activities and stimulate economic growth on a local level. The launch of the health code system demonstrated an effective way to combat the spreading of the COVID-19 virus. As COVID-19 restrictions gradually ease in the country along with the 25th anniversary of Hong Kong's handover and the increasing demand of the infrastructure in Greater Bay Area, the Group sees this moment as an important opening for further building its business portfolio. Essentially, the Group will aggressively seek for new business opportunities arising from Greater Bay Area through merger and acquisition, partnership with reputable enterprises.

The Board strongly believes that the above measures can help the Group maintain a sustainable and healthy financial position and solidify its competitiveness in the construction market in Macau and Hong Kong. Looking ahead, the Board remains cautiously optimistic about the development of the construction industry, as well as the long-term growth of the Group.

FINANCIAL REVIEW

Revenue

The table below sets forth a breakdown of the Group's revenue for the six months ended 30 June 2022 and 2021:

	Six months ended 30 June			
	2022		2021	
	<i>MOP'000</i>	<i>%</i>	<i>MOP'000</i>	<i>%</i>
Types of construction works				
Fitting-out works	97,162	99.1	123,798	95.2
Structural works	—	—	6,164	4.7
Air purification business	879	0.9	192	0.1
Total	<u>98,041</u>	<u>100</u>	<u>130,154</u>	<u>100</u>

During the Review Period, the Group's revenue decreased by approximately MOP32.1 million or 24.7% as compared with the corresponding period of the last year. Such decrease was mainly attributable to: (i) the decrease in revenue generated from fitting-out works projects of approximately MOP26.6 million or 21.5% due to less fitting-out works projects awarded in 2022 and most of the works were completed in 2021; (ii) the decrease in revenue generated from structural works projects of approximately MOP6.2 million or 100% due to no structural works projects awarded in the past two years.

The revenue of air purification business increased by approximately MOP0.7 million or 357.8% as compared with the corresponding period of the last year due to increase in demand in air-purification units/system.

Gross profit and gross profit margin

The following table sets forth a breakdown of the Group's gross profit and gross profit margin by types of revenue for the six months ended 30 June 2022 and 2021:

	Six months ended 30 June			
	2022		2021	
	Gross profit <i>MOP'000</i>	Gross profit margin %	Gross profit <i>MOP'000</i>	Gross profit margin %
Types of construction works				
Fitting-out works	1,882	1.9	1,840	1.5
Structural works	—	n/a	756	12.3
Air purification business	446	50.7	92	47.9
Total	<u>2,328</u>	<u>2.4</u>	<u>2,688</u>	<u>2.1</u>

During the Review Period, the Group's gross profit decreased by approximately MOP0.4 million or 13.4% when compared with the corresponding period of the last year.

The gross profit margin of fitting-out works projects increased by 0.4 percentage point from approximately 1.5% for the six months ended 30 June 2021 to 1.9% for the six months ended 30 June 2022. The increase was mainly due to the increase in the revenue generated from projects with gross margin but partially offset by the significant increase in sub-contracting costs near the stage of projects completion.

The gross profit of structural works projects decreased by approximately MOP0.8 million due to no structural works projects awarded in the past two years.

The increase in the profit of the air-purification business of approximately MOP0.4 million was in line with the increase in the revenue.

Other income

For the six months ended 30 June 2022, the other income of approximately MOP3.0 million mainly consisted of the bank interest income, insurance claim and the subsidies from governments of HKSAR following the economic recession due to the outbreak of COVID-19. For the six months ended 30 June 2021, the other income of approximately MOP1.0 million mainly consisted of the bank interest income.

Other gains and losses

For the six months ended 30 June 2022, the other losses of approximately MOP14,000 mainly consisted of net exchange losses. For the six months ended 30 June 2021, it mainly represented the gain from the fair value change of the financial asset at FVTPL.

Impairment losses under expected credit loss model, net of reversal

The impairment losses mainly consisted of impairment losses on trade receivables, other receivables and contract assets. It was increased by MOP3.1 million or 112.6% in view of the delay in collecting the settlement from customers following the outbreak of COVID-19.

Administrative expenses

Administrative expenses were decreased by approximately MOP3.1 million from approximately MOP14.8 million for the six months ended 30 June 2021 to approximately MOP11.7 million for the six months ended 30 June 2022. The decrease was mainly attributable to tighten cost control as a result of the economic recession.

Loss for the period

The loss for the six months ended 30 June 2022 was approximately MOP12.1 million as compared to the loss of approximately MOP13.5 million for the six months ended 30 June 2021. Such change was mainly due to the combined effect of the aforementioned items.

Dividend

No dividend was paid, declared or proposed during the six months ended 30 June 2022. The directors of the Company have not recommended the payment of an interim dividend for both interim periods.

CORPORATE FINANCE AND RISK MANAGEMENT

Liquidity and financial resources

The Group's capital expenditure and daily operations during the six months ended 30 June 2022 were mainly funded by cash generated from its operations.

The total cash and bank balances together with the pledged bank deposits as at 30 June 2022 was approximately MOP215.5 million, compared to approximately MOP181.3 million as at 31 December 2021. The increase of approximately MOP34.2 million was mainly related to the operating cash inflow.

As at 30 June 2022, the Group had no outstanding borrowings and had unutilised banking facilities of approximately MOP194.1 million (31 December 2021: MOP193.9 million).

The current ratio of our Group as at 30 June 2022 was 1.9 times (31 December 2021: 1.9 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. There has been no change in the capital structure of the Group during the six months ended 30 June 2022.

Future plans for material investments and capital assets

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

Pledge of assets

As at 30 June 2022, the Group's office premise of approximately MOP38.6 million (31 December 2021: MOP39.3 million) and certain bank deposits of approximately MOP66.3 million (31 December 2021: MOP66.2 million) were pledged with banks to secure the banking facilities including performance guarantees and bid bonds issued by the banks.

Capital commitment

As at 30 June 2022, the Group did not have any significant capital commitments (31 December 2021: nil).

Significant investments, acquisition and disposals

The Group did not have any significant investment, acquisition and disposals during the six months ended 30 June 2022.

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 entities.

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 30 June 2022, the Group had 66 (31 December 2021: 136) full time employees. The decrease in the number of employees was mainly due to the tighten cost control. The Group 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 period ended 30 June 2022 were approximately MOP15.3 million (30 June 2021: MOP18.0 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 six months ended 30 June 2022.

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 prolonged COVID-19 pandemic and the tension between China, US and the European Union; and
- Our inventory level may be affected by the market demand for air purification unit/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 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.

As of 30 June 2022, the net proceeds from the Global Offering had been applied as follows:

	HKD 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 proceed as of 27 August 2020 up to 30 June 2022	Unutilised net proceeds as of 30 June 2022 ^(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	In or before December 2022
Hire additional staff for the Group's business operation	6.1	2.8	8.2	7.7	0.5	In or before December 2022
General working capital	6.1	1.2	1.2	1.2	—	N/A
Total	61.2	24.7	24.7	18.1	6.6	

Note 1 As at 30 June 2022, 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.

EVENTS AFTER THE REPORTING PERIOD

The Board is not aware of any significant event regarding the disclosure that has taken place subsequent to 30 June 2022 and up to the date of this announcement.

OTHER INFORMATION

CORPORATE GOVERNANCE

The Company has applied the principles and the code provisions set out 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 as its own code of corporate governance. During the six months ended 30 June 2022, to the best knowledge of the Board, the Company has complied with all the applicable code provisions set out in the CG code.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

During the six months ended 30 June 2022, 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 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 standards as set out in the Model Code throughout the six months ended 30 June 2022.

AUDIT COMMITTEE

The Company established an audit committee on 17 August 2018 in compliance with Rule 3.21 of the Listing Rules. Written terms of reference in compliance with paragraph D.3.3 of the CG Code has been adopted and are available on the websites of the Stock Exchange and the Company. The primary roles of the audit committee include, but are not limited to, (a) making recommendations to the Board on the appointment, reappointment and removal of the external auditor, and approving the remuneration and terms of engagement of the external auditor; (b) monitoring 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. The audit committee consists of three independent non-executive directors, 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 unaudited condensed consolidated financial statements for the six months ended 30 June 2022 have been reviewed by the audit committee and the Group’s auditor, Baker Tilly Hong Kong Limited.