

AB BUILDERS GROUP LIMITED

奧邦建築集團有限公司

(Incorporated in the Cayman Islands with limited liability)

於開曼群島註冊成立的有限公司

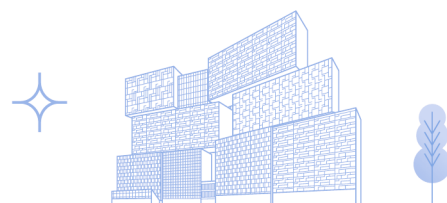
Stock Code 股份代號 : 1615

2022 ANNUAL REPORT 年 報



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Lao Chio Seng (*Chairman*)
Ms. Lao Chao U (*Chief Executive Officer*)
Dr. Roberto Gnanavelu
Mr. Cheang Iek Wai
Mr. Ip Kin Wa

Independent Non-executive Directors

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

COMPANY SECRETARY

Mr. Wong Wah

AUTHORISED REPRESENTATIVES

Ms. Lao Chao U
Mr. Cheang Iek Wai

ALTERNATE AUTHORISED REPRESENTATIVE TO CHEANG IEK WAI

Mr. Wong Wah

REGISTERED OFFICE

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

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN MACAU

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

CORPORATE INFORMATION

AUDITOR

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

PRINCIPAL BANKS

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER AGENT

Ocorian Trust (Cayman) Limited
Windward 3, Regatta Office Park
PO Box 1350
Grand Cayman KY1-1108
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

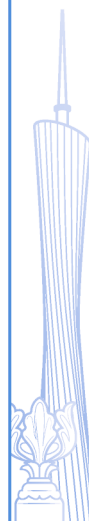
Boardroom Share Registrars (HK) Limited
2103B, 21/F, 148 Electric Road
North Point
Hong Kong

STOCK CODE

1615

COMPANY'S WEBSITE

www.abbuildersgroup.com





CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board of directors (the “**Board**”) of AB Builders Group Limited (the “**Company**” together with its subsidiaries, the “**Group**”), I present the annual report of the Group for the year ended 31 December 2022 (the “**Review Year**”).

OVERVIEW

In 2022, with the ongoing crisis of novel coronavirus (“**COVID-19**”) and continuous geopolitical complications around the world, the global economy remained under pressure during the whole year. Amid the challenging environment, the Group has been actively seeking for business opportunities and projects, in order to increase revenue and drive long-term development. Nevertheless, the Group recorded a revenue of approximately MOP155.0 million during the year ended 31 December 2022, representing a decrease of approximately MOP198.1 million or approximately 56.1% over the corresponding period of 2021. Accordingly, the Group generated a gross profit of approximately MOP33.8 million for the year ended 31 December 2022.

FORWARD

Amid the challenging environment, the Group remains cautiously optimistic to the industry. With the loosening of COVID-19 control measures and relaxation of travel restrictions around the world, the global market is expected to recover progressively, although accompanied with various challenges and volatilities due to the after-effects of pandemic and the complex political issues among several countries currently. To against the global economic instabilities and challenges, the Group will continue to adopt a tight cost control procedure to minimise the unfavorable impact on the Group's ongoing projects. In view of the Macau market, which is one of the world's largest gambling hub and a popular travel destination, it is expected to have a market rebound and more or less, attract certain investments in the suspended construction projects or new projects in the region after the relaxation of travel restrictions. Furthermore, the Group is also strategically expanding its construction business globally to grasp the opportunities arise from Greater Bay Area and other regions.

Looking ahead, the Group will continue to seek for new business opportunities through merger and acquisition, as well as partnership with reputable enterprises in the industry globally, so as to broaden its income resources and drive its long-term growth.

APPRECIATION

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

On behalf of the Board

Lao Chio Seng

Chairman and Executive Director

27 March 2023

DIRECTORS' REPORT

The board of directors (the **"Board"**) of AB Builders Group Limited (the **"Company"**) presents their annual report and the audited consolidated financial statements of the Company and its subsidiaries (collectively, the **"Group"**) for the year ended 31 December 2022.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The Group has mainly engaged in the business in providing structural works and fitting-out works services in Macau and building construction and engineering services in Hong Kong following the indirect acquisition of 60% equity interest in Lap Polly Engineering Company Limited (**"Lap Polly"**) on 10 September 2019. On 10 September 2020, the Group entered a connected party transaction with ActivPro Limited, a non-wholly owned subsidiary, to engage in the Air Purification business which the Group expected a synergy with the Group's fitting-out works business.

Details of the principal activities of the Group's major subsidiaries as at 31 December 2022 are set out in note 33 to the consolidated financial statements of this annual report. The Group's revenue for the year was derived mainly from activities carried out in both Macau and Hong Kong. An analysis of the Group's revenue for the year is set out in note 5 to the consolidated financial statements of this annual report.

BUSINESS REVIEW

A review of the business of the Group as required under Schedule 5 to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) comprising an analysis of our Group's performance during the year, assessment of the principal risks and uncertainties faced by our Group as well as indication of likely future development in the business of our Group are set out in the paragraphs headed "Management Discussion and Analysis" on pages 75 to 83 of this annual report.

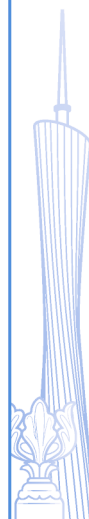
RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2022 are set out in the consolidated financial statements on pages 100 to 105 of this annual report.

The Board does not recommend any payment of final dividend for the year ended 31 December 2022 (2021: HKDNil).

DISTRIBUTABLE RESERVES

As at 31 December 2022, the Company's reserve available for distribution, calculated in accordance with the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, amounted to MOP37.3 million (2021: MOP62.4 million).





DIRECTORS' REPORT

USE OF PROCEEDS

The net proceeds amounting from Listing on 10 September 2018 (the “**Listing Date**”) after deducting the underwriting fees and other listing expenses in connection with the Global Offering were approximately HK\$61.2 million. Particulars of the utilization are set out in the paragraph headed “Management Discussion and Analysis” on page 83 of this annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the year are set out in note 16 to the consolidated financial statements of this annual report.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 26 to the consolidated financial statements of this annual report.

SHARE OPTION SCHEME

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

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

(a) Purpose of the Share Option Scheme

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

(b) Eligible Participants

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



SHARE OPTION SCHEME (Continued)

(c) Maximum number of shares

- (i) Maximum number of shares which may be allotted and issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes adopted by the Group must not, in aggregate, exceed 30% of the total number of shares in issue from time to time.
- (ii) Total number of shares in respect of which options may be granted under the Share Option Scheme and any other share option schemes of the Group shall not exceed 60,000,000 shares, being 10% of the total number of shares in issue as at the Listing Date unless the Group obtains the approval of the shareholders of the Company (the "**Shareholders**") in general meeting for renewing the scheme mandate limit under the Share Option Scheme.

(d) Period of the Share Option Scheme

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

(e) Maximum entitlement of each participant

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

- (i) such further grant has been duly approved by the Shareholders in general meeting at which such Grantee and his close associates shall abstain from voting;
- (ii) a circular regarding the further grant has been despatched to the Shareholders in a manner complying with, and containing the information specified in, the relevant provisions of the Rules governing the Listing of Securities (the "**Listing Rules**") on the Main Board of the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

(f) Payment on acceptance of the option

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

DIRECTORS' REPORT

SHARE OPTION SCHEME (Continued)

(g) Subscription price for shares

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

- (i) the closing price of the shares on the offer date;
- (ii) the average closing price of the shares for the five consecutive business days immediately preceding the offer date; and
- (iii) the nominal value of a share on the offer date.

(h) The remaining life of the share option

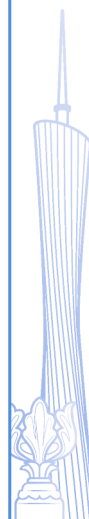
Approximately 5 years and 4.5 months (expiring on 16 August 2028)

The particulars of the share options under the Scheme during the year ended 31 December 2022 are as follows:

Name or category of participant	Date of grant	Vesting date	Validity period	Exercise price per share	Number of share options					
					Outstanding as at 1 January 2022	Granted during the year	Exercised during the year	Lapsed/ Cancelled/ Forfeited during the year	Outstanding as at 31 December 2022	Exercisable at 31 December 2022
Senior management	24 February 2022	29 May 2022	24 February 2022 to 16 August 2028	HK\$0.272	—	1,000,000	—	—	1,000,000	1,000,000
	24 February 2022	29 November 2022	24 February 2022 to 16 August 2028	HK\$0.67	—	1,000,000	—	—	1,000,000	1,000,000
	24 February 2022	29 November 2023	24 February 2022 to 16 August 2028	HK\$0.67	—	1,000,000	—	—	1,000,000	—
					—	3,000,000	—	—	3,000,000	2,000,000

Note: On 24 February 2022, the Company granted 3,000,000 options to subscribe for shares to Mr. Fan Chi Chiu, the chief investment officer of the Company, in accordance with the terms of the Scheme. The share options were vested in three tranches, with each tranche covering one-third of the relevant options, i.e. exercisable to the extent of one-third of the relevant options with the 1st, 2nd and 3rd tranche becoming exercisable from 29 May 2022, 29 November 2022 and 29 November 2023 respectively to 16 August 2028; at exercise price of HK\$0.272, HK\$0.67 and HK\$0.67 per share respectively. The closing price of the Company's shares immediately before 24 February 2022, the date of grant, was HK\$0.255. Please refer to the announcement issued by the Company on 24 February 2022 for further details of share options granted during the year ended 31 December 2022.

DIRECTORS' REPORT



SHARE OPTION SCHEME (Continued)

During the year ended 31 December 2022, the Group recognised equity-settled share-based payments of approximately MOP235,000 (2021: MOPNil) in relation to share options granted by the Company. The fair value of the options determined at the dates of grant using the Binomial option pricing model was HK\$264,000. 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. The following assumptions were used to calculate the fair value of share options:

Measurement date	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%

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

FINANCIAL SUMMARY

A summary of the published results and assets and liabilities of the Group for the years ended 31 December 2018, 2019, 2020, 2021 and 2022 is set out on page 180 of this annual report. This summary does not form part of the audited consolidated financial statements.

PRE-EMPTIVE RIGHTS

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

TAX RELIEF AND EXEMPTION

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



DIRECTORS' REPORT

DIRECTORS

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

Executive Directors:

Mr. Lao Chio Seng (*Chairman*)
Ms. Lao Chao U (*Chief Executive Officer*)
Ms. Lao Ka U (*resigned on 27 January 2022*)
Dr. Roberto Gnanavelu (*appointed on 27 January 2022*)
Mr. Cheang Iek Wai
Mr. Ip Kin Wa

Independent Non-executive Directors:

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

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

Biographical details of the Directors of the Company and the Senior Management of the Group are set out on pages 84 to 93 of this annual report.

TERMS OF OFFICE FOR THE INDEPENDENT NON-EXECUTIVE DIRECTORS

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

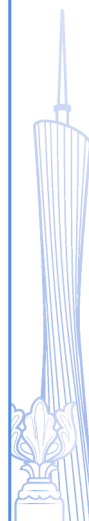
The Company has received from each INED an annual confirmation of his independence from the Group, and as at the date of this report still considers them to be independent pursuant to Rule 3.13 of the Listing Rules of the Stock Exchange.

DIRECTORS' SERVICE CONTRACTS

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

Particulars of the emoluments of the Directors on a named basis for the year are set out in note 13 to the consolidated financial statements of this annual report.

DIRECTORS' REPORT



MANAGEMENT CONTRACTS

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

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

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

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

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

PERMITTED INDEMNITY PROVISION

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

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

DIRECTORS' REPORT

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

As at 31 December 2022, the interests or short positions of the Directors and the chief executive of the Company in Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules, are set out below:

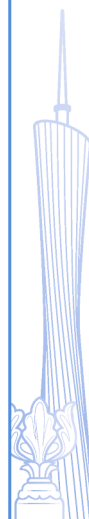
Name of director	Capacity/Nature of interest	Number of Shares <i>(Note 1)</i>	Approximate percentage of shareholding in the Company
Mr. Lao Chio Seng ("Mr. Lao") <i>(Note 2)</i>	Interest in a controlled corporation and interest of spouse	390,000,000 (L)	65%
Mr. Ip Kin Wa	Beneficial Owner	60,000,000 (L)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

Notes:

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

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

DIRECTORS' REPORT



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

As at 31 December 2022, so far as was known to any Directors or chief executive of the Company, the following interests (other than those of Directors and the chief executive) of which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or who were deemed to be directly or indirectly interested in 5% or more of the issued capital of the Company, or which were recorded in the register of interests required to be kept under Section 336 of the SFO or have notified to the Company were as follows:

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

Notes:

1. The letter "L" denotes the substantial shareholders' long position in the Shares.
2. Shares in which Mrs. Lao is interested consist of (i) 135,000,000 Shares held by WHM Holdings, a company wholly owned by Mrs. Lao, in which Mrs. Lao is deemed to be interested under SFO; and (ii) 255,000,000 Shares held by her spouse, Mr. Lao, in which Mrs. Lao is deemed to be interested in such Shares under the SFO.
3. Laos International is wholly owned by Mr. Lao, the controlling shareholder, Chairman and executive Director of the Company.
4. WHM Holdings is wholly owned by Mrs. Lao, the controlling shareholder of the Company.

Saved as disclosed above, as at 31 December 2022, no person had registered an interest or short position in the Shares or underlying Shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.



DIRECTORS' REPORT

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

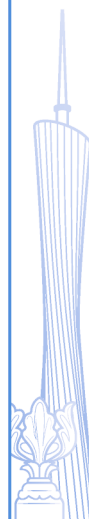
At no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate with the exception of granting of share options to subscribe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

NON-COMPETITION UNDERTAKING CONFIRMATION

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

- (i) not to, either on his/her/its own or in conjunction with any body corporate, partnership, joint venture or other contractual agreement, whether directly or indirectly, whether for profit or not, carry on, participate in, hold, engage in, acquire or operate, or provide any form of assistance to any person, firm or company (except members of our Group) to conduct any business which, directly or indirectly, competes or is likely to compete with the business of our Group in Macau and Hong Kong, including but not limited to the provision of construction works in Macau and Hong Kong (the “**Restricted Business**”);
- (ii) if any Covenantor and/or any Controlled Company is offered or becomes aware of any business opportunity which directly or indirectly engages in or owns a Restricted Business (the “**New Business Opportunity**”), to engage in the New Business Opportunity only if (a) a notice is received by the Covenantor from the Company confirming that the New Business Opportunity is not accepted and/or does not constitute competition with the Restricted Business (the “**Non-acceptance Notice**”); or (b) the Non-acceptance Notice is not received by the Covenantor within 30 days after the proposal of the New Business Opportunity is received by the Company.

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



NON-COMPETITION UNDERTAKING CONFIRMATION (Continued)

The Company confirms that each of the Covenantors have complied with the Deed of Non-Competition for the year ended 31 December 2022. In order to ensure the Covenantors have complied with the Deed of Non-Competition, the following actions have been taken:

- (i) the Company has required each of the Covenantors to give written confirmation to the Company on an annual basis as to whether he/she/it has complied with the Deed of Non-Competition for the year ended 31 December 2022;
- (ii) each of the Covenantors has provided to the Company such written confirmation (a) in respect of his/her/its compliance with the Deed of Non-Competition for the year ended 31 December 2022; and (b) stating that he/she/it has not been conducted any business, or has not been offered or becomes aware of any New Business Opportunity directly or indirectly relating to the Restricted Business for the year ended 31 December 2022; and
- (iii) the INEDs of the Company have reviewed the written confirmation made by the Covenantors of compliance by each of the Covenantors with the undertakings in the Deed of Non-Competition and have confirmed that, as far as they can ascertain, the Covenantors have complied with the Deed of Non-Competition.

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

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

RELATIONSHIP WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

Employees are regarded as manpower and valuable assets of the Group. Details of remunerations are set out in the section headed, "Management Discussion and Analysis" on page 82 of this annual report. The Group also recognises the importance of maintaining good relationship with business partners, customers, suppliers and sub-contractors to achieve its long-term business growth and development. Accordingly, the Group has kept good communications and shared business updates with them when necessary.



DIRECTORS' REPORT

CLOSURE OF REGISTER OF MEMBERS

For attending and voting at the AGM

The register of members of the Company will be closed from, Thursday, 15 June 2023 to Tuesday, 20 June 2023 (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, 14 June 2023.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the aggregate sales attributable to the Group's five largest customers and the aggregate purchases attributable to the Group's five largest suppliers were approximately 89.4% and 60.8% of the Group's sales and purchases respectively.

During the year, the aggregate sales attributable to the Group's largest customer and the aggregate purchases attributable to the Group's largest supplier were approximately 56.4% and 28.4% of the Group's sales and purchases respectively.

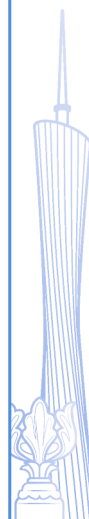
None of the directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's share capital) had any beneficial interest in the Group's five largest customers or suppliers.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Shares during the year ended 31 December 2022.

EMOLUMENT POLICY

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



ENVIRONMENTAL, SOCIAL AND GOVERNANCE

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

Both San Fong Seng Construction & Engineering Company Limited, a wholly-owned subsidiary incorporated in Macau, and Lap Polly, an indirectly non-wholly owned subsidiary of the Group and a subcontractor incorporated in Hong Kong, obtained the certifications of ISO 9001:2015, ISO 14001:2015 and ISO 45001:2018. These certifications demonstrated the Group achieved satisfactory performances in healthy and safe workplace requirements, services excellence and environmental protection.

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

Lap Polly requires its subcontractors to be in strict legal compliance with the applicable environmental protection laws and regulations during the whole term of engagement. During the year ended 31 December 2022, the Group did not receive any notice of environmental non-compliance in Hong Kong addressed either to Lap Polly or its subcontractors.

Discussions on the environmental, social and governance (“**ESG**”) policies, performance and compliance by the Group with the relevant laws and regulations that have a significant impact on the Group and the account of key relationships between the Group and our stakeholders is disclosed in the ESG report on pages 37 to 74 of this annual report.

CONNECTED TRANSACTION

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

RELATED PARTY TRANSACTIONS

Details of the related party transactions entered into by the Group are set out in note 32 to the consolidated financial statements. Such related party transactions do not fall under the definition of connected transaction or continuing connected transaction under Chapter 14A of the Listing Rules.



DIRECTORS' REPORT

CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 19 to 36 of this annual report.

COMPLIANCE WITH LAWS AND REGULATIONS

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

SUFFICIENCY OF PUBLIC FLOAT

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

AUDITORS

The consolidated financial statements have been audited by the Company's auditors, Baker Tilly Hong Kong Limited which retire and, being eligible, offer themselves for re-appointment in the forthcoming AGM of the Company. A resolution will be proposed to the Shareholders at the forthcoming AGM to re-appoint Baker Tilly Hong Kong Limited as the auditor of the Company.

EVENT AFTER THE REPORTING PERIOD

Subsequent to 31 December 2022, the Group obtained control over Jiangmen Jinying Construction and Engineering Company Limited and it became a subsidiary of the Group accordingly. The Company is still in the progress of preparing the initial accounting for business combination up to the date of this annual report.

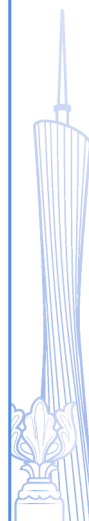
On behalf of the Board

Lao Chio Seng

Chairman and Executive Director

Macau, 27 March 2023

CORPORATE GOVERNANCE REPORT



INTRODUCTION

The Board of Directors (the “**Board**”) of AB Builders Group Limited (the “**Company**” together with its subsidiaries, the “**Group**”) is committed to achieving high standards of corporate governance to safeguard the interests of shareholders of the Company (the “**Shareholders**”), enhance the corporate value, formulate its business strategies and policies, and enhance its transparency and accountability.

CORPORATE GOVERNANCE PRACTICE

The Company firmly believes that strong corporate governance is the foundation to deliver the corporate objective of maximizing return to its stakeholders over the long term. The core of the governance structure is an effective and qualified Board which is committed to maintain a high standard of corporate governance, sound internal control and effective risk management to enhance transparency, accountability, integrity and honesty, in order to earn the confidence from our shareholders and other stakeholders and to safeguard the interests of shareholders.

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

From 1 January 2022 to 31 December 2022 and throughout the period to the date of this annual report (the “**Reporting Period**”), the Company has complied with the applicable code provisions as set out in the CG Code. The Company will enhance its corporate governance practices appropriate to the operation and growth of the business of the Group. The Directors will continue reviewing the Company’s corporate governance practices in order to enhance its corporate governance standard, to comply with the increasingly tightened requirements from time to time, and to meet the rising expectation on the Company.

DIRECTORS’ SECURITIES TRANSACTIONS

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

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

CORPORATE CULTURE AND STRATEGY

Corporate Culture

The Group aims to build up a long-term sustainable business model where Shareholders and other stakeholders can benefit in the shared value of corporate success. The Board together with the management identify the purpose, values and strategic direction of the Group and establish an organizational culture of maintaining and developing an effective corporate governance framework with stringent corporate governance practices and procedures through employee retention and training, robust financial reporting, data privacy, whistleblowing and anti-corruption policies, legal and regulatory compliance etc. The desired corporate culture is developed and reflected consistently across all levels of the Group’s operations, policies and procedures. The Board therefore considers that the purpose, values and strategy are aligned with the Group’s corporate culture.



CORPORATE GOVERNANCE REPORT

Corporate Strategy

In order to achieve the Group's principal objective of enhancing long-term values and interests to the Shareholders and other stakeholders, the Group focuses on achieving sustainable growth in both financial and environmental, social and governance ("ESG") aspect. The Group strives to balance the development in business and financial performance with ESG management. The "Chairman's Statement" on page 4 and the "Management Discussion and Analysis" on pages 75 to 83 in this annual report include discussions and analyses of the Group's performance, the basis on which the Board directs to generate the Group's core values in the long term and delivers the Group's corporate culture, strategy and objectives. The Group is increasingly conscious on ESG and focusing on supporting the global low-carbon and sustainable future transition. Further details on the Group's ESG initiatives and relationships with its key stakeholders are set out in the paragraphs headed in the "Environmental, Social and Governance Report" on pages 37 to 74 of this annual report.

BOARD OF DIRECTORS

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

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

Board Composition

The Board currently comprises eight Directors, consisting of five executive Directors and three independent non-executive Directors ("INEDs").

Executive Directors

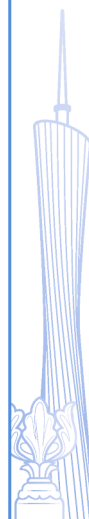
Mr. Lao Chio Seng (*Chairman*)
Ms. Lao Chao U (*Chief Executive Officer*)
Ms. Lao Ka U (*resigned on 27 January 2022*)
Dr. Roberto Gnanavelu (*appointed on 27 January 2022*)
Mr. Cheang Iek Wai
Mr. Ip Kin Wa

Independent Non-executive Directors

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

The biographical information of the Directors and relationship between board members are set out in the section headed "Biographical Details of Directors and Senior Management" on pages 84 to 93 of this annual report.

CORPORATE GOVERNANCE REPORT



BOARD OF DIRECTORS (Continued)

Independent Non-executive Directors (Continued)

The Board has a balanced composition of executive and independent non-executive Directors which can effectively provide independent view on the Board. The Board considers that each of the independent non-executive Directors brings his own relevant expertise to the Board. The Board has established mechanisms to ensure independent views are available to the Board as below:

(i) *Composition*

The Board ensures the appointment of at least three independent non-executive Directors and at least one-third of the Board members being independent non-executive Directors (or such higher threshold as may be required by the Listing Rules from time to time), with at least one independent non-executive Director possessing appropriate professional qualifications, or accounting or related financial management expertise. Further, the independent non-executive Directors are appointed to Board committees as required under the Listing Rules and as far as practicable to ensure independent views are available in meeting of various aspects.

(ii) *Board Decision Making*

Directors (including independent non-executive Directors) are entitled to seek further information from the management on the matters to be discussed at Board meetings and, where necessary, independent advice from external professional advisers at the Company's expense.

A Director (including independent non-executive Directors) who has a material interest in a contract, transaction or arrangement shall not vote or be counted in the quorum on any Board resolution/meeting approving the same.

(iii) *Independence Assessment*

The Nomination Committee strictly adheres to the nomination policy with regard to the nomination and appointment of independent non-executive Directors, and is mandated to assess the independence of independent non-executive Directors annually to ensure that they remain independent to provide the Board with independent advice continuously.

The Company has received independence confirmation in writing from each of the independent non-executive Directors and considers them as independent of the management and free of any relationship that could materially interfere with the exercise of their independent judgement. The Board currently do not have any long serving independent non-executive Directors.

(iv) *Compensation*

No equity-based remuneration with performance-related elements will be granted to independent non-executive Directors as this may lead to bias in their decision-making and compromise their objectivity and independence.

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS (Continued)

Independent Non-executive Directors (Continued)

The Board reviews annually the implementation and effectiveness of the above mechanism. During the year ended 31 December 2022, the Board at all times met the requirements of the Listing Rules relating to the appointment and Board independence of independent non-executive Directors. A list showing the role and functions of Directors and whether they are INEDs is maintained on the websites of the Stock Exchange and of the Company and updated where necessary.

Board Diversity Policy

The Company has a board diversity policy whereby it recognises and embraces the benefits of a diversity of Board members. It endeavors to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business. Board members appointments will be made on a merit basis with due regard for the benefits of diversity to the Board. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and industry and regional experience etc.

The Company targets to avoid a single gender Board by including at least one female in the board. The Board reviews the implementation and effectiveness of the gender diversity of the Board on annual basis with the business development of the Group. As at the date of this report, the Board comprises eight Directors, one of which are female. The Company believes the composition of different gender in the Board would bring positive inspiration and enhance the business development of the Group. Thus gender diversity is one of the essential factors for the Company to select suitable candidate as a Director. The following tables further illustrate the diversity of the Board members as of the date of this report:

Name of Director	Age group				Industry experience
	Below 40	40–49	50–59	60 or above	
Mr. Lao Chio Seng				✓	Construction industry
Ms. Lao Chao U	✓				Construction industry
Dr. Roberto Gnanavelu		✓			Construction industry
Mr. Cheang Iek Wai	✓				Corporate finance
Mr. Ip Kin Wa			✓		Construction and fitting-out industry
Mr. Chu Yat Pang Terry			✓		Corporate advisory and accounting
Mr. Choy Wai Shek, Raymond, MH, JP				✓	Advisory
Mr. O'Yang Wiley				✓	Accounting, legal and finance

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS (Continued)

Board Diversity Policy (Continued)

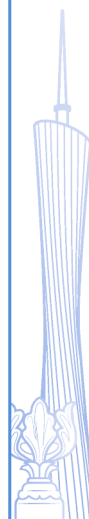
As at the date of this report, approximately 70% of the Company's workforce (including senior management) is male and approximately 30% is female. Same as the gender diversity of the Board, the Company targets to avoid a single gender workforce and will timely review the gender diversity of the workforce with the business development of the Group.

Board Meetings

From 1 January 2022 to 31 December 2022, 6 board meetings were held. Apart from regular board meetings, the Chairman also held a meeting with the INEDs without the presence of executive Directors.

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

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



CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS (Continued)

Board Meetings (Continued)

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

Name of Directors	Number of attendance/ Number of Board Meetings
Executive Directors	
Mr. Lao Chio Seng (<i>Chairman</i>)	6/6
Ms. Lao Chao U	6/6
Ms. Lao Ka U (<i>resigned on 27 January 2022</i>)	0/1
Dr. Roberto Gnanavelu (<i>appointed on 27 January 2022</i>)	4/5
Mr. Cheang Iek Wai	5/6
Mr. Ip Kin Wa	6/6
Independent Non-executive Directors	
Mr. Chu Yat Pang Terry	6/6
Mr. Choy Wai Shek, Raymond, <i>MH, JP</i>	6/6
Mr. O'Yang Wiley	6/6

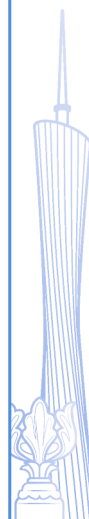
Chairman and Chief Executive Officer

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

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

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

CORPORATE GOVERNANCE REPORT



BOARD OF DIRECTORS (Continued)

Independent Non-executive Directors

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

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

Mr. O'Yang Wiley has renewed his letters of appointment with the Company for three years commencing from 11 June 2022 subject to the termination in certain circumstances as stipulated in the relevant letters of appointment.

Mr. Chu Yat Pang Terry and Mr. Choy Wai Shek Raymond, *MH, JP*, have renewed their letters of appointment with the Company for three years commencing from 16 August 2021 subject to the termination in certain circumstances as stipulated in the relevant letters of appointment.

Appointment and Re-election of Directors

Code provision B.2.2 states that every director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years.

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

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

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



CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS (Continued)

Responsibilities of the Directors

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

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

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

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

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

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

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

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS (Continued)

Continuous Professional Development of Directors

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

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

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

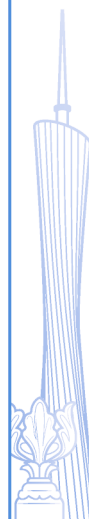
The Directors have participated in the following trainings during the year ended 31 December 2022:

Name of Directors	Type of Training ^{Note}
Executive Directors	
Mr. Lao Chio Seng (<i>Chairman</i>)	B
Ms. Lao Chao U	A&B
Dr. Roberto Gnanavelu	A&B
Mr. Cheang Iek Wai	A&B
Mr. Ip Kin Wa	A&B
Independent Non-executive Directors	
Mr. Chu Yat Pang Terry	A&B
Mr. Choy Wai Shek, Raymond, <i>MH, JP</i>	B
Mr. O'Yang Wiley	A&B

Note:

Types of Training:

- A: Attending training sessions, including but not limited to, expert briefings, seminars, conferences and workshops
- B: Reading relevant newspaper, journals, magazines and relevant publications





CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES

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

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

Audit Committee

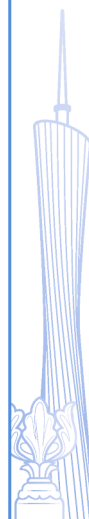
The Company established the Audit Committee on 17 August 2018 with written terms of reference in compliance with Rules 3.21 of the Main Board Listing Rules and paragraph D.3.3 of the CG Code. The primary duties of the Audit Committee include, but are not limited to, (a) making recommendations to the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

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

The Audit Committee held two meetings from 1 January 2022 to 31 December 2022 during which the Audit Committee, among other things, reviewed and approved the audited consolidated financial statements for the year ended 31 December 2021, the unaudited consolidated financial statements for the period ended 30 June 2022 and met the external auditors twice a year without the presence of the Executive Directors.

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

CORPORATE GOVERNANCE REPORT



BOARD COMMITTEES (Continued)

Remuneration Committee

The Company established the Remuneration Committee on 17 August 2018 with written terms of reference in compliance with Rules 3.25 to 3.27 of the Main Board Listing Rules and paragraph E.1.2 of the CG Code. The primary duties of the Remuneration Committee are to make recommendations to the Board on the overall remuneration policy and structure relating to all Directors and senior management of the Group; review performance based remuneration; ensure none of our Directors determine their own remuneration; to determine the criteria for assessing employee performance; review and approve compensation payable to executive Directors and senior management of the Group for loss or termination of office or appointment to ensure that it is consistent with contractual terms; and review and approve compensation arrangement relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms; and review and/or approve matters relating to share schemes under Chapter 17 of the Main Board Listing Rules.

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

Details of the remuneration of the senior management by band are set out in note 13 to the consolidated financial statement of this annual report.

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

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

Nomination Committee

The Company established the Nomination Committee on 17 August 2018 with written terms of reference in compliance with paragraph B.3.1 of the CG Code. The primary duties of the Nomination Committee are to review the structure, size, composition and diversity of the Board on a regular basis; identify individuals suitably qualified to become Board members; assess the independence of INEDs; and make recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors; make recommendations to the Board regarding candidates to fill vacancies on the Board and/or in senior management of the Group; and review the board diversity policy.



CORPORATE GOVERNANCE REPORT

NOMINATION PROCESS

(a) Appointment of New Director

- (i) The Nomination Committee and/or the Board should, upon receipt of the proposal on appointment of new director and the biographical information (or relevant details) of the candidate, evaluate such candidate based on the criteria as set out above to determine whether such candidate is qualified for directorship.
- (ii) If the process yields one or more desirable candidates, the Nomination Committee and/or the Board should rank them by order of preference based on the needs of the Company and reference check of each candidate (where applicable).
- (iii) The Nomination Committee should then recommend to the Board to appoint the appropriate candidate for directorship, as applicable.
- (iv) For any person that is nominated by a shareholder for election as a Director at the general meeting of the Company, the Nomination Committee and/or the Board should evaluate such candidate based on the criteria as set out under the Director Nomination Policy to determine whether such candidate is qualified for directorship.

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

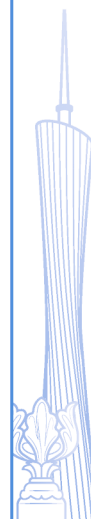
(b) Re-election of Director at General Meeting

- (i) The Nomination Committee and/or the Board should review the overall contribution and service to the Company of the retiring Director and the level of participation and performance on the Board.
- (ii) The Nomination Committee and/or the Board should also review and determine whether the retiring Director continues to meet the criteria as set out above.
- (iii) The Nomination Committee and/or the Board should then make recommendation to shareholders in respect of the proposed re-election of Director at the general meeting.

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

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

CORPORATE GOVERNANCE REPORT



NOMINATION PROCESS (Continued)

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

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

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

Name of Directors	Number of attendance/ Number of meetings
Mr. Choy Wai Shek, Raymond, <i>MH, JP (Chairman)</i>	2/2
Mr. Cheang Iek Wai	1/2
Mr. O'Yang Wiley	2/2

Corporate Governance Functions

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

RISK MANAGEMENT AND INTERNAL CONTROLS

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

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

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



CORPORATE GOVERNANCE REPORT

RISK MANAGEMENT AND INTERNAL CONTROLS (Continued)

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

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

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

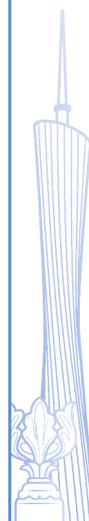
The management has reported to the Board and the Audit Committee on the effectiveness of the risk management and internal control systems for the year ended 31 December 2022. The Board and the Audit Committee considered the risk and management and internal control systems effective and adequate. No significant areas of concern that might affect shareholders were identified.

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

Procedures and internal controls include:

- i) Only designated persons are authorised to communicate the Company's corporate matters with investors, analysts, the media or other members of the investment community;
- ii) Directors should report to the CEO any potential or suspected inside information as soon as possible for her to consult the Board for determining the nature of developments, and if required, making appropriate disclosure;
- iii) Disclosure of inside information must be made in a manner that can provide for equal, timely and effective access by the public to the disclosed inside information.

CORPORATE GOVERNANCE REPORT



ENVIRONMENTAL POLICIES AND PERFORMANCE

The Board has overall responsibility for the Group's ESG strategy and reporting. The Board is responsible for the Group's ESG risk management and internal control systems to ensure that the ESG strategies and reporting requirements are met. Detailed information on the ESG practices adopted by the Group is disclosed in the ESG report on page 38 of this annual report.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2022.

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

The statement of the independent auditors of the Company about their reporting responsibilities on the consolidated financial statements is set out in the Independent Auditors' Report on pages 94 to 99.

AUDITOR

The consolidated financial statements of the Group for the year ended 31 December 2022 were audited by Baker Tilly Hong Kong Limited, who were appointed as the Company's auditor on 18 November 2021 to fill the casual vacancy following the resignation of Messrs. Deloitte Touche Tohmatsu. Save as disclosed above, there has been no other change of auditor for the preceding three years.

AUDITORS' REMUNERATION

During the year, the remuneration payable to the external auditor of the Company, Baker Tilly Hong Kong Limited, in respect of audit services for the year ended 31 December 2022 amounted to HK\$530,000.

The remuneration paid to the external auditor of the Company, Baker Tilly Hong Kong Limited, in respect of non-audit services representing the interim review for the six months ended 30 June 2022 amounted to HK\$150,000.



CORPORATE GOVERNANCE REPORT

COMPANY SECRETARY

The appointment and removal of the Company Secretary is subject to the Board's approval in accordance with the Articles of Association (the "**Articles**") of the Company. The Company's secretarial functions are outsourced to an external services provider. Mr. Wong Wah ("**Mr. Wong**") was appointed as the Company Secretary with effect from 30 September 2021. Mr. Wong, obtained a bachelor degree in accountancy from The Hong Kong Polytechnic University in December 2006. Mr. Wong worked in PricewaterhouseCoopers until January 2016. From January 2016 to June 2018, Mr. Wong was the group financial controller, company secretary and authorised representative of AV Promotions Holdings Limited, the shares of which are listed on the GEM of the Stock Exchange (stock code: 8419). From June 2018 to September 2020, Mr. Wong was the chief financial officer and company secretary of a private company. Mr. Wong was the company secretary and an authorised representative of K Group Holdings Limited, the shares of which are listed on the GEM of the Stock Exchange (stock code: 8475), from October 2020 to October 2021. He has been an independent non-executive director of Global Uin Intelligence Holdings Limited (previously known as Global Dining Holdings Limited), the shares of which are listed on the GEM of the Stock Exchange (stock code: 8496) since February 2021. He was an independent non-executive director of S&S Intervalue China Limited, the shares of which are listed on the GEM of the Stock Exchange (stock code: 8506) during the period from August 2021 to June 2022. Mr. Wong has been a member of the Hong Kong Institute of Certified Public Accountants since January 2010.

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

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

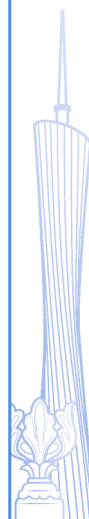
SHAREHOLDERS' RIGHTS

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

Convening an Extraordinary General Meeting

According to article 64 of the Articles, any one or more Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary of the Company, to require an extraordinary general meeting ("**EGM**") to be called by the Board for the transaction of any business specified in such requisition.

CORPORATE GOVERNANCE REPORT



SHAREHOLDERS' RIGHTS (Continued)

Convening an Extraordinary General Meeting (Continued)

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

Putting Forward Enquiries to the Board and Contact Details

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

Address:	Bright Communications International Limited Flat C, Yue Cheong Center 1–3 Wong Chuk Yeung Street Fo Tan N.T.
Tel:	(852) 4637 1627
Fax:	(852) 2643 2300
Email:	ir@brightcommns.com

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

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS/INVESTOR RELATIONS

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company endeavours to maintain an on-going dialogue with Shareholders in order to enable the Shareholders to exercise their rights in an informed manner and allow them to engage actively with the Company. Information will be communicated to the Shareholders through the Company's website, corporate email, financial reports, AGM and other extraordinary general meetings as well as all the published disclosures submitted to the Stock Exchange. At the AGM, directors (or their delegates as appropriate) are available to meet Shareholders and answer their enquiries.

The Company has reviewed the implementation and effectiveness of the Shareholders communication policy during the year and concluded that it is effective. The Company has not made any changes to its Articles since the Listing Date. An up to date version of the Articles is also available on the Company's website and the Stock Exchange's website.

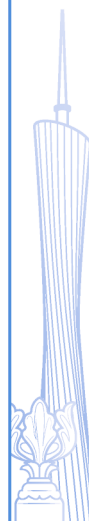


CORPORATE GOVERNANCE REPORT

DIVIDEND POLICY

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

ENVIRONMENTAL, SOCIAL & GOVERNANCE REPORT



ABOUT THIS REPORT

AB Builders Group Limited (the “**Company**”), together with its subsidiaries (hereafter “**AB Builders**”, the “**Group**”, “**we**” or “**our**”) is one of the major contractors in Macau for more than two decades. Our service field includes structural work comprising substructure and superstructure work, as well as fitting-out work through our subsidiary, the Macau-incorporated San Fong Seng Construction & Engineering Company Limited. The Group also provides engineering and building construction services in Hong Kong through Lap Polly Engineering Company Limited.

By integrating environmental, social, and governance (“**ESG**”) concepts and practices into our operational processes, we are dedicated to establishing enduring relationships with stakeholders and the community. We are delighted to publish our ESG report (the “**Report**”), which highlights our ESG initiatives and outcomes.

Scope of Report

The Report analyses the Group’s ESG management strategies, environmental and social performance, and material topics during the year from 1 January 2022 to 31 December 2022 (the “**Reporting Period**”, “**2022**”) which includes the Group’s key businesses and the major construction projects as carried out by its subsidiaries:

- San Fong Seng Construction & Engineering Company Limited located in Macau; and
- Lap Polly Engineering Company Limited located in Hong Kong¹.

This Report focuses on our principal construction business. The scope of data remains identical to those in prior years, unless otherwise indicated. The Group will keep examining the scope of reporting on a regular basis in accordance with our materiality standards and the opinions of major stakeholders.

Reporting Standard

This Report has been prepared in accordance with the “Environmental, Social and Governance Reporting Guide” (“**ESG Reporting Guide**”) under Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**HKEx**”).

¹ The office of Lap Polly Engineering Company Limited in Hong Kong is not in operation during the Reporting Period.

ENVIRONMENTAL, SOCIAL & GOVERNANCE REPORT

Reporting Principles

The Group follows the ESG Reporting Guide reporting principles for materiality, quantitative, balance and consistency while presenting its ESG disclosures:

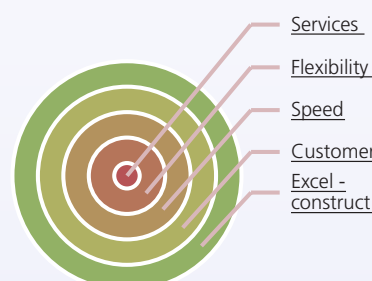
Materiality	Quantitative
To identify the ESG factors that are important to us and to decide the direction of the Report, we conducted a materiality assessment. The materiality matrix and key aspects of stakeholder engagement are described in the section of Stakeholder Engagement and Materiality Assessment.	All the data presented, as well as the environmental and social key performance indicators (“ KPIs ”), were obtained and computed using a range of standardised procedures that are described in the respective sections.
Balance	Consistency
The Report was composed objectively. The board of directors (the “ Board ”) has acknowledged its role to oversee the Company’s sustainable development and examine the veracity, accuracy and completeness of the Report.	Unless otherwise stated, the reporting scope and methodology used in the preparation of the Report were the same as those adopted in the previous years. To enable a meaningful comparison of our performance over time, we devised a consistent approach of managing environmental and social data.

Contact and Feedback

The Company puts forth efforts to establish a solid relationship with the stakeholders. We develop our corporate strategies with the interests of our stakeholders in mind; therefore, we value your opinion on our ESG Report and our sustainability performance. You are welcome to reach us via infoservice@abbuildersgroup.com if you have any feedbacks.

OUR SUSTAINABILITY APPROACH

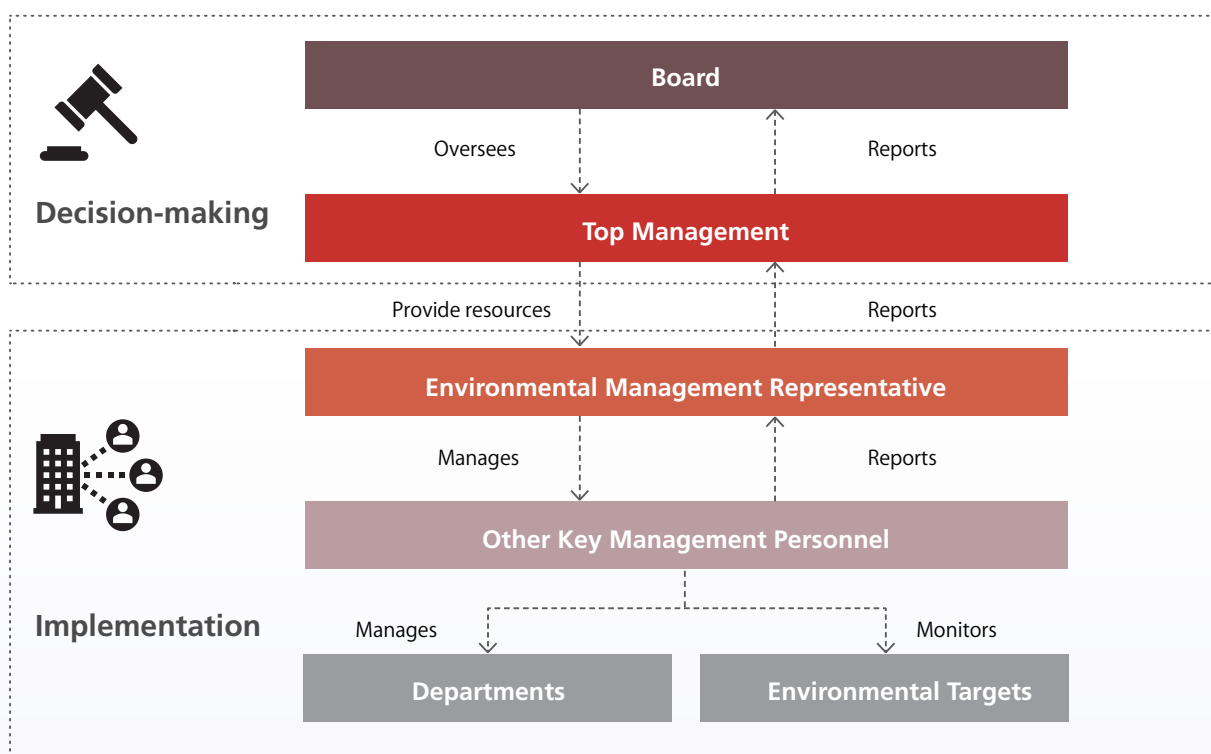
We are fully dedicated to fulfilling our objectives as a reputable company in the civil and construction contracting sectors of Macau by offering top-notch services and establishing an encouraging working atmosphere for both our customers and staff members. The Group upholds the highest standards of corporate ethics to establish itself as a reliable business partner, in alignment with our motto, “Honesty, Customer-orientated and Good Services”. Our values, “SFSCE”, which are consistent with the initials of our subsidiary, San Fong Seng Construction & Engineering Company Limited, have been a driver for us to enhance employee well-being, service quality, product responsibility, business integrity standard, environmental stewardship and community involvement along our sustainability pathway.



ENVIRONMENTAL, SOCIAL & GOVERNANCE REPORT

ESG Governance

In the interest of fully articulating the Group's ESG vision and mission, commitment and management approach, as well as the role of the Board and other key personnel, the Group has formulated its ESG strategy. The following key members of management work closely with the Board, which oversees the Group's governance, in leading our ESG management:



ENVIRONMENTAL, SOCIAL & GOVERNANCE REPORT

The Board is ultimately accountable of the Group's ESG affairs. The following are the main ESG responsibilities of the Board and other management personnel:

Roles	Responsibilities
The Board 	<ul style="list-style-type: none"> To assess and identify the Group's ESG-related opportunities and risks To assure that ESG risk management and internal control mechanisms are adequate and effective To determine the Group's approach, strategy, priorities, and goals for ESG management To regularly assess the Group's ESG initiatives and achievement with respect to ESG-related objectives and benchmarks To approve the Report
Top Management 	<ul style="list-style-type: none"> To report major ESG observations to the Board To devise and refine the Group's ESG strategy, policy, and goals to ensure conformity with pertinent laws and statutory requirements To provide the resources (e.g. human resources, equipment, technology, methodology and financial resources) required for the ESG strategy formation, adoption, upkeep and continuous improvement
Environmental Management Representative 	<ul style="list-style-type: none"> To deploy resources for the environmental management system formulation, adoption, upkeep, and ongoing development To make sure that the environmental management system ("EMS") is developed, adopted, administered and enhanced over time in accordance with the international standard To address the opportunities and risks associated with our environmental responsibilities, compliance requirements, and other identified issues and challenges
Other Relevant Management Personnel 	<ul style="list-style-type: none"> To keep track of the Group's ESG effectiveness through meetings and approve related documents To govern the overall operations of each department To ensure that all work-related policies and procedures have been established, monitored, undertaken and communicated to the employees To regularly coordinate safety protocols with government bodies To keep track of the advancement of the environmental goals each department has established

ENVIRONMENTAL, SOCIAL & GOVERNANCE REPORT

In order to deal with the environmental issues and ensure our business activities comply with relevant environmental laws and policies, we also include environmental policy in our EMS and specify our ESG management structure in the Environmental Management Manual.

Highlights of Our EMS Goals

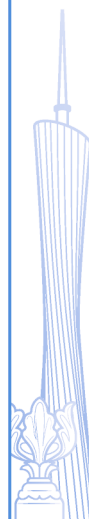
- To keep on leading the market by recognising the needs and anticipation of customers in order to deliver the most reliable and high-quality services
- To offer exceptional products and services that address consumer needs through effective communication
- To empower our employees to offer exceptional services by providing ideal working conditions, as well as favourable facilities, equipment, and training
- To establish a guideline with specific environmental and safety goals and milestones
- To commit to continuous improvements, focusing on issues that are important to our operations, such as environmental protection, pollution mitigation and prevention, taking into account full life cycle of our products and services, sustainable resource use, injury and illness prevention
- To adhere to environmental and safety laws and regulations
- To systematically assess the quality, environmental, and safety goals and targets in our operations yearly to make sure they are in line with the Group's core values of SFSC

ESG Risk Management

The Board has the overall responsibility to continuously monitor and assess the Group's internal control system, operations and ESG risk management system. The Board is ultimately in charge of the Group's ESG risk management. Aiming to ensure that organisational competencies and resources are recognised and deployed in an efficient and effective way, as well as complying with the Group's values, a set of risk management policies have been developed and implemented.

In a bid to demonstrate effective risk and opportunity management, which is incorporated into the risk management hierarchy to outline the risk and opportunity according to four business levels, an assessment of the internal and external issues is conducted to identify the risk and opportunity through the Group's daily operations.

We commissioned an independent consultant to conduct the ESG risk assessment during the Reporting Period, and the identified ESG risks have been integrated into our risk management framework. Some significant risks were noted and are presented in the following table. The implications of the risks have been addressed by our mitigation measures, which are being reviewed from time to time.





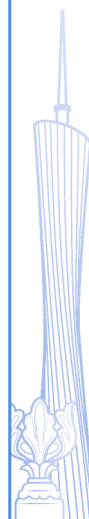
ENVIRONMENTAL, SOCIAL & GOVERNANCE REPORT

Key Risks	Impacts and Our Responses
Widespread Diseases Risk	<p>The threat of diseases and pandemics may negatively impact the Group's workforce's health and safety.</p> <p>The Group has implemented precautions and controls that were established in accordance with the 2019 novel coronavirus ("COVID-19") Epidemic Prevention and Measures Management Procedures, including regular cleaning and disinfection, the instruction of wearing face mask at work, and the requirement of health declaration of employees' and visitors' health status.</p>
Climate Physical Risk	<p>Extreme weather events and climatic catastrophes may have an impact on the Group's daily operations and finances.</p> <p>To protect against and respond to environmental hazards brought on by unforeseen events, we have prepared an emergency contingency plan. Our financial planning and ESG management strategies may take into account the operational and capital costs associated with climate risks.</p>

Community Engagement






As a component of our social commitment, AB Builders is committed to developing enduring relationships with the community. In order to build long-lasting relationships with local stakeholders, the Group encourages volunteering and community engagement by organising and supporting community events, with a specific focus on education and development, poverty alleviation and disaster relief. In 2022, we participated in Macau Walk for a Million with a total of MOP 5,000 being raised. Funds raised were donated to charities for public welfare.

ENVIRONMENTAL, SOCIAL & GOVERNANCE REPORT




STAKEHOLDER ENGAGEMENT

The Group understands that a key component of a successful ESG strategy is forging lasting relationships with stakeholders. In order to understand the anticipations and concerns of internal and external stakeholders on our ESG achievements and Group's operations, we are dedicated to developing a variety of communication channels. Our platforms for interacting with various stakeholder parties are listed below:

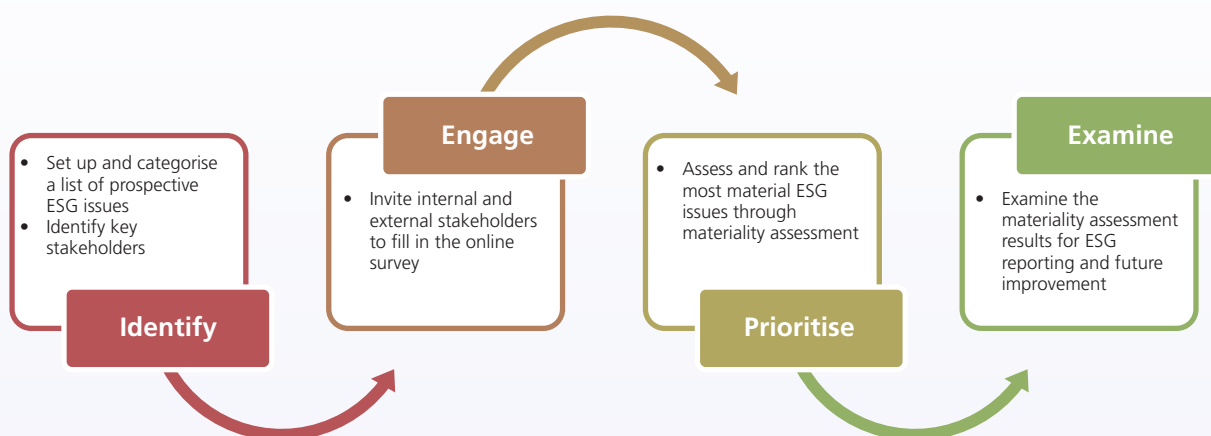
Stakeholder Groups	Engagement Channels	Concern Topics
Investors and shareholders 	<ul style="list-style-type: none"> • Company website • Company's announcements • General meetings • Annual and interim reports 	<ul style="list-style-type: none"> • Profit and return • Compliance obligation • Corporate governance
Customers 	<ul style="list-style-type: none"> • Company website • Customer direct communication • Customer feedback and complaints 	<ul style="list-style-type: none"> • Quality of works • Data security • Environmental-friendly operation
Employees 	<ul style="list-style-type: none"> • Training and orientation • Email and opinion box • Regular meetings • Employee performance evaluation • Employee activities 	<ul style="list-style-type: none"> • Labour rights • Employee remuneration and benefits • Healthy and safe working environment • Training and development
Suppliers and business partners 	<ul style="list-style-type: none"> • Selection assessment • Procurement process • Performance assessment • Regular communication with business partners (e.g. email, meetings, on-site visit etc.) 	<ul style="list-style-type: none"> • Operational efficiency • Stable and trust-worthy business relationship
Government authorities and regulators 	<ul style="list-style-type: none"> • Documented information submission • Compliance inspections and checks • Forums, conferences and workshops 	<ul style="list-style-type: none"> • Compliance • Report and document submission • License registration

ENVIRONMENTAL, SOCIAL & GOVERNANCE REPORT

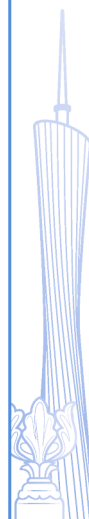
Stakeholder Groups	Engagement Channels	Concern Topics
Community and non-governmental organisations 	<ul style="list-style-type: none"> • Company website • Community activities • Email and hotline 	<ul style="list-style-type: none"> • Community support • Pollution • Product health and safety
Media 	<ul style="list-style-type: none"> • Company website • Company's announcements 	<ul style="list-style-type: none"> • Quality of works • Compliance

We have carried out a materiality assessment in order to identify the ESG issues that are significant to the Group in developing optimal strategies on ESG management. To develop management plans for such ESG issues, the independent consultant has performed a materiality assessment in the form of an online survey.

The Board, employees, suppliers, and other significant stakeholders of the Group were asked to respond to the questionnaire outlining 27 ESG issues that are trending. Such issues were prioritised by the stakeholders, and the survey's findings were examined and summarised in the materiality matrix shown below. The significance of the ESG issues to stakeholders and the Group's business operation increases from the lower-left corner to the upper right corner:

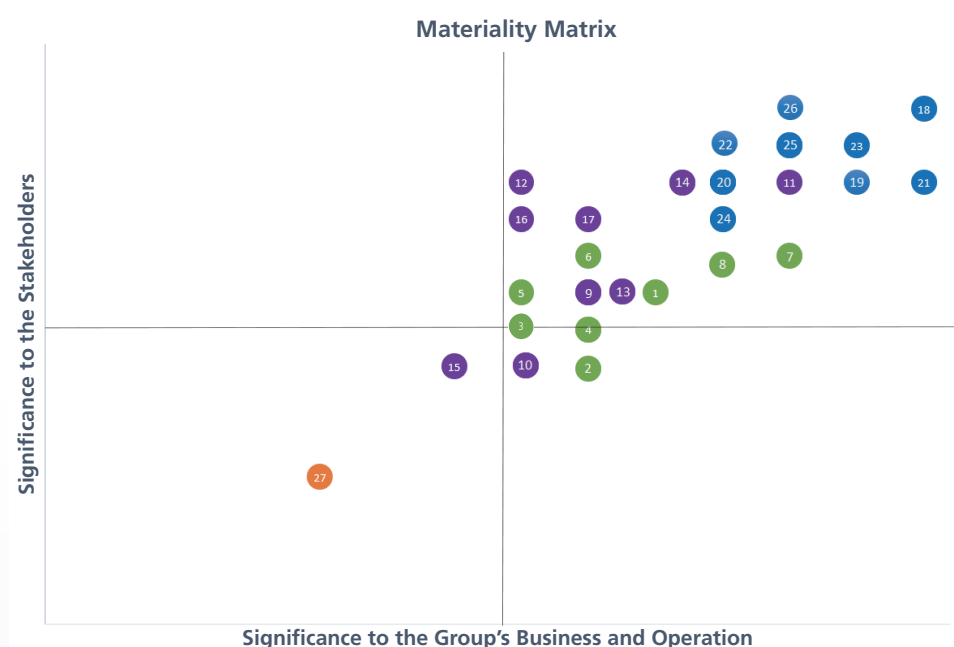


ENVIRONMENTAL, SOCIAL & GOVERNANCE REPORT



MATERIALITY ASSESSMENT

Following data analysis on the materiality assessment, a variety of ESG-related issues were chosen for materiality evaluation. The relevance of such issues to the Group and its stakeholders were examined in order to help us identify the gap between our development trajectory and the expectations of the stakeholders. The following ESG issues are prioritised and indicated in the materiality matrix:



Environment	Social	
	Employment	Operation
1. Air emission 2. Greenhouse gas emission 3. Climate change 4. Energy efficiency 5. Water and effluents 6. Use of materials 7. Waste management 8. Environmental compliance	9. Labour rights 10. Labour-management relations 11. Employee retention 12. Diversity and equal opportunity 13. Non-discrimination 14. Occupational health and safety 15. Employee training 16. Employee development 17. Prevention of child labour and forced labour	18. Customer satisfaction 19. Product and service quality and complaints handling 20. Customer health and safety 21. Marketing and product and service labelling compliance 22. Intellectual property 23. Customer privacy and data protection 24. Responsible supply chain management 25. Business ethics 26. Socio-economic compliance
Community		
27. Community investment		

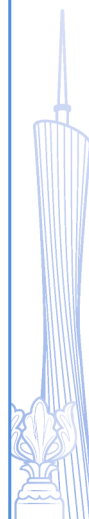
ENVIRONMENTAL, SOCIAL & GOVERNANCE REPORT

We classified the ESG issues into three categories to enable stronger business planning and resource distribution, namely High, Medium, and Low. Located on the upper right corner of the matrix are the most significant issues to the Group's business operations and our stakeholders. Understanding our stakeholders' concerns, we are devoted to strengthening our ESG competitiveness, leadership and practices.

Key Concerns from Stakeholders	Our Responses	Section
<ul style="list-style-type: none"> Customer satisfaction Product and service quality and complaints handling Marketing and product and service labelling compliance 	<p>We are aware that the growth of our company depends on the exceptional quality of construction. The quality management system ("QMS") for the Group has earned accreditation to the global standard ISO 9001:2015, which provides a framework for creating quality-related goals and plans, for our construction projects, and regulates how we handle customer expectation, feedbacks and complaints. During the Reporting Period, the Group was not aware of any material non-compliance with laws and regulations relating to advertising and labelling matters.</p>	<p>SERVICE AND PRODUCT RESPONSIBILITY — Services and Product Excellence — Customer Services</p>
<ul style="list-style-type: none"> Customer privacy and data protection 	<p>The Group is aware the importance of privacy to the stakeholders. In order to maintain effective control on our employees' conduct over information security, the Group has developed a confidential information policy that is specified in the Staff Handbook. Our employees and vendors are bound by the non-disclosure agreement over customer information.</p>	<p>SERVICE AND PRODUCT RESPONSIBILITY — Privacy Protection</p>
<ul style="list-style-type: none"> Business ethics 	<p>We have been striving to develop an ethical corporate culture. Based on the Group's legal, ethical, and professional behavioural standards, the Code of Conduct has been established for employees to adhere to, with our ethics and compliance function overseeing the conformance status among all employees of the Group.</p>	<p>ETHICAL BUSINESS</p>
<ul style="list-style-type: none"> Socio-economic compliance 	<p>We comply with all regulatory requirements that are relevant to our business. The Group was not aware of any non-compliance with applicable laws and regulations in 2022.</p>	<p>All relevant sections</p>

ENVIRONMENTAL, SOCIAL & GOVERNANCE REPORT

Key Concerns from Stakeholders	Our Responses	Section
<ul style="list-style-type: none"> Employee retention 	<p>We advocate mutual growth of employees. We are keen on advancing employees' career development and well-being, and addressing labour-related issues such as occupational health and safety, preventing child and forced labour, labour rights, labour-management relations, and workplace inclusiveness. To enable employees to fully utilise their talents and potential, we also place a great emphasis on offering on-the-job training.</p>	CARE FOR OUR EMPLOYEE



ENVIRONMENTAL, SOCIAL & GOVERNANCE REPORT

CARE FOR OUR EMPLOYEES

Employees contribute greatly to the Group's growth. The Group is committed to investing a substantial amount of resource in advancing employees' career development and well-being, and addressing labour-related issues such as occupational health and safety, preventing child and forced labour, labour rights, labour-management relations, and workplace inclusiveness. To enable employees to fully utilise their talents and potential, we also place a great emphasis on offering on-the-job training.

The employment figures as at the end of the Reporting Period and in the previous years are summarised below:

Employee Data		2022	2021
Total number		56 ²	136
By gender	Male	71.43%	80.15%
	Female	28.57%	19.85%
By age group	Below 30	1.79%	5.15%
	30 to 50	64.29%	61.03%
	Over 50	33.93%	33.82%
By geographical region	Hong Kong	10.71%	11.77%
	Mainland China	28.57%	43.38%
	Macau	60.71%	44.85%
By employment type	Senior Management	17.86%	10.30%
	Management/Supervisor	25.00%	8.82%
	General Staff	57.14%	80.88%

Employee Turnover Rate ³		2022	2021
Total		151.79% ⁴	44.12%
By gender	Male	177.50%	44.55%
	Female	87.50%	62.50%
By age group	Below 30	300.00%	100.00%
	30 to 50	133.33%	48.65%
	Over 50	178.95%	38.64%
By geographical region	Hong Kong	150.00%	114.29%
	Mainland China	281.25%	49.15%
	Macau	91.18%	44.07%

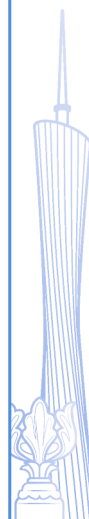
² The total workforce downsized when compared with 2021 as the number of projects reduced in 2022.

³ The turnover rate is calculated by using the formula below:

$$\text{Turnover rate} = \frac{\text{The total number of employee who left during the Reporting Period}}{\text{The total number of employee as at 31 December 2022}} \times 100\%$$

⁴ The employee turnover rate increased by a larger extent in 2022 as the employee mobility of site attendants was high given the job nature and the downsized workforce.

ENVIRONMENTAL, SOCIAL & GOVERNANCE REPORT



Employee Remuneration and Welfare

We understand that offering fair and attractive remuneration is the most direct means of motivating and retaining the employees. In order to recruit, empower and retain our employees, we develop and carry out attractive remuneration program that combines basic salary with short-or long-term economic incentives, such as discretionary bonuses for workers who exhibit exceptional performance at work. To remain compliant with all relevant rules and regulations, we constantly monitor and assess market trends and industry practices.

The Group endeavours to foster a favourable work atmosphere for its employees by allowing them the flexibility to balance their personal requirements with their job. In addition to paid and statutory holidays, we provide a variety of benefits for employees to enable them to attain work-life balance.

Paid Leaves	
Sick Leave	Maternity Leave
Bereavement Leave	Paternity Leave
Marriage Leave	Jury Duty Leave
Fund Contributions	
Mandatory Provident Fund (Hong Kong)	Social Security System (Macau)
Other Benefits	
Medical Benefits	Personal Accident Insurance
Year-end Bonus	

During the Reporting Period, the Group had no material non-compliance with applicable laws relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, other benefits and welfare, and child and forced labour in Hong Kong and Macau, such as “Employment Ordinance” of Hong Kong, “Occupational Safety and Health Ordinance” of Hong Kong and the “Regulation on Prohibition of Illegal Work” of Macau.

Healthy and Safe Workplace

The Group is committed to investing a considerable amount of resource in keeping our workplace free of occupational health hazards as well as ensuring effective management of occupational health and safety, labour rights and labour-management relations. Also, we place a high priority on upholding outstanding employment standards and providing a welcoming and inclusive workplace that is free from discrimination and child and forced labour.

ENVIRONMENTAL, SOCIAL & GOVERNANCE REPORT

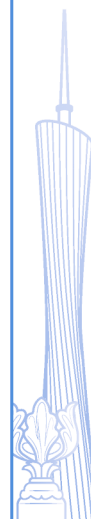
In order to effectively manage occupational health and safety risks, we keep enhancing the Environmental, Health and Safety (“EHS”) Management System. The ISO 45001:2018 certified Occupational Health and Safety (“OHS”) Management System was brought in for systematic safety management of our building construction and fit-out projects, in line with our “Safety First and Prevention-oriented” approach across the business operations.



ISO 45001: 2018 OHS Management System for Macau and Hong Kong Subsidiaries

Robust and systematic EHS policies have been devised to identify and address all potential hazards, such as fire safety procedures and hazardous waste management. The EHS policies are being implemented in the frontline through relevant safety precautions and internal regulations. Our subcontractors are required to adhere to the same degree of precautionary safety measures that we implement in order to meet our rigorous safety requirements.

ENVIRONMENTAL, SOCIAL & GOVERNANCE REPORT



Implementation & Supervision

- Maintain a safety team that is made up of employees from management level and on-site supervisors on each of our construction sites
- Develop and periodically evaluate OHS goals and approach
- Conduct on-site safety inspections and monitoring on both regular and irregular grounds to identify operational infractions
- Designate qualified personnel to inspect high-risk tasks

Staff Awareness

- Organise periodic training on operation of machinery, fire prevention, occupational safety and the most recent regulatory criteria
- Provide sufficient and proper protective gears for construction workers
- Install eye-catching signage and safety information on sites
- Require employees to participate in product safety inspection induction training

Risk Mitigation

- Regularly conduct evacuation drills to assure employees are aware with evacuation procedures
- Maintain a contingency plan
- Conduct comprehensive investigation in the event of any unforeseen work-related accidents

During the Reporting Period, there was one case of work-related injuries. The Group was not aware of any material non-compliance with laws and regulations relating to providing a safe working environment and protecting employees from occupational hazards, including “Occupational Safety and Health Ordinance” (Hong Kong) and “Legal Regime on Compensation for Damage Arising from Work Accidents and Occupational Disease” (Macau).

	2022	2021	2020
Work-related fatalities	—	—	—
Lost day(s) due to work injuries	—	—	N/A ⁵
Number of work-related injuries	1	—	—

Epidemic Control & Prevention

The Group has developed the COVID-19 Epidemic Prevention and Measures Management Procedures in response to the ongoing spread of the COVID-19 and established the Internal Epidemic Prevention team, which is led by the administrative and human resources departments and supports business operations in the constantly evolving COVID-19 circumstance. To facilitate our staff to report any critical issues and to help with quick communication for better reaction planning and implementation, a general and emergency hotline has been established.

⁵ The figures for 2020 are not available. The internal data collection system was refined in 2021.



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Rigorous sanitation and hygiene procedures are implemented in the workplace to safeguard our employees from health risks. We kept up with our controls and precautions for all employees and visitors during the Reporting Period, including limiting external meetings and requiring both staff and guests to check their body temperatures and declare health status at checkpoints.

Diversity, Equality and Inclusiveness

Diversity, equality and inclusiveness serve as the cornerstones for accomplishing the Group's mission while reducing conflicts and enhancing our brand. The Group firmly prohibits any form of discrimination or harassment based on race, gender, religion, age, nationality, ethnic origin, marital status, disability, or any other non-work-related characteristics in order to promote a diverse and inclusive workplace, as outlined in our Employee Handbook and Code of Conduct. Every employee receives equal and fair treatment, and all hiring choices are made solely on the basis of each individual's skills, aptitude, and experience during the recruiting, training, performance review, promotion, and other relevant phases.

Labour Standards

We provide guidelines on human resources management, including hiring, working hours, rest intervals, attendance, performance assessment, promotion, dismissal, employment discipline, and additional compensation and benefits as stated in our Employment Policy and Employee Handbook.

Safeguarding human rights is a significant priority for our standard of ethics at work. Our policy is to maintain and promote the security of human rights in the workplace, and we are committed to achieving this objective. The use of child labour, forced labour, or coercion, including physical punishment, is not permitted in any of our activities.

The Staff Handbook outlines our standards and guidelines for how we uphold labour laws, prevent and address instances of child labour, as well as other pertinent issues. We pledge to adopt the following practices:

Background Check

- Conducting background and documentation checks on each applicant during the hiring procedure to ensure that they are at the legal age to work

Employment Contract

- Requiring employees to enter into a legally binding employment contract before employment commences

Whistleblowing Mechanism

- Providing a whistleblowing channel for reporting any unjust treatment

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If any evidence of child labour is found, a rectification procedure will be initiated to provide the minors with the best possible support and to lessen any possible adverse impacts on them. A specialist team will be established to conduct prompt investigations and take appropriate action after receiving concerning cases.

Moreover, we ensure that none of our employees will engage in any form of forced labour and that all their work is done with their consent. We provide our employees with complaint channels to report any instances where forced labour may be taking place, and we then thoroughly investigate the allegations made by the employees. The same procedure is applied to our supply chain as well. If any indication of child or forced labour is discovered in our supply chain, prompt remedial actions will be taken.

To effectively handle all employment-related issues, a variety of policies covering recruitment and termination, performance assessment, promotion, attendance monitoring, wage and welfare, and employee conduct have been developed and established. Through the provision of regular training, all employees are made aware of the employment standards as well as respective rights and duties. Any suspected inappropriate conduct will be investigated instantly, and major offenses may be subject to referral to the relevant authorities and/or disciplinary action.

The Group was not aware of any material non-compliance with the law or any regulations relating to child and forced labour in Hong Kong and Macau during the Reporting Period, including Hong Kong "Employment of Young Persons (Industry) Regulation" and Macau "Labour Law".

Development and Training

We are aware that the success of the Group depends on the professional development and progress of our employees. It is also crucial to foster a culture of continuous development and unleash the full potential of all our staff members. As a result, the Group strives to create a workplace culture that values knowledge. By offering a range of training programs and enabling healthy competition among our staff, we actively encourage our employees to further enhance their skills and opportunities, enabling them to grow together with us.



Excellent Management Training Programme

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In order to organise our training programmes efficiently, a yearly training plan is established in line with the Group's strategy, functional demands, work requirements and personnel needs. All new hires receive induction training to learn about the company culture, guidelines, regulations and regulatory requirements, among other aspects, to help them efficiently navigate their new working environment.

It is also expected for onsite workers to take part in internal training sessions, such as toolbox presentations, to gain the information and skills they need to take on their duties. In addition to internal training opportunities, we provide tuition reimbursement for external training programs to motivate workers to advance their knowledge and skills relevant to their jobs. We provide an array of development opportunities that are thoughtfully designed to advance technological proficiency, leadership abilities, and professional conduct. Employees received approximately 66 hours of training, as indicated below:

	2022	2021
Total number of hours of training received by employees	66 ⁶	193
Average hours of training per employee (% of employees who received training) ⁷	1.18 (19.64%)	1.42 (5.15%)
By gender		
Male	1.31 (1.75%)	1.27 (71.43%)
Female	1.06 (17.65%)	2.04 (28.57%)
By employee category		
Senior Management	1.20 (20.00%)	3.93 (28.57%)
Middle Management	2.14 (35.71%)	5.83 (14.29%)
General Staff	0.75 (12.50%)	0.62 (57.14%)

Relationship with Employees

We are dedicated to promoting work-life balance as we understand how vital it is to maintain employees' mental and physical wellness. We are determined to support all our employees in thriving in different conditions, assisting them in adapting to changes, and boosting their resilience. We understand that a more inviting and peaceful workplace can boost collaboration within our company. We are able to win our employees' confidence and strengthen their sense of connection by creating easily accessible communication channels, such as staff meetings and routine internal activities.

We regularly organise outdoor activities for employees to participate in, so as to facilitate team building, build relationship among employees and promote work-life balance. Special gatherings will be held in major festivities, enabling employees to come together to share the joy and blessing.

⁶ The decrease in total hours of training is attributed to reduced project-based training, as the number of projects has decreased in 2022.

⁷ Percentage of employees who received training is calculated by dividing the number of trained employees of each category by total trained employees.

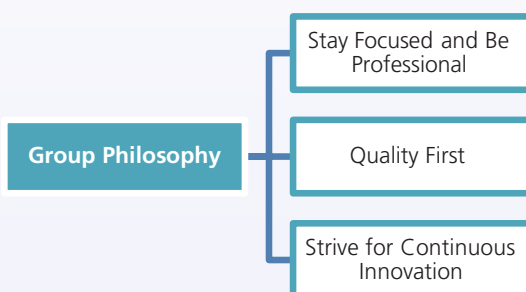
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Christmas and Mid-autumn Festival Gatherings

SERVICE AND PRODUCT RESPONSIBILITY

We recognise that exceptional construction quality is a vital aspect in our Company's success. It is connected to construction safety and customer satisfaction; thus we are focused on achieving product quality and establishing customer loyalty in every aspect, from the supply chain to customer experience and after-sales services, in accordance with the Group's philosophy.



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Services and Product Excellence

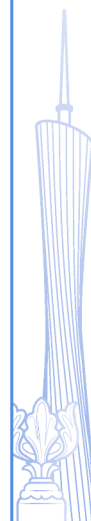
The Group's QMS offers a structure for developing quality-related targets and strategies as well as remedial and preventative measures for our construction works. It has been accredited to the international standard ISO 9001:2015. We ensure effectiveness of the QMS by identifying four core process groups and managing their inputs, activities, controls, outputs, and interfaces. These core process groups consist of:



Apart from performing QMS analysis to identify the risks and opportunities inherent in each process, we employ KPIs that are tied to our objectives to regulate and monitor our processes. We take into account customer satisfaction statistics, monitoring and measuring findings, audit results, indications pertaining to non-conformities, objectives, the performance of our processes and the conformance of our products, as well as remedial actions, where applicable.

In order to not only fulfil but also exceed consumer expectations for product quality, safety, sustainability, affordability and timeliness, a quality management team composed of a QMS manager and an internal control officer has also been established to monitor the adoption, upkeep and ongoing improvement of the QMS as well as to make sure that the Group complies with all relevant laws and regulations.

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Another line of defence for the quality of our products and services is the practice of addressing any non-conformity promptly. If our products do not confirm with the requirements of our stakeholders, we will evaluate and rectify the issue as soon as practicable. The Group works tirelessly to elevate our product standards from time to time. To enhance our QMS performance, we establish standards and objectives for sales, production efficiency, and rework rate after interacting with our stakeholders about their expectations through different means of communication. Apart from that, all levels of employees, as well as suppliers and subcontractors, receive internal communication training to ensure that they acknowledge and adhere to the guidelines.

During the Reporting Period, the Group was not aware of any material non-compliance with laws and regulations relating to health and safety, advertising and labelling matters of products and services in Hong Kong and Macau, including the Hong Kong “Trade Descriptions Ordinance”.

Customer Services

The golden rule of enhancing the effectiveness and quality of our services is listening to customer suggestions and feedback. The QMS system has addressed consumer requirements in order to better understand customers’ perspectives and track if the company has fulfilled their needs.

To obtain customer opinions on the quality of the product and services and the customer satisfaction, we hold meetings and perform customer surveys regularly. All suggestions are taken into consideration in order to improve the effectiveness and quality of our goods and services. Our clients may communicate their expectations and thoughts through a wide range of channels, such as meetings, hotline and email. Written or verbal customer complaints are all conveyed to the designated personnel by top management for resolution. The delegated personnel assigned by the top management will review the results of survey responses together with additional customer input, such as verbal or written complaints and data gathered via the customer feedback form, and then take the necessary remedial steps.

During the Reporting Period, we were not aware of any material breach of relevant laws and regulations relating to health and product safety, including the Hong Kong “Consumer Goods Safety Ordinance”.

Privacy Protection

The Group is aware of how important privacy is to all stakeholders, including customers and employees. Regarding the issue of confidentiality, the Group has established a confidential information policy that is outlined in the Staff Handbook in order to keep rigorous control over our employees’ conduct. All relevant policies must be observed by employees. Employees are not permitted to duplicate, upload, or disclose restricted content without permission from management or customers. Also, each employee and vendor must sign a non-disclosure agreement before commencing work or supply. Breaches of the Group’s Confidential Policy may result in disciplinary actions such as dismissal and the termination of supplier and subcontracting agreements.



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During the Reporting Period, the Group was not aware of any material non-compliance with laws and regulations relating to privacy matters in Hong Kong and Macau, including “Personal Data (Privacy) Ordinance” of Hong Kong.

ETHICAL BUSINESS

By collaborating across divisions to raise consciousness over the significance of ethics and compliance, we devote time and effort into managing the ethics and compliance function across the business and establishing a culture of ethical corporate conduct. The Code of Conduct (the “**Code**”) has been created based on the Group’s legal and ethical professional behavioural standards for employees to adhere to.

Anti-corruption

The Code is intended to offer guidance on appropriate behaviour to all employees based on the Group’s objectives and values towards business conduct. According to the policy, all employees are obliged to refrain from soliciting for or accepting gifts, rewards, or benefits from anyone else, including the public officials. Any malpractices that may impair the Group’s reputation are forbidden and regulated by the anti-money laundering and anti-fraud policy. The policy states that in order to remove any potential misconduct risks, our top management is in charge of reporting business integrity factors in the annual corporate risk assessment.

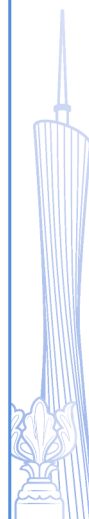
Prior to the hiring process, a thorough employee background check procedure is undertaken to assess the credentials of the applicants. All employees are required to complete specialised training related to the Code before work commences to ensure that they are fully cognizant of the Group’s corporate standards of ethics.

We welcome employees to address concerns or report issues using the Group’s designated reporting channels in order to maintain a workplace free from corruption. In the event of any suspicious events, employees are advised to discuss their concerns with their supervisors in person or in writing. Employees may also voice their concerns about company policies anonymously.

Employees are provided with training programmes and anti-corruption materials in order to strengthen the implementation of our anti-corruption mechanisms. Materials for training on the Group’s standards for business ethics were distributed to employees and the members of top management during the Reporting Period. The Code has been extended to cover suppliers and business partners in addition to employees. Before signing a deal with our business partners, we will examine their track records in the ethical aspect.

During the Reporting Period, the Group was not aware of any material non-compliance with laws and regulations relating to bribery, extortion, fraud and money laundering, including the Hong Kong “Prevention of Bribery Ordinance” and the Macau “Prevention and Suppression of the Crime of Money Laundering”. There was no legal case regarding corrupt practices brought against the Group or our employees.

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Intellectual Property Rights Protection

We give intellectual property a great deal of importance as we forge ahead. Employees are obligated to safeguard the intellectual property of the Group while also respecting that of others. Patents, copyrights, trademarks, personal data, associated contract rights, and other legal restrictions are used to preserve our intellectual assets. Employees must adhere to their agreements with the Group about intellectual property by getting the required licenses or permits.

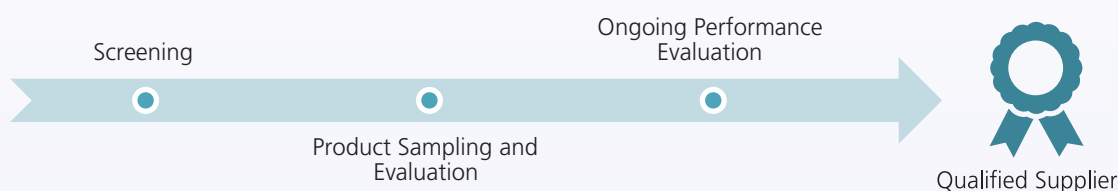
During the Reporting Period, the Group was not aware of any material non-compliance with laws and regulations relating to IP rights in Hong Kong and Macau, including "Copyright Ordinance" (Hong Kong) and the "Industrial Property Code" (Macau).

Collaborating with Our Suppliers

We are convinced that a comprehensive supply chain management strategy can increase the Group's operational effectiveness while also maintaining the excellence of its construction projects. As such, we adhere to stringent guidelines while selecting and managing suppliers and subcontractors in order to satisfy our requirements.

All potential new suppliers and subcontractors are required to successfully pass our comprehensive review prior to being appointed as qualified suppliers. To ensure they are competent and in compliance, a screening procedure is carried out in regard to their quality of service and products, licensing requirements, certifications and other credentials. In order to prevent procuring unsatisfactory items, our procurement department inspects and assesses products from time to time.

Moreover, our current business partners are required to undergo a yearly performance assessment to verify their eligibility. A variety of factors are considered, including quality of product, delivery time, after-sales support, among others. Suppliers who perform unsatisfactorily will be offered the chance to improve, whereas those who persistently fail to satisfy our conditions will have their contracts discontinued.



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The Group has 45 suppliers and/or subcontractors in total as of 31 December 2022. They are all subject to regulation by the aforementioned supplier management policies. Below is an illustration of how suppliers are distributed geographically:

	2022	2021
Total number of suppliers and/or subcontractors	45 ⁸	150
By geographical region (number and percentage)		
Mainland China	4 (8.89%)	6 (4.00%)
Hong Kong	32 (71.11%)	115 (76.66%)
Macau	9 (20.00%)	18 (12.00%)
United States	—	7 (4.67%)
Singapore	—	4 (2.67%)

Sustainable Procurement

The Group is dedicated to promoting sustainable procurement. In order to safeguard the health of end users and prevent unfavourable environmental impacts, we consider the manufacturers' environmental standards when placing a purchase. Environmental performance assessment is employed to evaluate the environmental management systems, practices, and compliance status of vendors and contractors. To maintain a reliable collaborative partnership, we make clear to the business partners our environmental standards and requirements for their adoption. The Group is also dedicated to banning the use of ecologically unfriendly products such as unauthorised pesticides and ozone-depleting refrigerants in the interest of avoiding harm to the environment and protecting the health of users.

ENVIRONMENTAL SUSTAINABILITY

The Group is fully conscious of its responsibilities to the environment. We inevitably have to utilise natural resources and generate carbon emission as we conduct our business. The Group is however committed to finding an equilibrium between business profits and sustainable growth. We have incorporated the idea of environmental sustainability into every aspect of our service life cycle, from the supply chain to the oversight of suppliers and subcontractors, with an aim to becoming a green pioneer in the sector.

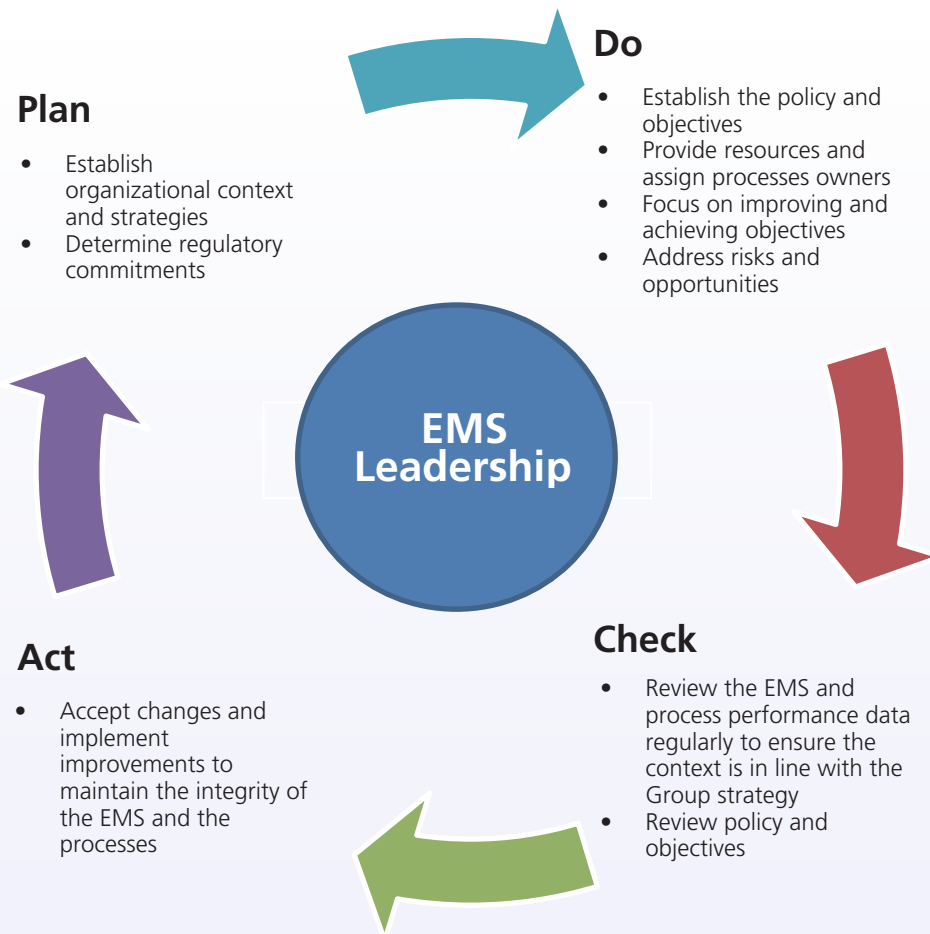
⁸ The number of suppliers and/or subcontractors decreased compared with that of last year due to the declined demand of procurement with less projects undertaken by the Group this year.

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Life Cycle Perspective Diagram

To identify, control and reduce the environmental hazards brought on by our construction and operational processes, as well as to provide a framework for establishing precise and quantifiable environmental goals, an ISO 14001:2015 EMS has been developed. The summary below is our approach towards the EMS leadership:





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During the Reporting Period, we were not aware of any material non-compliance with laws and regulations relating to air and greenhouse gas emissions, discharges into water and land, generation of waste and use of resources in Hong Kong and Macau.

Environmental Targets

Our middle-term targets are summarised below:

Aspects	Targets
Non-hazardous waste	Total non-hazardous waste Intensity to be reduced by 13% by 2030 from a 2020 base year
Hazardous waste	Total hazardous waste Intensity to be reduced by 40% by 2030 from a 2018 base year
Emission	Total GHG intensity to be reduced by 19% by 2030 from a 2019 base year
Energy	Electricity intensity to be reduced by 10% by 2030 from a 2020 base year
Water	Water intensity to be reduced by 60% by 2030 from a 2019 base year

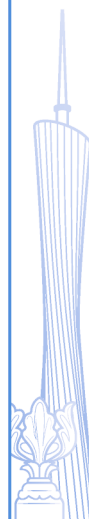
Waste Management

Although generation of construction waste from the construction sector is inevitable, AB Builders takes every effort to minimise the waste volume. The most common waste items generated by the Group include household waste such as wasted paper, as well as construction wastes such as concrete sludge, pebbles, gypsum boards, and waste iron. Source separation is always performed by all our employees and subcontractors using designated waste containers for inert and non-inert materials. All waste is kept in designated areas to prevent harm to the environment. For recyclable inert waste like concrete debris, a 2R concept (i.e. reuse and recycle) is in place to maximise the utilisation of the disposed items before disposal and minimise unnecessary ordering for inert materials.

Construction and installation projects unavoidably result in the production of hazardous waste, which is under control of our subcontractors. To adhere to the applicable legal requirements and lessen the impact on the environment, procedures for handling hazardous waste have been made clear to the subcontractors.

During the Reporting Period, the Group generated 13.07 tonnes of non-hazardous waste, with an intensity of 0.23 tonnes per full-time employee. The Group was not involved in any breaches of relevant laws and regulations relating to the generation and discharge of hazardous waste and non-hazardous waste that had a significant impact on the Group.

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Non-hazardous Waste	Unit	2022	2021
Domestic Waste	Tonnes	12.00	15.88
Waste Paper	Tonnes	1.07 ⁹	20.78
Total	Tonnes	13.07	36.66
Intensity	Tonnes per full-time employees ("FTE")	0.23	0.27
Paper Recycle Volume	Tonnes	0.12	N/A ¹⁰
Hazardous Waste	Unit	2022 ¹¹	2021
Scrap Metal	Tonnes	—	0.76
Chemical Waste	Tonnes	—	0.08
Paint	Tonnes	—	1.03
Total	Tonnes	—	1.87
Intensity	Tonnes per FTE	—	0.01

Air Emission and Greenhouse Gas Emissions

Certain air pollutants, such as dust and particulate matter, were generated throughout the company operations, including construction and fit-out works. To reduce our emissions of air pollutants at the source, a variety of measures have been implemented at relevant sources. For instance, water spraying is carried out to reduce dust when drilling, fracturing, cracking or grinding construction materials or building structures. In addition, impermeable sheets are deployed to cover dusty material stockpiles as a dust-prevention measure.

Air Emissions ¹²	Unit	2022	2021
Nitrogen Oxides	kg	0.48	1.00
Sulphur Oxides	kg	0.01	0.03
Particulate Matter	kg	0.04	0.89
Dust	kg	2.50 ¹³	8.18
Total	kg	3.03 ¹⁴	10.1

⁹ The reduction of number of projects contributed to a decrease in paper consumption, as well as the reduction in waste paper generation.

¹⁰ The figures for 2021 are not available as the estimation of volume of paper recycling commenced in 2022.

¹¹ The generation of hazardous waste is under control of subcontractors and the Group's operations in 2022 did not contribute to hazardous waste generation.

¹² The calculation is based on the "How to prepare an ESG Report? Appendix 2: Reporting Guidance on Environmental KPIs" published by HKEx.

¹³ The figure is based on estimation.

¹⁴ Air emission volume have reduced compared with last year due to decline in number of projects and the effectiveness of our air pollution mitigation initiatives.

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During the Reporting Period, the total greenhouse gas (“GHG”) emission were 28.28 tonnes of carbon dioxide equivalent (“tCO₂e”). The major GHG source in our business comes from the consumption of electricity (Scope 2 emission), which accounts for 22.87 tCO₂e of the total emissions.

Greenhouse Gas Emissions ¹⁵	Unit	2022	2021
Scope 1 ¹⁶	tCO ₂ e	1.67	4.74
Scope 2 ¹⁷	tCO ₂ e	22.87	53.11
Scope 3 ¹⁸	tCO ₂ e	3.74	0.43
Total	tCO ₂ e	28.28	58.28
Intensity	tCO ₂ e per FTE	0.51	0.43

Use of Resources

Natural resources are precious and crucial to our daily activities. Optimising energy and resource efficiency is therefore of utmost significance to the Group. The Green Policies are in place for the employees in office and the construction sites workers to follow our sustainable path. Furthermore, the Green Office Guideline has been devised to provide all employees with advice and direction on how to implement green practices in the workplace.

¹⁵ The calculation of Scope 1, 2 and 3 emissions is based on the “How to prepare an ESG Report? Appendix 2: Reporting Guidance on Environmental KPIs” published by HKEx. The absolute values of Scope 1, 2 and 3 emissions have reduced compared with last year due to decline in number of projects and the effectiveness of our carbon reduction initiatives.

¹⁶ Scope 1 emission is attributed to fuel combustion of vehicles.

¹⁷ Scope 2 emission is attributed to the use of purchased electricity. The figure is based on estimation as the electricity supply of the office is under control of the property management, whereas that of the construction projects is under control of subcontractors.

¹⁸ Scope 3 emission is attributed to paper disposal of the office in Macau.

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The following are a few examples of the practices:

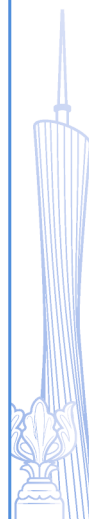
Green Office Guideline

Resources	Green Practices
Paper	<ul style="list-style-type: none">• Encourage double-sided printing and the use of recyclable paper• Adapt digital formats for internal memos• Minimise paper consumption by using recycled envelopes for internal communications
Office Supplies	<ul style="list-style-type: none">• Reuse cardboard boxes, plastic containers and other materials• Encourage the use of recyclable materials• Implement green procurement policy• Include greenery in the design of office

Energy Usage

Our operation activities involve the use of energy and fuels including unleaded gasoline at offices and construction sites. The Environmental Management Team oversees the maintenance of the energy-saving best practices that are featured in the Green Office Guideline and EMS manual in order to reduce energy use. Below are a few instances of our best practices:

Aspect	Measures
Electricity	<ul style="list-style-type: none">• Idle office appliances should be turned off• Avoid keeping appliances in standby mode for a long duration, use appliances with automatic switch-off control capabilities• Set and keep the air-conditioned rooms between 22 and 25.5°C



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During the Reporting Period, electricity was the main source of energy consumption in our construction sites and office, in which we consumed 36,892 kWh with an intensity of 658.79 kWh per FTE.

Energy and Resources	Unit	2022 ¹⁹	2021
Direct Energy			
Mobile Fuel — Unleaded Petrol	Litres	707.19	2,006.93
Intensity	Litres per FTE	12.63	14.76
Indirect Energy			
Electricity	kWh	36,892.00 ²⁰	76,788.00
Intensity	kWh per FTE	658.79	564.62

Water Usage

The Group's primary sources of water usage are construction projects. Policies and procedures have been covered in EMS with the objective of motivating all employees to follow best practices in company operation in order to minimise the usage of water resources. Below are some examples:

Aspect	Measures
Water	<ul style="list-style-type: none"> Avoid washing up under running water Use showerheads to reduce water consumption Repair leaky faucets and pipes as soon as possible

During the Reporting Period, a total of approximately 404 m³ of water was consumed by the Group, with an intensity of 7.09 m³ per FTE. There was no water sourcing issue during the Reporting Period as all of the water purchased for all business activities was supplied by the local water supply authority.

Resources	Unit	2022	2021
Water	m ³	404.00 ²¹	1,418.00
Intensity	m ³ per FTE	7.21	10.43
Discharged Wastewater	m ³	— ²²	102.0

¹⁹ The absolute values of direct and indirect energy consumption have reduced compared with last year due to decline in number of projects.

²⁰ Electricity consumption has reduced compared with last year as the number of projects reduced, and the Hong Kong office was not in operation in 2022. The figure is based on estimation as the electricity supply of the office is under control of the property management, whereas that of the construction projects is under control of subcontractors.

²¹ Water consumption has reduced compared with last year as the number of projects reduced, and the Hong Kong office was not in operation in 2022. The figures are based on estimation as the water supply of the office is under control of the property management, whereas that of the construction projects is under control of subcontractors.

²² The discharge of wastewater is under control of subcontractors and the Group's operations in 2022 did not contribute to wastewater discharge.

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Packaging Materials and Other Materials Usage

The use of materials for packaging and other purposes is under control of our subcontractors, who are subject to stringent controls over the use of materials through close monitoring of their inventory.

Packaging Materials	Unit	2022 ²³	2021
Carton box	Tonnes	—	2.97
Wooden box	Tonnes	—	1.73
Plastic strapping	Tonnes	—	0.03
Total	Tonnes	—	4.73
Intensity	Tonnes per FTE	—	0.03
Paper			
Paper	Tonnes	0.90	2.68
Intensity	Tonnes per FTE	0.02	0.02

Climate Resilience

In the wake of global warming, the Group is dedicated to building climate resilience. To understand the climate risks that we may encounter and their implications for the Group's operations, we have analysed and evaluated the possible physical and transition risks associated with climate change.

Climate Risks	Impacts	Responses
Physical Risk	Extreme climate weather events that cause major damage to property and lives are taking place more frequently and intensely. Extreme weather can have an impact on the electricity supply, physical assets, and business operations. For instance, floods may happen more frequently in coastal areas, which could result in higher maintenance costs for machinery and operation costs.	The Group has created a contingency plan, and by performing regular drills, we ensure that our employees are familiar with our contingency arrangements.

²³ The use of packaging materials is under control of subcontractors and the Group's operations in 2022 did not contribute to the use of packaging materials.

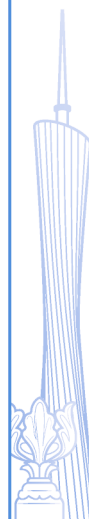
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Climate Risks	Impacts	Responses
Transition Risk	Policy and Legal Worldwide action has been taken in response to climate change. The ultimate objective of keeping global warming below 2°C has been pledged by governments all around the world. In response to the Dual Carbon Targets of China that its carbon emissions will peak by 2030 and that it will become carbon neutral by 2060, Macau has pledged to reach peak carbon emissions by 2030.	The Group constantly monitors recent trends and legislation to guarantee that the Group's strategy, initiatives and performance remain in conformity with regulatory as well as industrial standards.
	Market and Reputation The Company has seen that new legislations and demands are being put in place in light of this worldwide trend, and that customers are expressing a greater preference for businesses that are more environmentally and socially conscious. Any business that fails to change to meet these new requirements and expectations risks serious reputational damage as well as financial losses.	Furthermore, we will keep enhancing our ESG management system in order to update or build group-level policies such as climate change policies and standardised ESG data collecting and management procedures. To motivate the Group towards continuing advancement and promote a culture of sustainability within the Group, appropriate KPIs and objectives will be monitored and reviewed from time to time.
	Technology Low-carbon technology has been emerging. It is critical to stay up with the trend for improved energy efficiency and lower future capital investment and operational expenses. Additionally, when a new low-carbon technology is developed, it may open up new opportunities.	

ENVIRONMENTAL, SOCIAL & GOVERNANCE REPORT

HKEX “ESG REPORTING GUIDE” INDEX

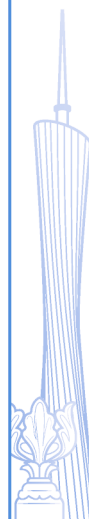
HKEx “ESG Reporting Guide” General Disclosures & KPIs		Explanation/Reference Section
Aspect A: Environment		
A1 Emissions	<p>Information on:</p> <p>(a) the policies; and</p> <p>(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.</p> <p>Note: Air emissions include NOx, SOx, and other pollutants regulated under national laws and regulations. Greenhouse gases include carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons and sulphur hexafluoride. Hazardous wastes are those defined by national regulations.</p>	<p>ENVIRONMENTAL SUSTAINABILITY</p> <ul style="list-style-type: none"> — Air Emission and Greenhouse Gas Emissions — Waste Management — Use of Resources
KPI A1.1	The types of emissions and respective emissions data.	<p>ENVIRONMENTAL SUSTAINABILITY</p> <ul style="list-style-type: none"> — Air Emission and Greenhouse Gas Emissions
KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	<p>ENVIRONMENTAL SUSTAINABILITY</p> <ul style="list-style-type: none"> — Air Emission and Greenhouse Gas Emissions
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	The generation of hazardous waste is under control of subcontractors and the Group’s operations in 2022 did not contribute to hazardous waste generation.
KPI A1.4	Total non-hazardous waste produced (in tonnes) and where appropriate, intensity (e.g. per unit of production volume, per facility).	<p>ENVIRONMENTAL SUSTAINABILITY</p> <ul style="list-style-type: none"> — Waste Management



ENVIRONMENTAL, SOCIAL & GOVERNANCE REPORT

HKEx “ESG Reporting Guide” General Disclosures & KPIs		Explanation/Reference Section
KPI A1.5	Description of emissions target(s) set and steps taken to achieve them.	ENVIRONMENTAL SUSTAINABILITY — Air Emission and Greenhouse Gas Emissions — Use of Resources
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them	ENVIRONMENTAL SUSTAINABILITY — Waste Management
A2 Use of Resources	Policies on efficient use of resources including energy, water and other raw materials. Note: Resources may be used in production, in storage, transportation, in buildings, electronic equipment, etc.	ENVIRONMENTAL SUSTAINABILITY — Use of Resources
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	ENVIRONMENTAL SUSTAINABILITY — Use of Resources
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	ENVIRONMENTAL SUSTAINABILITY — Use of Resources
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	ENVIRONMENTAL SUSTAINABILITY — Use of Resources
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	ENVIRONMENTAL SUSTAINABILITY — Use of Resources
KPI A2.5	Total packaging material used for finished products (in tonnes), and, if applicable, with reference to per unit produced.	The use of packaging materials is under control of subcontractors and the Group's operations in 2022 did not contribute to the use of packaging materials.
A3 The Environment and Natural Resources	Policies on minimising the issuer's significant impact on the environment and natural resources.	ENVIRONMENTAL SUSTAINABILITY — Use of Resources

ENVIRONMENTAL, SOCIAL & GOVERNANCE REPORT

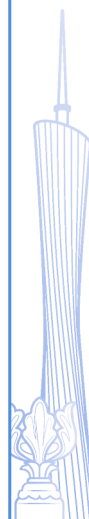


HKEx "ESG Reporting Guide" General Disclosures & KPIs		Explanation/Reference Section
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	ENVIRONMENTAL SUSTAINABILITY — Use of Resources
A4 Climate Change	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	ENVIRONMENTAL SUSTAINABILITY — Climate Resilience
KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	ENVIRONMENTAL SUSTAINABILITY — Climate Resilience
Aspect B: Social		
B1 Employment	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	CARE FOR OUR EMPLOYEE
KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	CARE FOR OUR EMPLOYEE
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	CARE FOR OUR EMPLOYEE
B2 Health and Safety	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	CARE FOR OUR EMPLOYEE — Healthy and Safe Workplace

ENVIRONMENTAL, SOCIAL & GOVERNANCE REPORT

HKEx “ESG Reporting Guide” General Disclosures & KPIs		Explanation/Reference Section
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	CARE FOR OUR EMPLOYEE — Healthy and Safe Workplace
KPI B2.2	Lost days due to work injury.	CARE FOR OUR EMPLOYEE — Healthy and Safe Workplace
KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	CARE FOR OUR EMPLOYEE — Healthy and Safe Workplace
B3 Development and Training	<p>Policies on improving employees’ knowledge and skills for discharging duties at work. Description of training activities.</p> <p>Note: Training refers to vocational training. It may include internal and external courses paid by the employer.</p>	CARE FOR OUR EMPLOYEE — Development and Training
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	CARE FOR OUR EMPLOYEE — Development and Training
KPI B3.2	The average training hours completed per employee by gender and employee category.	CARE FOR OUR EMPLOYEE — Development and Training
B4 Labour Standards	<p>Information on:</p> <p>(a) the policies; and</p> <p>(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child or forced labour.</p>	CARE FOR OUR EMPLOYEE — Labour Standards
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	CARE FOR OUR EMPLOYEE — Labour Standards
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	CARE FOR OUR EMPLOYEE — Labour Standards
B5 Supply Chain Management	Policies on managing environmental and social risks of the supply chain.	ETHICAL BUSINESS — Collaborating with Our Suppliers

ENVIRONMENTAL, SOCIAL & GOVERNANCE REPORT



HKEx “ESG Reporting Guide” General Disclosures & KPIs		Explanation/Reference Section
KPI B5.1	Number of suppliers by geographical region.	ETHICAL BUSINESS — Collaborating with Our Suppliers
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	ETHICAL BUSINESS — Collaborating with Our Suppliers
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	ETHICAL BUSINESS — Collaborating with Our Suppliers
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	ETHICAL BUSINESS — Collaborating with Our Suppliers
B6 Product Responsibility	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	SERVICE AND PRODUCT RESPONSIBILITY — Services and Product Excellence — Customer Services — Privacy Protection — Intellectual Property Rights Protection
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	According to the Group’s business nature, there was no product being delivered or shipped.
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	SERVICE AND PRODUCT RESPONSIBILITY — Services and Product Excellence — Customer Services
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	SERVICE AND PRODUCT RESPONSIBILITY — Services and Product Excellence

ENVIRONMENTAL, SOCIAL & GOVERNANCE REPORT

HKEx “ESG Reporting Guide” General Disclosures & KPIs		Explanation/Reference Section
KPI B6.4	Description of quality assurance process and recall procedures.	SERVICE AND PRODUCT RESPONSIBILITY — Services and Product Excellence
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	SERVICE AND PRODUCT RESPONSIBILITY — Privacy Protection
B7 Anti-corruption	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	ETHICAL BUSINESS — Anti-corruption
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	ETHICAL BUSINESS — Anti-corruption
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	ETHICAL BUSINESS — Anti-corruption
KPI B7.3	Description of anti-corruption training provided to directors and staff.	ETHICAL BUSINESS — Anti-corruption
B8 Community Investment	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities’ interests.	OUR SUSTAINABILITY APPROACH — Community Engagement
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	OUR SUSTAINABILITY APPROACH — Community Engagement
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	OUR SUSTAINABILITY APPROACH — Community Engagement

MANAGEMENT DISCUSSION AND ANALYSIS



BUSINESS REVIEW

In 2022, with the ongoing crisis of novel coronavirus (“**COVID-19**”) and continuous geopolitical complications around the world, the global economy remained under pressure during the whole year. Amid the challenging environment, AB Builders Group Limited (the “**Company**” together with its subsidiaries, the “**Group**”) has been actively seeking for business opportunities and projects, so as to increase revenue and drive long-term development. Nevertheless, during the year ended 31 December 2022, the Group recorded a revenue of approximately MOP155.0 million, representing a decrease of approximately MOP198.1 million or approximately 56.1% over the corresponding period of 2021. Accordingly, the Group generated a gross profit of approximately MOP33.8 million for the year ended 31 December 2022, as compared with a gross profit of approximately MOP17.2 million last year.

For the year ended 31 December 2022, the Group completed 12 fitting-out works projects and a structural works project, and was awarded with 9 fitting-out works projects with an aggregate contract sum of approximately MOP66.1 million.

As at 31 December 2022, the Group had 24 on-going projects (either in progress or yet to commence), including 3 structural works projects and 21 fitting-out works projects.

Outlook and prospects

Stepping into 2023, with the loosening of COVID-19 control measures and relaxation of travel restrictions around the world, the global market is expected to recover progressively, although accompanied with various challenges and volatilities due to the after-effects of pandemic and the complex political issues among several countries currently.

Amid the uncertainties in HK’s market and global economy, the Group remains cautiously optimistic to the industry. As one of the world’s largest gambling hub and a popular travel destination, the relaxation of travel restrictions is expected to boost Macau’s economy and more or less, attract certain investments in the suspended construction projects or new projects in the region.

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 and grab the opportunities during the market recovery, 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, the PRC and other regions. In light of this, the Group will continue to explore and secure new projects in Macau in an active and prudent manner. Moreover, the Group is strategically expanding its construction business to the PRC, especially to the Guangdong-Hong Kong-Macau Greater Bay Area, and other regions. The Group strongly believes that the demand of the infrastructure in Greater Bay Area will increase in the coming years with government’s strong support on the region’s development.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW (Continued)

Outlook and prospects (Continued)

In addition, the Group will also actively seek for new business opportunities through merger and acquisition, as well as partnership with reputable enterprises in the industry globally, so as to broaden its income resources and drive its long-term growth.

To minimise the after-effects of pandemic and uncertainties arisen from international tensions, the Group will continue to apply tight cost control measures for the Group's sustainable development. The board of directors (the "**Board**") believes that the above measures can help the Group maintain a healthy financial position and solidify its competitiveness to face the coming challenges.

FINANCIAL REVIEW

Revenue

The table below sets forth a breakdown of the Group's revenue for the years ended 31 December 2022 and 2021:

	For the year ended 31 December			
	2022		2021	
	MOP'000	%	MOP'000	%
Types of construction works				
Fitting-out works	154,109	99.4	344,097	97.4
Structural works	—	—	8,491	2.4
Others	904	0.6	545	0.2
Total	155,013	100.0	353,133	100.0

For the year ended 31 December 2022, The Group's revenue decreased by approximately MOP198.1 million or 56.1% 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 MOP190.0 million or 55.2% due to less fitting-out works projects awarded in 2022; (ii) the decrease in revenue generated from structural works projects of approximately MOP8.5 million due to no structural works projects awarded in 2022.

The revenue of air purification business increased by approximately MOP0.4 million or 65.9% due to increase in demand in air-purification unit/system.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW (Continued)

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 years ended 31 December 2022 and 2021 respectively:

	For the year ended 31 December			
	2022		2021	
	Gross profit MOP'000	Gross profit margin %	Gross profit/ (Gross loss) MOP'000	Gross profit/ (Gross loss) margin %
Types of construction works				
Fitting-out works	33,747	21.9	16,919	4.9
Structural works	—	n/a	592	7.0
Others	75	8.3	(282)	(51.7)
Total	33,822	21.8	17,229	4.9

For the year ended 31 December 2022, the Group's gross profit increased by approximately MOP16.6 million, or 96.3% to approximately MOP33.8 million when compared with the last year. The increase was mainly due to the increase in gross profit in the fitting-out works projects.

The gross profit margin of fitting-out works projects increased by 17 percentage points from approximately 4.9% for the year of 2021 to 21.9% for the year of 2022. The increase was mainly due to some variation orders of a project with higher margin were concluded in 2022.

The gross profit of structural works projects decreased by approximately MOP592,000 due to no structural works projects awarded in 2022.

Regarding the air purification business, the gross profit increased by approximately MOP357,000. The increase was mainly attributable to the increase in demand for air-purification unit/system and the decrease in the write-down of inventories.

Other income

The Group's other income increased by approximately MOP4.3 million or 185.3% from approximately MOP2.4 million for the year ended 31 December 2021 to MOP6.7 million for the year ended 31 December 2022. The increase was mainly attributable to the increase in bank interest income and government grants.



MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW (Continued)

Other gains and losses

For the year ended 31 December 2022, it mainly consisted of the net exchange gain of approximately MOP67,000. For the year ended 31 December 2021, 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, contract assets and other receivables. The increase was mainly due to the increase of long-aged trade receivables.

Administrative expenses

Administrative expenses decreased by approximately MOP6.3 million from approximately MOP28.5 million for the year ended 31 December 2021 to approximately MOP22.2 million for the year ended 31 December 2022. 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.

Income tax credit

Income tax credit increased by approximately MOP329,000 from approximately MOP65,000 for the year ended 31 December 2021 to approximately MOP394,000 for the year ended 31 December 2022. It consisted of overprovision of Macau complementary tax in prior years.

Profit (loss) and total comprehensive income (expense) for the year

The Group's profit and total comprehensive income for the year was increased by approximately MOP19.8 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.

MANAGEMENT DISCUSSION AND ANALYSIS

CORPORATE FINANCE AND RISK MANAGEMENT

Liquidity and financial resources

The Group's capital expenditure and daily operations during the year ended 31 December 2022 were mainly funded by cash generated from its operations.

The total cash and bank balances together with the pledged bank deposits and short-term bank deposits as at 31 December 2022 was approximately MOP213.4 million, compared to approximately MOP181.3 million as at 31 December 2021.

The increase of approximately MOP32.1 million was mainly related to the operating cash inflow.

As at 31 December 2022, the Group had no outstanding borrowings thus it was not applicable to compute any gearing ratio.

Our gearing ratio (calculated as debt over total equity) as at 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 2022, the Group had unutilised banking facilities of approximately MOP203.0 million (31 December 2021: MOP193.9 million).

The current ratio of the Group as at 31 December 2022 increased to 2.2 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, share-based payments reserve, other reserve and retained earnings. During the year ended 31 December 2022, 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 annual report, the Group did not have other plans for material investments or capital assets.



MANAGEMENT DISCUSSION AND ANALYSIS

CORPORATE FINANCE AND RISK MANAGEMENT (Continued)

Pledge of assets

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

	2022 MOP'000	2021 MOP'000
Owned properties included in property, plant and equipment	37,936	39,341
Pledged bank deposits	67,097	66,233
	105,033	105,574

Capital commitment

	Note	2022 MOP'000	2021 MOP'000
Contracted but not provided for:			
Acquisition of interest in a subsidiary	(i)	57,590	—
		57,590	—

Note:

(i) On 1 November 2022, the Company made a disclosable and connected transaction announcement in relation to the proposed acquisition of entire equity interest of Jiangmen Jinying Construction and Engineering Company Limited (the "**Proposed Acquisition**"). The Proposed Acquisition was approved by independent shareholders by an Extraordinary General Meeting held on 19 December 2022. Accordingly, the Group has an obligation to settle an amount of RMB10,000,000 (equivalent to approximately MOP11,518,000) as the consideration of Proposed Acquisition and an amount of RMB40,000,000 (equivalent to approximately MOP46,072,000) as a capital contribution to the entity. Please refer to the announcements issued by the Company on 1 November 2022 and 19 December 2022 for further details of the Proposed Acquisition.

MANAGEMENT DISCUSSION AND ANALYSIS

CORPORATE FINANCE AND RISK MANAGEMENT (Continued)

Significant investments, acquisition and disposals

On 9 September 2022, San Fong Seng Construction & Engineering Company Limited, an indirect wholly-owned subsidiary of the Company entered into a limited partnership agreement with other two limited partners, Che Hao Song and Xu Huijuan, and a general partner, Leader Fund (Zhuhai) Equity Investment Management Co., Ltd.. The investment fund is a project specific fund and the investment target is Nature Home (China) Co., Ltd. For further details, please refer to the Company's announcement dated 9 September 2022 and announcement dated 27 September 2022.

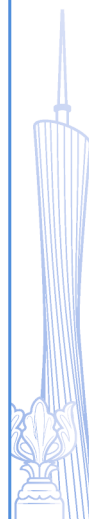
Besides, on 1 November 2022, the Group entered into a Sales and Purchase Agreement with New Kingdom Development Company Limited, a company incorporated in Macau with limited liability and 98% owned by Mr. Lao Chio Seng ("**Mr. Lao**"), the Chairman and executive Director of the Group, Ms. Wong Hio Mei ("**Mrs. Lao**"), spouse of Mr. Lao and 2% owned by Ms. Lao Ka U, the daughter of Mr. and Mrs. Lao and Jiangmen City Pengjiang District Jinying Property Development Company Limited which was 90% owned by Mr. Wu Yong Qin and 10% owned by Mr. Wu Wei Jian who were independent third parties to acquire 100% equity interest in Jiangmen Jinying Construction and Engineering Company Limited. Please refer to the announcements dated 1 November 2022 and 19 December 2022 for details.

Save as the above, during the year ended 31 December 2022, 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.





MANAGEMENT DISCUSSION AND ANALYSIS

CORPORATE FINANCE AND RISK MANAGEMENT (Continued)

Employee and remuneration policies

As at 31 December 2022, the Group had 56 (31 December 2021: 136) 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 2022 were approximately MOP26.5 million (31 December 2021: MOP37.3 million).

Compliance with laws and regulations

The Group mainly carries out its business in Macau, Hong Kong and China. To the best of the Directors' knowledge, the Group has complied with all relevant laws and regulations in Macau, Hong Kong and China 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
- Our inventory level may be affected by the market demand for air purification unit/system which may not be accurately estimated.

MANAGEMENT DISCUSSION AND ANALYSIS

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 unutilized net proceeds up to 30 June 2020. The table below sets out the details of the Reallocation. The Board is of the view that it is in the best interests of the Company and its shareholders as a whole.

As of 31 December 2022, the net proceeds from the Global Offering had been applied as follows:

	HKD million						
			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	Net proceeds utilised during the year ended 31 December 2022	Unutilised net proceeds as of 31 December 2022 ^(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	Net proceeds up to 31 December 2021	Net proceeds utilised during the year ended 31 December 2022	Unutilised net proceeds as of 31 December 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	Before the end of June 2023
Hire additional staff for the Group's business operation	6.1	2.8	8.2	7.3	0.9	—	N/A
General working capital	6.1	1.2	1.2	1.2	—	—	N/A
Total	61.2	24.7	24.7	17.7	0.9	6.1	

Note 1 As at 31 December 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.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

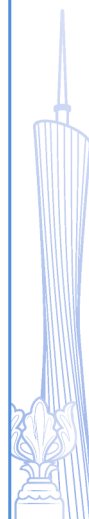
DIRECTORS AND SENIOR MANAGEMENT

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

Name	Age	Present position(s) in our Company	Date of appointment as Director	Date of joining our Group	Roles and responsibilities	Relationship with other Directors and/or senior management
Executive Directors						
Mr. Lao Chio Seng (劉朝盛先生) ("Mr. Lao")	63	Chairman of the Board and executive Director	23 February 2017	5 July 1998	Responsible for leadership and the overall business strategies of our Group	Father of Ms. Athena Lao; father-in-law of Dr. Gnanavelu and Mr. Cheang
Ms. Lao Chao U (劉秋瑜女士) ("Ms. Athena Lao")	35	Chief executive officer and executive Director	23 February 2017	3 January 2011	Responsible for the business development and expansion of our Group	Daughter of Mr. Lao; spouse of Mr. Cheang and sister-in-law of Dr. Gnanavelu
Dr. Roberto Gnanavelu (安加慰先生) ("Dr. Gnanavelu")	40	Executive Director	27 January 2022	27 January 2022	Responsible for project operation and business development	Son-in-Law of Mr. Lao, brother in-law of Ms Athena Lao and Mr. Cheang
Mr. Cheang Iek Wai (鄭益偉先生) ("Mr. Cheang")	35	Executive Director	23 February 2017	2 June 2014	Responsible for finance and account management aspects and engaging in corporate finance functions in our Group	Spouse of Ms. Athena Lao; son-in-law of Mr. Lao; brother-in-law of Dr. Gnanavelu
Mr. Ip Kin Wa (葉建華先生)	56	Executive Director	23 February 2017	17 April 2006	Responsible for project management	N/A

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Name	Age	Present position(s) in our Company	Date of appointment as Director	Date of joining our Group	Roles and responsibilities	Relationship with other Directors and/or senior management
Independent Non-executive Directors						
Mr. Chu Yat Pang Terry (朱逸鵬先生)	51	Independent Non-executive Director	17 August 2018	17 August 2018	Supervising and providing independent advice to the Board	N/A
Mr. Choy Wai Shek, Raymond, <i>MH, JP</i> (蔡偉石先生， 榮譽勳章，太平紳士)	73	Independent Non-executive Director	17 August 2018	17 August 2018	Supervising and providing independent advice to the Board	N/A
Mr. O'Yang Wiley (歐陽偉立先生)	60	Independent Non-executive Director	11 June 2019	11 June 2019	Supervising and providing independent advice to the Board	N/A





BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. LAO Chio Seng (劉朝盛先生), aged 63, was appointed as our Director on 23 February 2017 and was re-designated as our Chairman and our executive Director on 17 August 2018. He is responsible for the overall business strategies and expansion of our Group. Mr. Lao is the founder of our Group, and he is also a director of certain subsidiaries of the Company.

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

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

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

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

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

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT



Ms. LAO Chao U (劉秋瑜女士), aged 35, was appointed as our Director on 23 February 2017 and was re-designated as our chief executive officer and executive Director on 17 August 2018. She is responsible for the day-to-day operations of our Group. She serves as a member of the remuneration committee of the Company. She is also directors of certain subsidiaries of the Group. Ms. Athena Lao obtained a bachelor's degree in science from University of California, Berkeley in the United States in December 2010 and a master degree of science in construction and real estate from The Hong Kong Polytechnic University in September 2019. Ms. Athena Lao is a civil engineer (執行工程指導職務而作之技術員) registered with Land, Public Works and Transport Bureau of Macau ("DSSOPT") and a civil engineer registered with the Council of Architecture, Engineering and Urban Planning (建築工程及城市規劃專業委員會) in Macau. She became a member and was appointed as a review examiner of the Chartered Institution of Civil Engineering Surveyors in July 2016 and April 2017, respectively.

Ms. Athena Lao has over 10 years of experience in the construction industry in Macau. Ms. Athena Lao joined our Group in January 2011 as an engineer and had then been a project coordinator, a project assistant, an assistant project manager and a general manager from which she gained the knowledge and experience in the rundown of construction projects.

Ms. Athena Lao is the director of Macao ASEAN International Chamber of Commerce (澳門東盟國際商會理事), the Deputy Chairman of Macau Jiangmen Youth Association (澳門江門青年會副主席) and the Honorary Secretary and Member Interviewing Examiner of Chartered Institution of Civil Engineering Surveyors (Macau Region) (英國特許土木工程測量師學會(澳門地區)名譽秘書長). Ms. Athena Lao is also a member of the Macau Institution of Engineers (澳門工程師學會會員).

During the Reporting Period, Ms. Athena Lao has the following positions of different institutions.

- Macao Economic and Livelihood Union — Director (澳門經濟民生聯盟 — 理事)
- Macao Construction Association Youth Committee — Member (澳門建造商會青年委員會 — 委員)
- Macau (International) Zonta International — Deputy Director (澳門(國際)崇德社 — 副理事長)
- Associação Comercial de Fomento Predial de Macau — Executive Vice President (澳門地產發展商會 — 常務副理事長)
- American Society of Civil Engineers — Member (美國土木工程師協會 — 會員)
- China International Mediation and Arbitration Institute — Member (中國國際調解仲裁院 — 委員)
- Kunming International Commercial Arbitration Service Center — International Advisor (昆明國際商事仲裁服務中心 — 國際顧問)
- Awarded the Star Entrepreneur Award by "CreditEase" in 2021 (於2021年獲「宜信財富」頒發星耀企業家大獎)

Ms. Athena Lao is the daughter of Mr. Lao, the spouse of Mr. Cheang and the sister-in-law of Dr. Gnanavelu.

Dr. Roberto Gnanavelu (安加慰先生) ("Dr. Gnanavelu"), aged 40, has over 10 years of experience in the construction industry in Macau. He was worked for our Group from 2011 to 2016 and responsible for the day-to-day projects operations. Dr. Gnanavelu has worked in a construction company, which is owned by Mr. Lao, Ms. Wong Hio Mei, spouse of Mr. Lao and Ms. Vicki Lao, since 2017 and responsible for the project operations and business development.



BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Dr. Gnanavelu obtained a bachelor of dental surgery from The Tamil Nadu Dr. M.G.R. Medical University in February 2007. Dr. Gnanavelu is a dentist registered with Health Bureau in Macau. Dr. Gnanavelu completed the courses for Construction Safety Supervisor and Safety Auditor jointly-organised by University of Macau and the Labour Affairs Bureau of Macau in 2015 and 2016 respectively. In addition, Dr. Gnanavelu is currently a member of the 14th Session of the Committee of Jiangmen City of the Chinese People's Political Consultative Conference (中國人民政治協商會議江門市委員會).

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

Mr. CHEANG Iek Wai (鄭益偉先生), aged 35, was appointed as our Director on 23 February 2017 and was re-designated as our executive Director on 17 August 2018. He is responsible for finance and account management aspects and engaging in corporate finance functions in our Group. He is also directors of certain subsidiaries and also serves as a member of the nomination committee of the Company. Mr. Cheang obtained a bachelor's degree of commerce in majors of finance and accounting from the University of Sydney in Australia in October 2008 and a master degree of finance specialising in investment banking from the University of New South Wales in Australia in August 2009. Mr. Cheang was granted the designation of financial risk manager (FRM) by the Global Association of Risk Professionals in 2011.

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

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

Mr. IP Kin Wa (葉建華先生) ("Mr. Ip"), aged 56, was appointed as our Director on 23 February 2017 and was re-designated as our executive Director on 17 August 2018. He is responsible for project management. Mr. Ip graduated from the Fujian Institutions of Higher Learning (福建高等學校) in the People's Republic of China in July 1988 and had obtained the diploma of safety supervisor from the Labour Affairs Bureau of Macau and Macau Construction Works School (澳門建築工程學校) in 1993. Mr. Ip completed the trainer course for occupational safety card for the construction industry organised by the Labour Affairs Bureau of Macau in December 2012.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT



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

Mr. Ip has undertaken various social responsibilities. He is a member of the 13th Quanzhou Committee of the Chinese People's Political Consultative Conference (中國人民政治協商會議第十三屆泉州市委員會委員), the vice chairman of the Fujian Chamber of Commerce (福建總商會副會長), the vice chairman of the Macao-Taiwan Chamber of Commerce (澳門閩台商會副會長), the executive vice president of Fujian Natives General Association of Macau (澳門福建同鄉總會常務副理事長), the director of Hunan Overseas Friendship Association (湖南省海外聯誼會理事), the permanent chairman of Macau Engineering Superintendent Association (澳門工程施工主管協會永遠會長), the permanent chairman of Macau Nan An Shishan Association (澳門南安詩山同鄉會永遠會長), the executive deputy chairman and the executive deputy secretary general (常務副會長兼常務副秘書長) of Nam On Natives Association of Macau (澳門南安同鄉會) and Nanan Chamber of Commerce of Macau (澳門南安商會) and the deputy chairman of Macao Ip's Clan Association (澳門葉氏宗親會副會長). He was a trainer for occupational safety card for the construction industry organised by the Labour Affairs Bureau of Macau from October 2016 to December 2016.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. CHU Yat Pang Terry (朱逸鵬先生), aged 51, was appointed as our independent non-executive Director on 17 August 2018. He is responsible for overseeing the management of our Group independently. He also serves as the chairman of the remuneration committee of the Board and a member of the audit committee of the Board.

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



BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

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

Mr. CHOY Wai Shek, Raymond, MH, JP (蔡偉石先生，榮譽勳章，太平紳士), aged 73, was appointed as our independent non-executive Director on 17 August 2018. He is responsible for overseeing the management of our Group independently. He also serves as the chairman of the nomination committee of the Board and a member of the audit committee and remuneration committee of the Board. Mr. Choy was awarded a diploma in Chinese Law from the University of East Asia Macau in Macau (currently known as the University of Macau) in October 1987 and a diploma in Political Science from the International Affairs College, Institute of International Relations Hong Kong in July 1988.

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

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

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

Mr. O'Yang Wiley (歐陽偉立先生), aged 60, has over 30 years of experience in the accounting, finance and legal industries. He was appointed as our independent non-executive Director on 11 June 2019. He is responsible for overseeing the management of the Group independently. He also serves as the chairman of the audit committee and a member of the nomination committee of the Board.

Mr. O'Yang has served as an independent non-executive director of Hong Kong Economic Times Holdings Limited (stock code: 0423) since October 2012, as an independent non-executive director of Midea Real Estate Holding Limited (stock code: 3990) since the company's listing in October 2018, as an independent non-executive director of D&G Technology Holding Company Limited (stock code: 1301) since May 2019 and as an independent non-executive director of Edvantage Group Holdings Limited (stock code: 0382) since February 2022. He also served as an independent non-executive director of Tianyun International Holdings Limited (stock code: 6836) between November 2019 and May 2022.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT



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

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

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

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

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

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

- (i) He/she does not have any relationship with any other Director, senior management or substantial or controlling Shareholders of the Company;
- (ii) He/she does not hold any other position in the Company or other members of the Group;
- (iii) He/she does not have any other interest in the shares of the Company with the meaning of Part XV of the SFO;
- (iv) There is no other information relating to him/her that should be disclosed pursuant to the events under Rule 13.51(2) (h) to 13.51(2) (v) of the Listing Rules.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

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

Name	Age	Present position(s) in our Company	Date of appointment as senior management	Date of joining our Group	Roles and responsibilities	Relationship with other Directors and/or senior management
Mr. Fan Chi Chiu (范智超先生)	37	Chief Investment Officer	29 November 2021	29 November 2021	Responsible for providing advice of investment opportunity and recommendations	N/A
Mr. Wong Kam Yin (王錦賢先生)	45	Financial Controller	14 February 2019	14 February 2019	Directing and financial management of the Group	N/A

Mr. FAN Chi Chiu (范智超), aged 37, is the chief investment officer of our Company. Mr. Fan joined our Company in November 2021, primarily responsible for providing advice of investment opportunity and recommendations. He is also directors of certain subsidiaries of the Group.

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

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

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

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. WONG Kam Yin (王錦賢) (“Mr. Wong”), aged 45, is the financial controller of the Group. He joined our Group in February 2019 and is responsible for overall management of our Group’s financial and management reporting, budget, auditing functions, accounting and compliance matters.

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

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



INDEPENDENT AUDITOR'S REPORT



To the shareholders of AB Builders Group Limited

奧邦建築集團有限公司

(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of AB Builders Group Limited (the **"Company"**) and its subsidiaries (collectively referred to as the **"Group"**) set out on pages 100 to 179, which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (**"IFRSs"**) issued by the International Accounting Standards Board (the **"IASB"**) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

INDEPENDENT AUDITOR'S REPORT

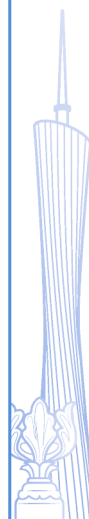
To the shareholders of AB Builders Group Limited

奧邦建築集團有限公司

(Incorporated in the Cayman Islands with limited liability)

KEY AUDIT MATTERS (Continued)

Key audit matter	How our audit addressed the key audit matter
Recognition of revenue from construction contracts	
<p>We identified the recognition of revenue from construction contracts as a key audit matter due to the significance of the amount to the consolidated financial statements as a whole and the degree of judgement and estimation uncertainty involved.</p> <p>The Group reviews and revises the estimates of contract revenue for construction contract as the contract progresses.</p> <p>As set out in note 4 to the consolidated financial statements, recognised amounts of contract revenue reflect management's best estimate, which are determined on the basis of a number of estimates. This includes assessment of progress of the construction contract. The actual outcome of the contract in terms of its total revenue may be higher or lower than the estimates and this will affect the revenue and profit or loss recognised.</p> <p>As disclosed in note 5 to consolidated financial statements, the contract revenue of provision of fitting-out works amounted to MOP154,109,000 for the year ended 31 December 2022.</p>	<p>Our procedures in relation to the recognition of revenue from construction contracts included:</p> <ul style="list-style-type: none"> • Obtaining an understanding of the Group's controls and processes over revenue recognition; • Agreeing the total budgeted contract revenue to the construction contracts, variation orders and, if any, independent architect's instructions or other form of agreements or other correspondences, and discussing with the project management teams of the Group to evaluate the reasonableness of their estimated total budgeted contract revenue, on a sample basis; and • Verifying whether value of work has been reasonably recognised as contract revenue including variations in contract work, by agreeing to the latest payment certificates issued by the independent architects, surveyors or other representatives appointed by the customers, on a sample basis.



INDEPENDENT AUDITOR'S REPORT

To the shareholders of AB Builders Group Limited

奧邦建築集團有限公司

(incorporated in the Cayman Islands with limited liability)

KEY AUDIT MATTERS (Continued)

Key audit matter	How our audit addressed the key audit matter
Valuation of trade receivables and contract assets	
<p>We identified the valuation of trade receivables and contract assets as a key audit matter due to the use of judgements and estimates by management in assessing the recoverability of trade receivables and contract assets.</p> <p>As set out in note 4 to the consolidated financial statements, the Group estimates the amount of impairment loss for expected credit loss ("ECL") on trade receivables and contract assets based on the credit risk of trade receivables and contract assets. The amount of the impairment loss is a function of the probability of default, loss given default and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Where the probability of default is higher than expected, or being revised upwards due to changes in facts and circumstances, a material impairment loss may arise.</p> <p>As disclosed in notes 21 and 22 to the consolidated financial statements, as at 31 December 2022, the carrying amount of trade receivables and contract assets are MOP17,072,000 (net of loss allowance of MOP9,030,000) and MOP34,878,000 (net of loss allowance of MOP5,610,000), respectively.</p>	<p>Our procedures in relation to valuation of trade receivables and contract assets included:</p> <ul style="list-style-type: none"> • Obtaining an understanding on management's credit review process and recoverability assessment process of trade receivables and contract assets; • Assessing the reasonableness of impairment under ECL model by examining the information used by management to form its judgements and estimates, including test of accuracy of the historical default data with reference to the credit history, delay in payments, settlement records, and aging analysis of each relevant debtor, on a sample basis; • Evaluating the reasonableness of the forward-looking information management has taken into account; and • Testing the mathematical accuracy of the ECL model on trade receivables and contract assets prepared by management.

INDEPENDENT AUDITOR'S REPORT

To the shareholders of AB Builders Group Limited

奧邦建築集團有限公司

(Incorporated in the Cayman Islands with limited liability)

OTHER INFORMATION

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

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

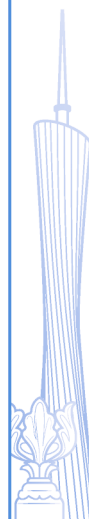
In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise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

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

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

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

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





INDEPENDENT AUDITOR'S REPORT

To the shareholders of AB Builders Group Limited

奧邦建築集團有限公司

(Incorporated in the Cayman Islands with limited liability)

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

INDEPENDENT AUDITOR'S REPORT

To the shareholders of AB Builders Group Limited

奧邦建築集團有限公司

(Incorporated in the Cayman Islands with limited liability)

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement director on the audit resulting in the independent auditor's report is Del Rosario, Faith Corazon.

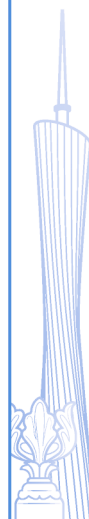
Baker Tilly Hong Kong Limited

Certified Public Accountants

Hong Kong, 27 March 2023

Del Rosario, Faith Corazon

Practising certificate number P06143



CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

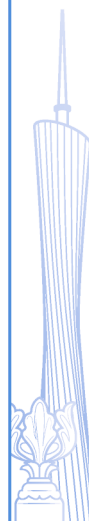
	NOTES	2022 MOP'000	2021 MOP'000
Revenue	5	155,013	353,133
Cost of sales		(121,191)	(335,904)
Gross profit		33,822	17,229
Other income	7	6,702	2,349
Other gains and losses	8	62	(1,053)
Impairment loss under expected credit loss model, net of reversal	10	(9,007)	(92)
Administrative expenses		(22,177)	(28,472)
Finance costs	9	(2)	(27)
Profit (loss) before taxation		9,400	(10,066)
Income tax credit	11	394	65
Profit (loss) and total comprehensive income (expense) for the year	12	9,794	(10,001)
Profit (loss) and total comprehensive income (expense) for the year attributable to:			
Owners of the Company		15,382	(6,642)
Non-controlling interests		(5,588)	(3,359)
		9,794	(10,001)
		MOP cents	MOP cents
Earnings (loss) per share			
— Basic	15	2.56	(1.11)

The notes on pages 106 to 179 form part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2022

	NOTES	2022 MOP'000	2021 MOP'000
Non-current assets			
Property, plant and equipment	16	38,082	39,602
Financial assets at fair value through profit or loss ("FVTPL")	17	11,748	—
		49,830	39,602
Current assets			
Inventories		1,152	1,981
Trade and other receivables	21	29,291	78,874
Contract assets	22	34,878	66,150
Pledged bank deposits	23	67,097	66,233
Short-term bank deposits	23	103,171	—
Bank balances and cash	23	43,178	115,050
		278,767	328,288
Current liabilities			
Trade and other payables	24	126,130	158,255
Lease liabilities	25	—	148
Tax payable		382	776
Bank overdrafts	23	—	16,655
		126,512	175,834
Net current assets		152,255	152,454
Total assets less current liabilities		202,085	192,056
Net assets		202,085	192,056



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2022

	NOTES	2022 MOP'000	2021 MOP'000
Capital and reserves			
Share capital	26	6,189	6,189
Reserves		207,289	191,672
Equity attributable to owners of the Company		213,478	197,861
Non-controlling interests		(11,393)	(5,805)
Total equity		202,085	192,056

The consolidated financial statements on pages 100 to 179 were approved and authorised for issue by the board of directors on 27 March 2023 and are signed on its behalf by:

Lao Chio Seng
Director

Lao Chao U
Director

The notes on pages 106 to 179 form part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

	Attributable to owners of the Company							Non-controlling interests	Total
	Share capital	Share premium	Legal reserve	Share-based payments reserve	Other reserve	Retained earnings	Subtotal		
	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000
At 1 January 2021	6,189	82,564	6,000	—	(86,724)	196,474	204,503	(2,449)	202,054
Loss and total comprehensive expense for the year	—	—	—	—	—	(6,642)	(6,642)	(3,359)	(10,001)
Capital contribution from a non-controlling shareholder	—	—	—	—	—	—	—	3	3
At 31 December 2021 and 1 January 2022	6,189	82,564	6,000	—	(86,724)	189,832	197,861	(5,805)	192,056
Profit (loss) and total comprehensive income (expense) for the year	—	—	—	—	—	15,382	15,382	(5,588)	9,794
Recognition of equity-settled share-based payments (note 31)	—	—	—	235	—	—	235	—	235
At 31 December 2022	6,189	82,564	6,000	235	(86,724)	205,214	213,478	(11,393)	202,085

Notes:

- (i) In accordance with the Article 377 of the Commercial Code of Macau Special Administrative Region, the subsidiaries registered in Macau are required to transfer part of their profits of each accounting period of not less than 25% to legal reserve, until the amount reaches an amount equal to half of the respective share capital.
- (ii) Other reserve includes (a) deemed distribution made to Mr. Lao Chio Seng ("**Mr. Lao**"), chairman and executive director of the Company, resulting from the provision of interest-free loans to Mr. Lao and entity controlled by Mr. Lao in prior years of MOP85,599,000; and (b) a net loss on disposal of subsidiaries and a joint venture of MOP1,125,000 to companies controlled by Mr. Lao and Ms. Wong Hio Mei ("**Mrs. Lao**"), spouse of Mr. Lao, arising as part of a group reorganisation completed in September 2017, which were regarded as equity transactions. Mr. Lao and Mrs. Lao are the ultimate controlling shareholders of the Company.

The notes on pages 106 to 179 form part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	NOTES	2022 MOP'000	2021 MOP'000
Operating activities			
Profit (loss) before taxation		9,400	(10,066)
Adjustments for:			
Finance costs	9	2	27
Depreciation of property, plant and equipment	12	1,522	1,494
Share-based payment expense	31	235	—
Bank interest income	7	(3,155)	(1,802)
Write-down of inventories	12	311	503
Impairment loss under expected credit loss model, net of reversal	10	9,007	92
Loss from fair value change of financial asset at FVTPL	8	—	986
Operating cash flows before movements in working capital		17,322	(8,766)
Decrease in inventories		518	348
Decrease in trade and other receivables		45,330	37,868
Decrease (increase) in contract assets		27,142	(21,276)
(Decrease) increase in trade and other payables		(32,561)	33,511
Decrease in contract liabilities		—	(26,723)
Cash generated from operations		57,751	14,962
Income tax paid		—	—
Net cash from operating activities		57,751	14,962
Investing activities			
Placement of short-term bank deposits		(103,171)	—
Purchase of financial assets at FVTPL		(11,657)	—
Placement of pledged bank deposits		(864)	(1,161)
Purchase of property, plant and equipment		(2)	(293)
Interest received		2,549	1,913
Net cash inflow on acquisition of a subsidiary	27	418	—
Net cash (used in) from investing activities		(112,727)	459

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	2022 MOP'000	2021 MOP'000
Financing activities		
Repayment of bank overdrafts	(16,655)	—
Repayment of lease liabilities	(148)	(342)
Interest paid	(2)	(27)
Drawdown of bank overdrafts	—	16,655
Net cash (used in) from financing activities	(16,805)	16,286
Net (decrease) increase in cash and cash equivalents	(71,781)	31,707
Cash and cash equivalents at beginning of the year	115,050	83,343
Effect of foreign exchange rate changes	(91)	—
Cash and cash equivalents at the end of the year, representing bank balances and cash	43,178	115,050

The notes on pages 106 to 179 form part of the consolidated financial statements.





NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

1 GENERAL INFORMATION

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

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

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

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

Amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to IFRSs issued by the International Accounting Standards Board (“**IASB**”) for the first time, which are mandatorily effective for the Group’s annual periods beginning on or after 1 January 2022 for the preparation of the consolidated financial statements:

Amendments to IFRS 3	Reference to the Conceptual Framework
Amendment 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 IFRS Accounting Standards 2018–2020 Cycle

Except as described below, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

2 APPLICATION OF AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”) (Continued)

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

Impacts on application of Amendments to IFRS 3 Reference to the Conceptual Framework

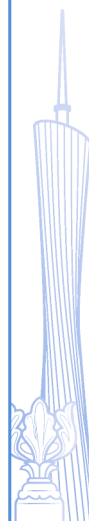
The Group has applied the amendments to business combinations for which the acquisition date was on or after 1 January 2022. The amendments update a reference in IFRS 3 Business Combinations so that it refers to the Conceptual Framework for Financial Reporting issued by International Accounting Standards Board in March 2018 (the “**Conceptual Framework**”) instead of the International Accounting Standards Committee’s Framework for the Preparation and Presentation of Financial Statements (replaced by the Conceptual Framework for Financial Reporting issued in September 2010), add a requirement that, for transactions and events within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies, an acquirer applies IAS 37 or IFRIC 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination and add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The application of the amendments in the current year has had no impact on the Group’s consolidated financial statements.

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

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

In accordance with the transitional provisions, the amendments are applicable 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 in the current year has had no impact on the Group’s financial positions and performance.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

2 APPLICATION OF AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”) (Continued)

New and amendments to IFRSs in issue but not yet effective

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

IFRS 17 (including the June 2020 and December 2021 Amendments to IFRS 17)	Insurance Contracts ¹
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback ³
Amendments to IAS 1	Classification of Liabilities as Current or Non-current ³
Amendments to IAS 1	Non-current Liabilities with Covenants ³
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies ¹
Amendments to IAS 8	Definition of Accounting Estimates ¹
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ¹

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

² Effective for annual periods beginning on or after a date to be determined.

³ Effective for annual periods beginning on or 1 January 2024.

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

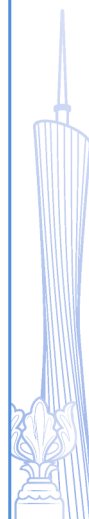
Amendments to IAS 1 and IFRS Practice Statement 2 Disclosure of Accounting Policies

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022



2 APPLICATION OF AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”) (Continued)

New and amendments to IFRSs in issue but not yet effective (Continued)

Amendments to IAS 1 and IFRS Practice Statement 2 Disclosure of Accounting Policies (Continued)

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

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

Amendments to IAS 8 Definition of Accounting Estimates

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

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

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

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

(a) Basis of preparation of consolidated financial statements

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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

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

The consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments that are measured at fair value at the end of each reporting period, as explained in the accounting policies set out below.

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 "Share-based Payment", leasing transactions that are accounted for in accordance with IFRS 16 "Leases" and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 "Inventories" or value in use in IAS 36 "Impairment of Assets".

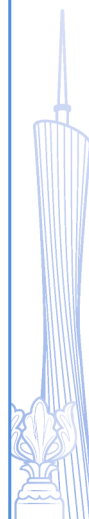
For financial instruments which are transacted at fair value and a valuation technique that unobservable inputs are to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction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

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022



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

(b) Significant accounting policies

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

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

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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

(b) Significant accounting policies (Continued)

Business combinations or asset acquisitions

Optional concentration test

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

Asset acquisitions

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

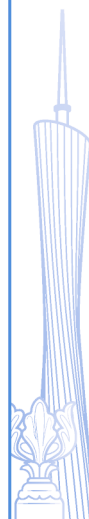
Business combination

A business is an integrated set of activities and assets which includes an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired processes are considered substantive if they are critical to the ability to continue producing outputs, including an organised workforce with the necessary skills, knowledge, or experience to perform the related processes or they significantly contribute to the ability to continue producing outputs and are considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022



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

(b) Significant accounting policies (Continued)

Business combinations or asset acquisitions (Continued)

Business combination (Continued)

For business combinations in which the acquisition date is on or after 1 January 2022, the identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the Conceptual Framework for Financial Reporting issued by International Accounting Standards Board in March 2018 (the “**Conceptual Framework**”) except for transactions and events within the scope of IAS 37 or IFRIC 21, in which the Group applies IAS 37 or IFRIC 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination. Contingent assets are not recognised.

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

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 “Income Taxes” and IAS 19 “Employee Benefits” respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 at the acquisition date;
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 “Non-current Assets Held for Sale and Discontinued Operations” are measured in accordance with that standard; and
- lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in IFRS 16) as if the acquired leases were new leases at the acquisition date, except for leases for which (a) the lease term ends within 12 months of acquisition date; or (b) the underlying asset is of low value. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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

(b) Significant accounting policies (Continued)

Business combinations or asset acquisitions (Continued)

Business combination (Continued)

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

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

Goodwill

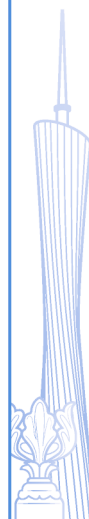
Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022



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

(b) Significant accounting policies (Continued)

Goodwill (Continued)

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

Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to customers.

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

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

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

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

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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

(b) Significant accounting policies (Continued)

Revenue from contracts with customers (Continued)

Recognition

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

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

Sales of air purification unit/system

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

Contract assets or liabilities

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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

(b) Significant accounting policies (Continued)

Revenue from contracts with customers (Continued)

Sales of air purification unit/system (Continued)

Contract assets or liabilities (Continued)

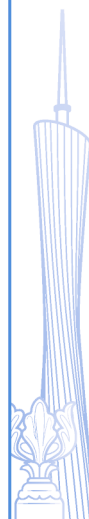
Contract asset is recognised when (i) the Group completes the fitting-out works and structural works under such services contracts but yet certified by independent architects, surveyors or other representatives appointed by customers, or (ii) the customers retain retention money to secure the due performance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

Principal versus agent

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

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

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





NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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

(b) Significant accounting policies (Continued)

Leases

Definition of a lease

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

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

The Group as a lessee

Allocation of consideration to components of a contract

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

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

Short-term leases

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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

(b) Significant accounting policies (Continued)

Leases (Continued)

The Group as a lessee (Continued)

Right-of-use assets

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

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

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

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

Refundable rental deposits

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

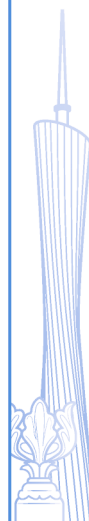
Lease liabilities

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

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

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

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





NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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

(b) Significant accounting policies (Continued)

Government grants

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

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

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

Retirement benefits costs

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

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another IFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Share-based payments

Equity-settled share-based payment transactions

Share options granted to employees of the Group

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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

(b) Significant accounting policies (Continued)

Share-based payments (Continued)

Equity-settled share-based payment transactions (Continued)

Share options granted to employees of the Group (Continued)

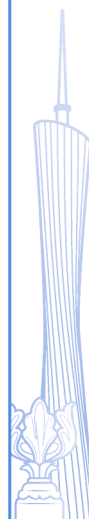
The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share-based payments reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share-based payments reserve. For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

When share options are exercised, the amount previously recognised in share options reserve will be transferred to share capital and share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to retained earnings.

Taxation

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

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





NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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

(b) Significant accounting policies (Continued)

Taxation (Continued)

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business consolidation) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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

(b) Significant accounting policies (Continued)

Taxation (Continued)

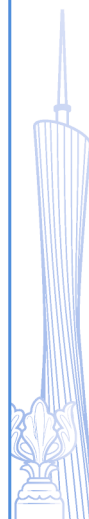
Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where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

Financial instruments

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

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

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.





NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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

(b) Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets

Classification and subsequent measurement of financial assets

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

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the assets is no longer credit-impaired.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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

(b) Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

(ii) Financial assets at FVTPL

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

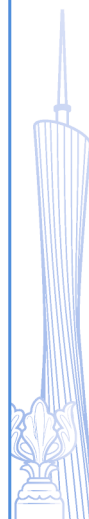
Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the "other gains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

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

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

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("**12m ECL**") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables and contract assets. The ECL on these assets are assessed individually for debtors based on the Group's internal credit rating, historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.





NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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

(b) Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

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

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; and
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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

(b) Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

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

(i) Significant increase in credit risk (Continued)

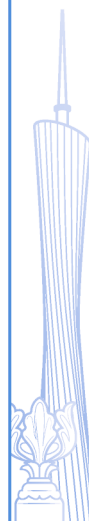
Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

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

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.





NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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

(b) Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

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

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- (a) significant financial difficulty of the issuer or the counterparty;
- (b) a breach of contract, such as a default or past due event;
- (c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or
- (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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

(b) Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

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

(v) Measurement and recognition of ECL

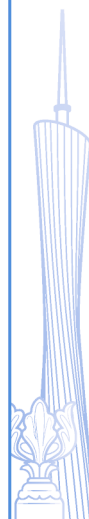
The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

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

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12m ECL at the current reporting date.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables, other receivables and contract assets where the corresponding adjustment is recognised through a loss allowance account.





NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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

(b) Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire.

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

Financial liabilities and equity instruments

Classification as debt or equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of a group entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Financial liabilities at amortised cost

All financial liabilities, including trade and other payables are subsequently measured at amortised cost using the effective interest method.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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

(b) Significant accounting policies (Continued)

Property, plant and equipment

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

Depreciation is recognised so as to write off the cost of assets less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

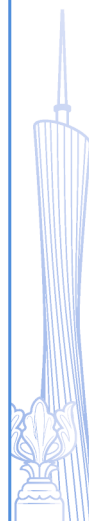
Intangible assets

Intangible assets acquired in a business combination

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

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

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





NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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

(b) Significant accounting policies (Continued)

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

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets and intangible assets with finite useful lives to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

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

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

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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

(b) Significant accounting policies (Continued)

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

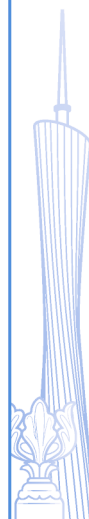
If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable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

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit or a group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Cash and cash equivalents

Cash and cash equivalents presented on the consolidated statement of financial position include:

- (a) cash, which comprises of cash on hand and demand deposits, excluding bank balances that are subject to regulatory restrictions that result in such balances no longer meeting the definition of cash; and
- (b) cash equivalents, which comprises of short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.





NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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

(b) Significant accounting policies (Continued)

Cash and cash equivalents (Continued)

For the purposes of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts which are repayable on demand and form an integral part of the Group's cash management. Such overdrafts are presented as short-term borrowings in the consolidated statement of financial position.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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

(b) Significant accounting policies (Continued)

Inventories

Inventories represent the Group's trading products and are stated at the lower of cost and net realisable value. Costs of inventories are determined on weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Costs necessary to make the sale include incremental cost directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

Borrowing costs

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

Provisions

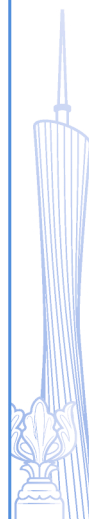
Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

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

Onerous contracts

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the net 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 (to specify, e.g. direct labour and materials) and an allocation of other costs (to specify, e.g. an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling that contract) that relate directly to fulfilling contracts.





NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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

(b) Significant accounting policies (Continued)

Contingent liabilities

A contingent liability is a present obligation arising from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

Where the Group is jointly and severally liable for an obligation, the part of the obligation that is expected to be met by other parties is treated as a contingent liability and it is not recognised in the consolidated financial statements.

The Group assesses continually to determine whether an outflow of resources embodying economic benefits has become probable. If it becomes probable that an outflow of future economic benefits will be required for an item previously dealt with as a contingent liability, a provision is recognised in the consolidated financial statements in the reporting period in which the change in probability occurs, except in the extremely rare circumstances where no reliable estimate can be made.

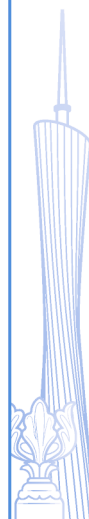
4 KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, management of the Group is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022



4 KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty

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

Estimation uncertainty on revenue recognition from construction contracts

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

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

Estimated impairment of trade receivables and contract assets

Management of the Group estimates the amount of impairment loss for ECL on trade receivables and contract assets based on the credit risk of trade receivables and contract assets. The amount of the impairment loss is a function of the probability of default, loss given default and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Where the probability of default is higher than expected, or being revised upwards due to changes in facts and circumstances, a material impairment loss may arise.

As at 31 December 2022, the carrying amount of trade receivables and contract assets are MOP17,072,000 (2021: MOP55,526,000) (net of loss allowance of MOP9,030,000 (2021: MOP6,559,000)) and MOP34,878,000 (2021: MOP66,150,000) (net of loss allowance of MOP5,610,000 (2021: MOP1,480,000)), respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

5 REVENUE

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

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

	2022 MOP'000	2021 MOP'000
Recognised over time:		
Contract revenue from provision of fitting-out works	154,109	344,097
Contract revenue from provision of structural works	—	8,491
	154,109	352,588
Recognised at a point in time:		
Revenue from sales of air purification unit/system	904	545
Total	155,013	353,133

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 (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 6.

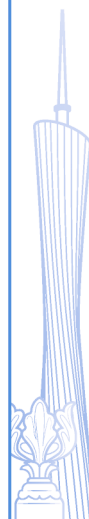
Transaction price allocated to the remaining performance obligations

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

	2022 MOP'000	2021 MOP'000
Provision of fitting-out works	54,728	135,760

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022



5 REVENUE (Continued)

Transaction price allocated to the remaining performance obligations (Continued)

Based on the information available to the Group at the end of the reporting period, management of the Group expects the transaction price allocated to the above unsatisfied (or partially unsatisfied) contracts as of 31 December 2022 will be recognised as revenue during the year ending 31 December 2023 (2021: 31 December 2022) in respect of provision of fitting-out works and structural works.

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

6 SEGMENT INFORMATION

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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

6 SEGMENT INFORMATION (Continued)

Segment revenue and results

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

For the year ended 31 December 2022

	Fitting-out works MOP'000	Structural works MOP'000	Air purification business MOP'000	Total MOP'000
Segment revenue — external	154,109	—	904	155,013
Segment results	33,747	—	75	33,822
Administrative expenses				(22,177)
Other income and other gains and losses				6,764
Impairment loss under expected credit loss model, net of reversal				(9,007)
Finance costs				(2)
Profit before taxation				9,400

For the year ended 31 December 2021

	Fitting-out works MOP'000	Structural works MOP'000	Air purification business MOP'000	Total MOP'000
Segment revenue — external	344,097	8,491	545	353,133
Segment results	16,919	592	(282)	17,229
Administrative expenses				(28,472)
Other income and other gains and losses				1,296
Impairment loss under expected credit loss model, net of reversal				(92)
Finance costs				(27)
Loss before taxation				(10,066)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

6 SEGMENT INFORMATION (Continued)

Segment revenue and results (Continued)

The accounting policies of the operating and reportable segments are the same as the Group's accounting policies described in note 3. Segment results represent the profit/loss before taxation earned by each segment without allocation of administrative expenses, other income, other gains and losses, finance costs and impairment loss under ECL model (net of reversal). This is the measure reported to the CODM for the purposes of resource allocation and assessment of segment performance.

Geographical information

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

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

	Revenue from external customers		Non-current assets	
	2022 MOP'000	2021 MOP'000	2022 MOP'000	2021 MOP'000
Macau	127,662	287,854	38,057	39,552
Hong Kong	27,351	65,279	25	50
	155,013	353,133	38,082	39,602

Information about major customers

	2022 MOP'000	2021 MOP'000
Customer A	87,398 ^(b)	N/A ^(c)
Customer B	23,774 ^(b)	39,119 ^(b)
Customer C	16,266 ^(b)	N/A ^(c)
Customer D	N/A ^(c)	98,401 ^(a)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

6 SEGMENT INFORMATION (Continued)

Information about major customers (Continued)

Notes:

- (a) The revenue was derived from both fitting-out works and structural works segments.
- (b) The revenue was derived from fitting-out works segment.
- (c) Revenue from the customer is less than 10% of the total revenue of the Group for the year.

7 OTHER INCOME

	2022 MOP'000	2021 MOP'000
Bank interest income	3,155	1,802
Government grants (<i>Note</i>)	1,619	200
Others	1,928	347
	6,702	2,349

Note: During the current year, the Group recognised government grant of MOP1,619,000 (2021: MOP200,000) in respect of COVID-19-related subsidies, of which MOP1,619,000 (2021: nil) relates to Employment Support Scheme provided by the Government of the Hong Kong Special Administrative Region.

8 OTHER GAINS AND LOSSES

	2022 MOP'000	2021 MOP'000
Loss from fair value change of financial asset at FVTPL (<i>note 17</i>)	—	(986)
Net exchange gain (loss)	67	(44)
Others	(5)	(23)
	62	(1,053)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

9 FINANCE COSTS

	2022 MOP'000	2021 MOP'000
Interest on bank overdrafts	—	10
Interest on lease liabilities	2	17
	2	27

10 IMPAIRMENT LOSS UNDER EXPECTED CREDIT LOSS MODEL, NET OF REVERSAL

	2022 MOP'000	2021 MOP'000
Impairment loss recognised (reversed) on:		
Trade receivables	2,471	1,296
Other receivables	2,406	117
Contract assets	4,130	(1,321)
	9,007	92

Details of impairment assessment are set out in note 37.

11 INCOME TAX CREDIT

	2022 MOP'000	2021 MOP'000
Overprovision in prior years:		
Macau Complementary Tax	394	65

Macau Complementary Tax is calculated at 12% of the estimated assessable profits exceeding MOP600,000 for both years. No provision for Macau Complementary Tax has been made as the income tax for current year is absorbed by unused tax losses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

11 INCOME TAX CREDIT (Continued)

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.

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

	2022 MOP'000	2021 MOP'000
Profit (loss) before taxation	9,400	(10,066)
Tax at applicable statutory tax rate of 12% (2021: 12%)	1,128	(1,208)
Tax effect of expenses not deductible for tax purpose	822	1,188
Tax effect of income not taxable for tax purpose	(269)	(24)
Tax effect of utilisation of tax losses not previously recognised	(4,251)	—
Tax effect of tax losses not recognised	2,838	2,258
Tax effect of temporary differences not recognised	531	(1,616)
Overprovision in respect of prior years	(394)	(65)
Effect of different tax rate of a subsidiary operating in other jurisdiction	(799)	(598)
Income tax credit for the year	(394)	(65)

At the end of the reporting period, the Group has unused tax losses of MOP30,960,000 (2021: MOP42,731,000) available for offsetting against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams. Included in unrecognised tax losses is an amount of MOP11,460,000 (2021: MOP32,096,000) which can be carried forward up to three years from the year in which the loss was incurred and an amount of MOP19,500,000 (2021: MOP10,635,000) which does not expire under the current tax legislation.

At the end of the reporting period, the Group has deductible temporary differences in relation to timing difference on revenue recognition and impairment of financial assets, contract assets, right-of-use asset and property, plant and equipment of MOP11,028,000 (2021: MOP8,753,000). No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

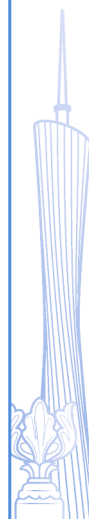
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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

	2022 MOP'000	2021 MOP'000
Profit (loss) and total comprehensive income (expense) for the year has been arrived at after charging (crediting):		
Contract costs recognised as expense (<i>Note</i>)		
Provision of fitting-out works	120,362	327,178
Provision of structural works	—	7,899
	120,362	335,077
Cost of inventories recognised as expense (including write-down of inventories of MOP311,000 (2021: MOP503,000))	829	827
Staff costs		
Gross staff costs (including directors' emoluments below)	26,500	37,348
Less: Staff costs capitalised to contract costs incurred	(13,333)	(19,401)
	13,167	17,947
Directors' emoluments (<i>note 13</i>)	4,101	5,624
Auditor's remuneration	547	516
Depreciation of property, plant and equipment	1,522	1,494

Note: Included in contract costs was provision of onerous contracts of MOP41,000 (2021: MOP705,000) recognised for provision of fitting-out works during the year ended 31 December 2022.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

13 DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS AND FIVE HIGHEST PAID EMPLOYEES' EMOLUMENTS

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

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

Name of directors	Year ended 31 December 2022			
	Fees MOP'000	Salaries and other allowances MOP'000	Retirement benefit scheme contributions MOP'000	Total MOP'000
Executive directors				
Mr. Lao	—	195	1	196
Ms. Lao Chao U ("Athena Lao")*	—	650	1	651
Ms. Lao Ka U ("Vicki Lao")* (Note (a))	—	43	—	43
Mr. Cheang Iek Wai	—	650	1	651
Mr. Ip Kin Wa	—	1,207	1	1,208
Dr. Roberto Gnanavelu (Note (a))	—	607	1	608
Independent non-executive directors				
Mr. Chu Yat Pang, Terry	248	—	—	248
Mr. Choy Wai Shek, Raymond, MH, JP	248	—	—	248
Mr. O'Yang Wiley	248	—	—	248
	744	3,352	5	4,101

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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

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

Name of directors	Year ended 31 December 2021			
	Fees	Salaries and other allowances	Retirement benefit scheme contributions	Total
	MOP'000	MOP'000	MOP'000	MOP'000
Executive directors				
Mr. Lao	—	168	1	169
Ms. Athena Lao*	—	560	1	561
Ms. Vicki Lao*	—	560	1	561
Mr. Cheang Iek Wai	—	560	1	561
Mr. Ip Kin Wa	—	1,344	1	1,345
Mr. Lee Siu Cheung ("Macro Lee") (Note (b))	—	1,669	14	1,683
Independent non-executive directors				
Mr. Chu Yat Pang, Terry	248	—	—	248
Mr. Choy Wai Shek, Raymond, MH, JP	248	—	—	248
Mr. O'Yang Wiley	248	—	—	248
	744	4,861	19	5,624

* Daughters of the Controlling Shareholders

Notes:

- (a) On 27 January 2022, Ms. Vicki Lao resigned and Dr. Roberto Gnanavelu was appointed as an executive director of the Company.
- (b) Mr. Marco Lee was appointed as an executive director of the Company on 1 September 2020 and he resigned on 28 October 2021.

Executive directors

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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

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

Independent non-executive directors

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

(b) Employees' emoluments

The five highest paid individuals of the Group for the year ended 31 December 2022 include one (2021: two) director, details of whose emoluments are set out in note 13(a) above. Details of the remaining four (2021: three) highest paid individuals are as follows:

	2022 MOP'000	2021 MOP'000
Salaries and other allowances	5,141	2,437

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

	2022 No. of individuals	2021 No. of individuals
Nil to Hong Kong Dollars ("HK\$") 1,000,000	2	3
HK\$1,000,001 to HK\$1,500,000	2	—
	4	3

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

14 DIVIDENDS

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

15 EARNINGS (LOSS) PER SHARE

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

	2022 MOP'000	2021 MOP'000
Profit (loss) and total comprehensive income (expense) for the year attributable to owners of the Company	15,382	(6,642)

	2022 '000	2021 '000
Weighted average number of ordinary shares for the purpose of basic earnings (loss) per share	600,000	600,000

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

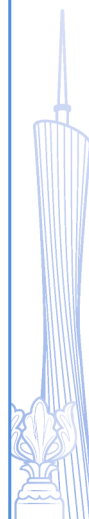
For the year ended 31 December 2022

16 PROPERTY, PLANT AND EQUIPMENT

	Owned properties MOP'000	Leasehold improvement MOP'000	Furniture, fixtures and equipment MOP'000	Motor vehicles MOP'000	Total MOP'000
Cost					
At 1 January 2021	46,367	2,708	4,916	328	54,319
Additions	—	—	293	—	293
Disposals	—	—	(3)	—	(3)
At 31 December 2021 and 1 January 2022	46,367	2,708	5,206	328	54,609
Additions	—	—	2	—	2
At 31 December 2022	46,367	2,708	5,208	328	54,611
Depreciation and impairment					
At 1 January 2021	5,620	2,708	4,860	328	13,516
Provided for the year	1,406	—	88	—	1,494
Eliminated on disposals	—	—	(3)	—	(3)
At 31 December 2021 and 1 January 2022	7,026	2,708	4,945	328	15,007
Provided for the year	1,406	—	116	—	1,522
At 31 December 2022	8,432	2,708	5,061	328	16,529
Carrying values					
At 31 December 2022	37,935	—	147	—	38,082
At 31 December 2021	39,341	—	261	—	39,602

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022



16 PROPERTY, PLANT AND EQUIPMENT (continued)

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

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

The Group's owned properties are situated in Macau.

As at 31 December 2022, the Group has pledged its owned properties with a carrying value of MOP37,935,000 (2021: MOP39,341,000) to secure general banking facilities granted to the Group.

17. FINANCIAL ASSETS AT FVTPL

	2022 MOP'000	2021 MOP'000
Financial asset measured at FVTPL		
Investment fund (Note (a))	11,748	—

Notes:

- (a) On 9 September 2022, San Fong Seng Construction & Engineering Company Limited ("**San Fong Seng**"), an indirect wholly-owned subsidiary of the Company entered into a limited partnership agreement with other two limited partners, Che Hao Song and Xu Huijuan, and a general partner, Leader Fund (Zhuhai) Equity Investment Management Co., Ltd.. The investment fund is a project specific fund and the investment target is Nature Home (China) Co., Ltd (the "**Investment Fund**"). Refer to the announcement issued by the Company on 9 September 2022 for further details. As the Investment Fund does not meet the criteria for being measured at amortised cost or fair value through other comprehensive income ("**FVTOCI**") or designated as FVTOCI, it is classified as financial asset at FVTPL. At 31 December 2022, the Investment Fund is classified as non-current asset as it has a term of five years.
- (b) On 10 September 2019, the Group entered into a sale and purchase agreement with the vendors (the "**Vendors**") for acquisition (the "**Acquisition**") of 100% equity interest in Equally Tycoon Limited ("**Equally**"). Pursuant to the sale and purchase agreement ("**Agreement**"), the Vendors, irrevocably warrants and guarantees to the Group that net profit of Lap Polly Engineering Company Limited ("**Lap Polly**"), a subsidiary of Equally, for the years ending 31 December 2020 and 31 December 2021 (the "**Relevant Periods**") which will not be less than the amounts as set out below (the "**Profit Guarantee**"). In the event that Lap Polly cannot meet the Profit Guarantee, the consideration of the Acquisition will be adjusted for 60% (i.e. shareholding in Lap Polly) of the aggregate sum of the shortfall between the actual profit/loss for the year and the Profit Guarantee during the Relevant Periods (the "**Contingent Consideration Adjustment**").

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

17. FINANCIAL ASSETS AT FVTPL (Continued)

Notes: (Continued)

(b) (Continued)

For the year ended	Profit Guarantee MOP'000
31 December 2020	4,384
31 December 2021	4,384
	MOP'000
At 1 January 2021	4,596
Netting off of amounts due to non-controlling shareholders of a subsidiary	(3,610)
Loss from fair value change of financial asset at FVTPL	(986)
At 31 December 2021	—

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

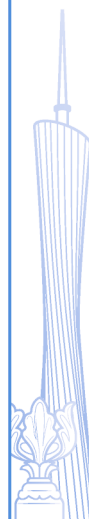
For the year ended 31 December 2022

18 RIGHT-OF-USE ASSET

	Leased properties MOP'000	
Cost		
At 1 January 2021 and 31 December 2021		682
Expiration of leases		(682)
At 31 December 2022		—
Depreciation and impairment		
At 1 January 2021 and 31 December 2021		682
Expiration of leases		(682)
At 31 December 2022		—
Carrying amounts		
At 31 December 2022		—
At 31 December 2021		—
	2022 MOP'000	2021 MOP'000
Expense relating to short-term leases	599	526
Total cash outflow for lease	749	885

For the year ended 31 December 2021, the Group leased an office for its operations. Lease contracts are entered into for fixed terms of 2 years. Lease terms are negotiated on an individual basis. In determining the lease term and assessing the length of the non-cancellable period, the Company applied the definition of a contract and determines the period for which the contract.

The Group regularly entered into short-term leases for a warehouse, an office and staff quarters. As at 31 December 2022 and 2021, the regularly portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed above.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

19 INTANGIBLE ASSETS

	Secured customer contracts MOP'000	Distribution right agreement MOP'000	Total MOP'000
Cost			
At 1 January 2021 and 31 December 2021	2,243	222	2,465
Write-off (<i>Note</i>)	(2,243)	(222)	(2,465)
At 31 December 2022	—	—	—
Amortisation			
At 1 January 2021 and 31 December 2021	2,243	222	2,465
Write-off (<i>Note</i>)	(2,243)	(222)	(2,465)
At 31 December 2022	—	—	—
Carrying values			
At 31 December 2022	—	—	—
At 31 December 2021	—	—	—

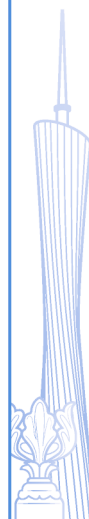
Note: The intangible assets are derecognised as the management of the Group expects there is no future economic benefits to arise from the continued use of those assets.

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

Secured customer contracts	1 year
Distribution right agreement	1 year

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022



20 GOODWILL

	MOP'000
Cost	
At 1 January 2021, 31 December 2021 and 31 December 2022	1,510
Impairment	
At 1 January 2021, 31 December 2021 and 31 December 2022	1,510
Carrying values	
At 31 December 2022	—
At 31 December 2021	—

21 TRADE AND OTHER RECEIVABLES

	2022 MOP'000	2021 MOP'000
Trade receivables, net of loss allowance	17,072	55,526
Advances paid to subcontractors and suppliers	8,674	16,595
Other receivables, prepayments and deposits	3,545	6,753
Total trade and other receivables	29,291	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.

As at 1 January 2021, trade receivables, net of loss allowance, from contracts with customers amounted to MOP81,321,000.

The Group generally allows a credit period for 30 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

21 TRADE AND OTHER RECEIVABLES (Continued)

	2022 MOP'000	2021 MOP'000
1–30 days	13,487	34,536
31–60 days	2,069	12,224
61–90 days	—	471
Over 90 days	1,516	8,295
	17,072	55,526

As at 31 December 2022, included in the Group's trade receivable balances were receivables with aggregate carrying amount of MOP3,585,000 (2021: MOP20,990,000), which were past due at the end of the reporting period. Out of the past due balances, MOP1,516,000 (2021: MOP8,295,000) has been past due 90 days or more and is not considered as in default as the directors of the Company are of the opinion that the balances are still considered fully recoverable due to long-term/on-going relationship and good repayment record from these customers. The Group does not hold any collateral over these balances.

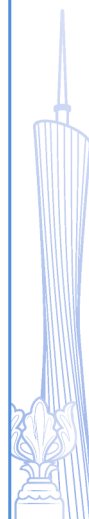
Details of impairment assessment of trade and other receivables are set out in note 37.

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

	2022 MOP'000	2021 MOP'000
HK\$	6,178	17,058

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022



22 CONTRACT ASSETS

	2022 MOP'000	2021 MOP'000
Contract assets	34,878	66,150

As at 1 January 2021, contract assets and contract liabilities amounted to MOP42,758,000 and MOP25,928,000, respectively.

As at 31 December 2022, contract assets included retention receivables held by customers for contract works amounting to MOP29,157,000 (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 project and the remaining 50% is recoverable after the completion of defect liability period of the relevant contracts or in accordance with the terms specified in the relevant contracts, ranging from 3 months to 2 years from the date of completion of respective projects. The amount is unsecured and interest-free.

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

Details of the impairment assessment of contract assets are set out in note 37.

23 BANK BALANCES AND CASH/PLEDGED BANK DEPOSITS/SHORT-TERM BANK DEPOSITS/BANK OVERDRAFTS

Bank balances and cash comprises cash on hand and bank balances. As at 31 December 2022, bank balances carry interest at prevailing market interest rates which were ranging from 0.001% to 1.7% (2021: 0.001% to 0.010%) per annum.

As at 31 December 2022, short-term bank deposits carried fixed interest rates ranging from 3.8% to 4.85% (2021: N/A) per annum with original maturity over 3 months and are classified as current assets since their remaining maturity is within 12 months from the end of the reporting period.

Pledged bank deposits represent deposits pledged to a bank to secure banking facilities granted to the Group. As at 31 December 2022, the pledged bank deposits carried an average fixed interest rate of 3.48% (2021: 1.30%) per annum.

Bank overdrafts as at 31 December 2021 are repayable on demand and secured by assets as disclosed in note 28, and bear interests at Prime Rate minus 1.5%.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

23 BANK BALANCES AND CASH/PLEDGED BANK DEPOSITS/SHORT-TERM BANK DEPOSITS/BANK OVERDRAFTS (Continued)

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

	2022 MOP'000	2021 MOP'000
Bank balances and cash HK\$	35,885	87,678
Short-term bank deposits HK\$	103,171	—
Pledged bank deposits HK\$	67,097	66,233
Bank overdrafts HK\$	—	16,655

24 TRADE AND OTHER PAYABLES

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

	2022 MOP'000	2021 MOP'000
Trade payables	15,175	25,737
Retention payables	41,984	51,244
Accrued contract costs	60,725	69,812
Provision of onerous contracts	724	3,995
Accruals	7,522	7,467
Total trade and other payables	126,130	158,255

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

24 TRADE AND OTHER PAYABLES (Continued)

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

	2022 MOP'000	2021 MOP'000
1–30 days	13,795	24,395
31–60 days	4	152
Over 60 days	1,376	1,190
	15,175	25,737

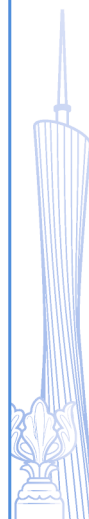
Retention payables to sub-contractors of contract works are interest-free and payable by the Group after the completion of maintenance period of the relevant contracts or in accordance with the terms specified in the relevant contracts, ranging from 3 months to 2 years from the completion date of the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

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

	2022 MOP'000	2021 MOP'000
Within one year	41,885	24,432
After one year	99	26,812
	41,984	51,244

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

	2022 MOP'000	2021 MOP'000
HK\$	5,221	2,424



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

25 LEASE LIABILITIES

	2022 MOP'000	2021 MOP'000
Lease liabilities payable:		
Within one year	—	148
Less: Amount due for settlement within 12 months shown under current liabilities	—	(148)
Amount due for settlement after 12 months shown under non-current liabilities	—	—

26 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 31 December 2022	10,000,000	103,150
Issued and fully paid:		
At 1 January 2021, 31 December 2021 and 31 December 2022	600,000	6,189

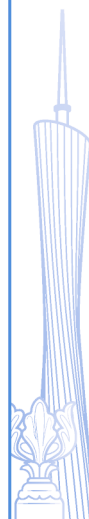
27 ACQUISITION OF A SUBSIDIARY

On 10 December 2022, Speedy Construction (HK) Company Limited ("**Speedy Construction**"), a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with Ms. Athena Lao and Ms. Vicki Lao, directors of the Company, pursuant to which the two directors agreed to sell and Speedy Construction agreed to purchase entire equity interest of 廣東省粵睿貿易有限公司 (Guangdong Aorui Trade Co. Ltd.* ("**Aorui**")). The transaction was accounted for as an assets acquisition rather than a business combination.

* The English translation of the Company's name is for reference only. The official name of this company is in Chinese.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022



27 ACQUISITION OF A SUBSIDIARY (Continued)

On 16 December 2022, the Group completed the acquisition of 100% of equity interest of Aorui for cash consideration of Renminbi ("RMB") 2.

Assets acquired and liabilities recognised at the date of acquisition

	MOP'000
Other receivables	18
Bank balances and cash	418
Accruals	(436)
	—*

Net cash inflow arising on acquisition of Aorui

	MOP'000
Cash consideration paid	—*
Less: cash and cash equivalents balances acquired	(418)
	(418)

* Less than MOP1,000

28 PLEDGE OF ASSETS

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

	2022 MOP'000	2021 MOP'000
Carrying amount:		
Owned properties included in property, plant and equipment	37,935	39,341
Pledged bank deposits	67,097	66,233
	105,032	105,574



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For the year ended 31 December 2022

29 PERFORMANCE GUARANTEES/BID BONDS

As at 31 December 2022, performance guarantees of MOP40,563,000 (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 assets as set out in note 28.

As at 31 December 2022, bid bonds of MOP2,355,000 (2021: MOP1,990,000), were given by banks in favour of the Group for bidding of projects offering by the government of Macau.

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

30 RETIREMENT BENEFIT PLANS

Eligible employees of the Group are covered by a government-mandated defined contribution plan pursuant to which a fixed amount of retirement benefit would be determined and paid by the Government of the Macau Special Administrative Region. Contributions are generally made by both employees and employers by paying a fixed amount on a monthly basis to the Social Security Fund Contribution managed by the Macau Government. The Group funds the entire contribution and has no further commitments beyond its monthly contributions.

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

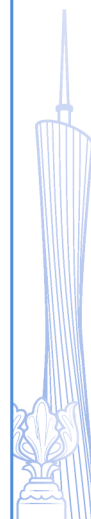
Contributions to the above plans vest immediately, there is no forfeited contributions that may be used by the Group to reduce the existing level of contribution.

During the year ended 31 December 2022, a total cost of MOP179,000 (2021: MOP372,000) was charged to profit or loss representing contribution paid or payable to the above retirement benefit plans by the Group.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022



31 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.

During the year ended 31 December 2022, the Group recognised equity-settled share-based payments of approximately MOP235,000 (2021: MOPNil) in relation to share options granted by the Company. 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 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. The following assumptions were used to calculate the fair value of share options:

Measurement date	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%

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

31 SHARE OPTION SCHEME (Continued)

The particulars of the share options under the Scheme during the year ended 31 December 2022 are as follows:

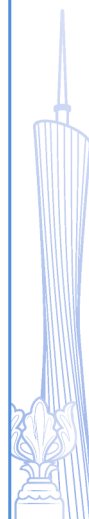
Name or category of participant	Date of grant	Vesting date	Validity period	Exercise price per share	Number of share options					
					Outstanding as at 1 January 2022	Granted during the year	Exercised during the year	Lapsed/ Cancelled/ Forfeited during the year	Outstanding as at 31 December 2022	Exercisable at 31 December 2022
Senior management	24 February 2022	29 May 2022	24 February 2022 to 16 August 2028	HK\$0.272	—	1,000,000	—	—	1,000,000	1,000,000
	24 February 2022	29 November 2022	24 February 2022 to 16 August 2028	HK\$0.67	—	1,000,000	—	—	1,000,000	1,000,000
	24 February 2022	29 November 2023	24 February 2022 to 16 August 2028	HK\$0.67	—	1,000,000	—	—	1,000,000	—
					—	3,000,000	—	—	3,000,000	2,000,000
Weighted average exercise price					—	HK\$0.537	—	—	HK\$0.537	HK\$0.471

On 24 February 2022, the Company granted 3,000,000 options to subscribe for shares to Mr. Fan Chi Chiu, the chief investment officer of the Company, in accordance with the terms of the Scheme. The share options were vested in three tranches, with each tranche covering one-third of the relevant options, i.e. exercisable to the extent of one-third of the relevant options with the 1st, 2nd and 3rd tranche becoming exercisable from 29 May 2022, 29 November 2022 and 29 November 2023 respectively to 16 August 2028; at exercise price of HK\$0.272, HK\$0.67 and HK\$0.67 per share respectively. The closing price of the Company's shares immediately before 24 February 2022, the date of grant, was HK\$0.255. Refer to the announcement issued by the Company on 24 February 2022 for further details of share options granted during the year ended 31 December 2022.

The options outstanding at 31 December 2022 had an exercise price of HK\$0.272 or HK\$0.67 (2021: N/A) and a weighted average remaining contractual life of 5.63 years (2021: N/A).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022



32 RELATED PARTY TRANSACTIONS

(i) Transaction

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

Related party	Relationship	Nature of transaction	2022 MOP'000	2021 MOP'000
Ms. Athena Lao and Ms. Vicki Lao	Key management personnel of the Company	Acquisition of a subsidiary (note 27)	—*	—

* Less than MOP1,000

Note:

On 1 November 2022, the Group entered into a sale and purchase agreement with New Kingdom Development Company Limited, a company indirectly owned as to 98% by Mr. Lao and Mrs. Lao, and indirectly owned as to 2% by Ms. Vicki Lao, respectively, and Jiangmen City Pengjiang District Jinying Property Development Company Limited to acquire the entire equity interest in Jiangmen Jinying Construction and Engineering Company Limited ("Jiangmen Jinying") for a consideration of RMB10,000,000 (equivalent to approximately MOP11,518,000). As at 31 December 2022, the acquisition is still in progress.

(ii) Compensation of key management personnel

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

	2022 MOP'000	2021 MOP'000
Fee	744	744
Salaries and other allowances	6,313	6,620
Retirement benefits scheme contributions	5	19
	7,062	7,383

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

33 INTERESTS IN PRINCIPAL SUBSIDIARIES

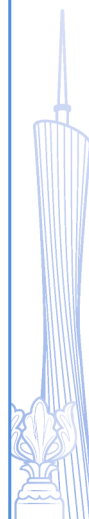
The following list contains only the particulars of the major subsidiaries with active operations of the Group for the year:

Name of subsidiary	Place of incorporation/ establishment and operation	Date of incorporation/ establishment	Issued and fully paid capital/ registered capital	Equity interest attributable to the Company as at		Principal activities
				31 December 2022	2021	
<i>Directly held</i>						
SFS Construction Holdings Limited	BVI	4 August 2011	United States dollar ("US\$") 10	100%	100%	Investment holding
Speedy Profit International Investment Limited	BVI	22 May 2019	US\$50,000	100%	100%	Investment holding
<i>Indirectly held</i>						
San Fong Seng	Macau	5 July 1998	MOP12,000,000	100%	100%	Construction works
San Fong Seng Construction & Engineering Co., Limited	Hong Kong	18 March 2011	HK\$1	100%	100%	Management services
Equally	BVI	2 April 2019	US\$2	100%	100%	Investment holding
Lap Polly	Hong Kong	10 January 2001	HK\$10,000	60%	60%	Construction works
New Forview Engineering Construction Company Limited	Macau	22 October 2019	MOP25,000	60%	60%	Construction works
AB Geness Engineering Company Limited	Macau	24 February 2020	MOP100,000	100%	100%	Construction works
ActivPro	Hong Kong	22 June 2020	HK\$1,000	51%	51%	Air purification business

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022



34 CONTINGENT LIABILITIES

On 20 February 2023, Lap Polly received a notice of arbitration regarding to an alleged claim by joint and several liquidators. The alleged claim arose from disputes prior to the acquisition of Lap Polly on 10 September 2019. As at 31 December 2022, taken into account the opinion of an independent legal advisor that the claim was still at the preliminary stage, the management of the Group was not in a position to suggest the possibility of the result of the claim.

35 CAPITAL COMMITMENTS

As disclosed in note 32 to the consolidated financial statements, as at 31 December 2022, the Group was committed to settle an amount of RMB10,000,000 (equivalent to approximately MOP11,518,000) as the consideration of acquiring the equity interest in Jiangmen Jinying and an amount of RMB40,000,000 (equivalent to approximately MOP46,072,000) as further capital contribution to that entity.

36 CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to the shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged throughout the year.

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

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

37 FINANCIAL INSTRUMENTS

Categories of financial instruments

	2022 MOP'000	2021 MOP'000
Financial assets		
At amortised cost	231,598	240,125
At FVTPL	11,748	—
Financial liabilities		
At amortised cost	57,159	93,636

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

37 FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies

The Group's financial instruments include financial assets at FVTPL, trade and other receivables, pledged bank deposits, short-term bank deposits, bank balances and cash, trade and other payables and bank overdrafts. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Currency risk

The Group is exposed to currency risk primarily through sales proceeds received from customers and purchase of raw materials that are denominated in a currency other than the group entities' functional currency. The currency giving rise to this risk is primarily HK\$.

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

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

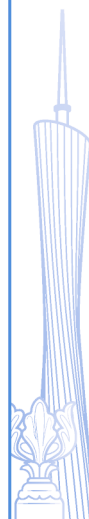
	Assets		Liabilities	
	2022 MOP'000	2021 MOP'000	2022 MOP'000	2021 MOP'000
HK\$	212,331	170,969	5,221	19,079

Sensitivity analysis

As the exchange rate of HK\$/MOP is relatively stable, the management of the Group does not expect any significant foreign currency exposure arising from the fluctuation of the HK\$/MOP exchange rates. As a result, the management of the Group considers that the Group's exposure towards the change in foreign exchange rates between HK\$/MOP is minimal. Hence, no sensitivity analysis is presented.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022



37 FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Market risk (Continued)

Interest rate risk

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

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

Credit risk and impairment assessment

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

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

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

Trade receivables and contract assets arising from contracts with customers

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

37 FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

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

The Group is exposed to concentration of credit risk as at 31 December 2022 on trade receivables from the Group's three (2021: three) major customers amounting to MOP10.6 million (2021: MOP44.5 million) and accounted for 62% (2021: 80%) of the Group's total trade receivables. The Group is also exposed to concentration of credit risk as at 31 December 2022 on contract assets from the Group's three (2021: three) major customers amounting to MOP27.1 million (2021: MOP41.4 million) and accounted for 78% (2021: 62%) of the Group's total contract assets.

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

37 FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

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

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

	Notes	External credit rating	Internal credit rating	12-month or lifetime ECL	2022 Gross carrying amount		2021 Gross carrying amount	
					MOP'000	MOP'000	MOP'000	MOP'000
Financial assets at amortised cost								
Trade receivables	21	N/A	Low risk	Lifetime ECL	17,519		47,387	
			Doubtful	Lifetime ECL	—		8,526	
			Loss	Lifetime ECL	8,583	26,102	6,172	62,085
Other receivables and deposits	21	N/A	Low risk	12m ECL	1,080		3,410	
			Loss	Lifetime ECL	2,655	3,735	155	3,565
Pledged bank deposits	23	A or above	N/A	12m ECL		67,097		66,233
Short-term bank deposits	23	A or above	N/A	12m ECL		103,171		—
Bank balances	23	A or above	N/A	12m ECL		43,178		115,050
Other item								
Contract assets	22	N/A	Low risk	Lifetime ECL	35,658		58,103	
			Doubtful	Lifetime ECL	—		9,452	
			Loss	Lifetime ECL	4,830	40,488	75	67,630

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

37 FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

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

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

	Lifetime ECL (not credit- impaired) MOP'000	Lifetime ECL (credit- impaired) MOP'000	Total MOP'000
As at 1 January 2021	3,091	2,172	5,263
Changes due to financial instruments recognised as at 1 January 2021:			
Transfer to credit-impaired	(213)	213	—
Impairment loss reversed	(2,672)	—	(2,672)
Impairment loss recognised	—	3,787	3,787
New financial assets originated:			
Impairment loss recognised	181	—	181
As at 31 December 2021 and 1 January 2022	387	6,172	6,559
Changes due to financial instruments recognised as at 1 January 2022:			
Transfer to credit-impaired	(15)	15	—
Impairment loss reversed	(387)	—	(387)
Impairment loss recognised	15	2,396	2,411
New financial assets originated:			
Impairment loss recognised	447	—	447
As at 31 December 2022	447	8,583	9,030

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

37 FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

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

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

	Lifetime ECL (not credit- impaired) MOP'000	Lifetime ECL (credit- impaired) MOP'000	Total MOP'000
As at 1 January 2021	645	2,156	2,801
Changes due to financial instruments recognised as at 1 January 2021:			
Transfer to credit-impaired	(2)	2	—
Impairment loss reversed	(197)	(2,156)	(2,353)
Impairment loss recognised	910	73	983
New financial assets originated:			
Impairment loss recognised	49	—	49
As at 31 December 2021 and 1 January 2022	1,405	75	1,480
Changes due to financial instruments recognised as at 1 January 2022:			
Transfer to credit-impaired	(87)	87	—
Impairment loss reversed	(1,235)	—	(1,235)
Impairment loss recognised	472	4,668	5,140
New financial assets originated:			
Impairment loss recognised	225	—	225
As at 31 December 2022	780	4,830	5,610

Other receivables

In respect of other receivables as at 31 December 2022, 12m ECL is assessed individually and recognised for an aggregate gross carrying amount of MOP1,080,000 (2021: MOP3,565,000), there has been no significant increase in credit risk since initial recognition based on past due information.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

37 FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

Other receivables (Continued)

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

	Lifetime ECL (not credit- impaired) MOP'000	Lifetime ECL (credit- impaired) MOP'000	Total MOP'000
As at 1 January 2021	132	—	132
Changes due to financial instruments recognised as at 1 January 2021:			
Transfer to credit-impaired	(5)	5	—
Impairment loss reversed	(58)	—	(58)
Impairment loss recognised	25	150	175
As at 31 December 2021 and 1 January 2022	94	155	249
Changes due to financial instruments recognised as at 1 January 2022:			
Transfer to credit-impaired	(77)	77	—
Impairment loss reversed	(17)	—	(17)
Impairment loss recognised	—	2,423	2,423
As at 31 December 2022	—	2,655	2,655

Pledged bank deposits/short-term bank deposits/bank balances

The Group is exposed to concentration of credit risk as at 31 December 2022 on Group's pledged bank deposits, short-term bank deposits and bank balances from three (2021: three) major bank amounting to MOP195.6 million (2021: MOP163.9 million) which accounted for 92% (2021: 90%) of the Group's total pledged bank deposits and bank balances. Credit risk on pledged bank deposits, short-term bank deposits and bank balances is limited because the counterparties are reputable banks with high credit ratings assigned by international credit agencies. No impairment allowance was made since the directors of the Company consider the probability of default is negligible as such amounts are receivable from or placed in banks in Macau and Hong Kong that have good credit rating.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

37 FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management of the Group believes that the Group will have sufficient working capital for its future operational requirement.

The following table details the Group's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

Liquidity tables

	Weighted average interest rate %	On demand or less than 3 months MOP'000	3 months to 1 year MOP'000	Total undiscounted cash flows MOP'000	Carrying amount at 31 December 2022 MOP'000
2022					
Trade and other payables	N/A	57,159	—	57,159	57,159
	Weighted average interest rate %	On demand or less than 3 months MOP'000	3 months to 1 year MOP'000	Total undiscounted cash flows MOP'000	Carrying amount at 31 December 2021 MOP'000
2021					
Trade and other payables	N/A	76,981	—	76,981	76,981
Bank overdrafts	3.75	16,655	—	16,655	16,655
		93,636	—	93,636	93,636
Lease liability	5%	90	60	150	148

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

37 FINANCIAL INSTRUMENTS (Continued)

Fair value

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

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

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

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

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

	Investment Fund MOP'000
At 1 January 2021 and 31 December 2021	—
Purchase during the year (note 17)	11,657
Exchange adjustment	91
At 31 December 2022	11,748

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

38 RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows from financing activities.

	Amounts due to non- controlling interests of subsidiaries MOP'000	Bank overdrafts MOP'000	Lease liability MOP'000	Total MOP'000
At 1 January 2021	3,610	—	490	4,100
Financing cash flows	—	16,645	(359)	16,286
<i>Non-cash changes</i>				
Netting off of financial assets at FVTPL	(3,610)	—	—	(3,610)
Interest expenses	—	10	17	27
At 31 December 2021	—	16,655	148	16,803
Financing cash flows	—	(16,655)	(150)	(16,805)
<i>Non-cash change</i>				
Interest expenses	—	—	2	2
At 31 December 2022	—	—	—	—

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

39 STATEMENT OF FINANCIAL POSITION AND RESERVE OF THE COMPANY

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

	2022 MOP'000	2021 MOP'000
Non-current asset		
Investment in a subsidiary	35,908	55,826
Current assets		
Other receivables	360	431
Amounts due from subsidiaries	8,706	13,013
Bank balances and cash	1,277	849
	10,343	14,293
Current liabilities		
Other payables	984	894
Amounts due to subsidiaries	1,799	618
	2,783	1,512
Net current assets	7,560	12,781
Net assets	43,468	68,607
Capital and reserves		
Share capital	6,189	6,189
Reserves	37,279	62,418
Total equity	43,468	68,607

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

39 STATEMENT OF FINANCIAL POSITION AND RESERVE OF THE COMPANY (Continued)

Movement in the reserves of the Company is as follows:

	Share premium MOP'000	Share-based payments reserve MOP'000	Accumulated losses MOP'000	Total MOP'000
As at 1 January 2021	82,564	—	(3,762)	78,802
Loss and total comprehensive expense for the year	—	—	(16,384)	(16,384)
As at 31 December 2021 and 1 January 2022	82,564	—	(20,146)	62,418
Loss and total comprehensive expense for the year	—	—	(25,374)	(25,374)
Grant of share option	—	235	—	235
As at 31 December 2022	82,564	235	(45,520)	37,279

40 EVENT AFTER THE END OF THE REPORTING PERIOD

Subsequent to 31 December 2022, the Group obtained control over Jiangmen Jinying and it became a subsidiary of the Group accordingly. The Company is still in the progress of preparing the initial accounting for the business combination up to the date of these consolidated financial statements.

FINANCIAL SUMMARY

For the year ended 31 December 2022

	2022 MOP'000	2021 MOP'000	2020 MOP'000	2019 MOP'000	2018 MOP'000
RESULTS					
For the five years ended 31 December 2018, 2019, 2020, 2021 and 2022					
Revenue	155,013	353,133	197,656	351,542	262,597
Profit/(Loss) before taxation	9,400	(10,066)	(54,904)	24,242	30,216
Income tax credit/(expenses)	394	65	683	(3,900)	(5,522)
Profit/(Loss) and total comprehensive income/(expenses) for the year	9,794	(10,001)	(54,221)	20,342	24,694
ASSETS AND LIABILITIES					
As at 31 December					
Total assets	328,597	367,890	357,667	393,418	375,823
Total liabilities	(126,512)	(175,834)	(155,613)	(137,233)	(134,586)
Net assets	202,085	192,056	202,054	256,185	241,237

Notes:

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

AB BUILDERS GROUP LIMITED
奧邦建築集團有限公司