

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



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Lao Chio Seng (*Chairman*)
Ms. Lao Chao U (*Chief Executive Officer*)
Mr. 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

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



MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In 2023, with the after-effects of the novel coronavirus (“**COVID-19**”) and continuous geo-political complications around the world, the global economy remains volatile. Amid the challenges, AB Builders Group Limited (the “**Company**”) together with its subsidiaries (the “**Group**”) has been actively seeking for business opportunities and projects in order to drive long-term development and sustainable growth. For the six months ended 30 June 2023 (the “**Review Period**”), the Group made a revenue of approximately MOP77.1 million, which represented a decrease of approximately MOP20.9 million or approximately 21.4% over the corresponding period of last year. Accordingly, the Group recorded a gross profit of MOP0.6 million in the first half of 2023, as compared with a gross profit of MOP2.3 million in the same period of 2022. During the Review Period, the Group has acquired 1 structural work project with a contract sum of approximately MOP62.4 million and awarded with 2 fitting-out works projects with an aggregate contract sum of approximately MOP18.4 million. As at 30 June 2023, the Group had 24 on-going projects (either in progress or yet to commence or substantially completed but pending finalisation or agreement of the final accounts), including 4 structural works projects and 20 fitting out works projects.

Outlook and prospects

Notwithstanding the uplifting of COVID-19 control measures in the Mainland China and Macau, the instability of the economy, downturn of stock markets and the increasing interest rates pose considerable risks in maintaining profitability in different industry segments. The local market remains to be challenging, yet we are cautiously optimistic in its gradual recovery in the future. The relaxation of travel restrictions has benefited tourism and gambling industry, and hence improved Macau’s economy in general. We anticipate that with the improving consumer market economy, investors and capitals would be attracted into local investment opportunities, and construction projects may be stimulated in the second half of 2023. The construction segment, being the Group’s major business sector, contributes a large portion of revenue to the Group. The Group will continue to invest its resources in expanding its business network and customer base and exploring business opportunities in Macau, the People’s Republic of China (the “**PRC**”) and other regions.

On 10 September 2019, the Group acquired 60% interests of Lap Polly Engineering Company Limited (“**Lap Polly**”). Lap Polly is engaged in construction business in Hong Kong. In light of the unfavourable past business performance and the absence of a sound business strategy for improvement, after thorough consideration by the management, it is decided that the Group will not invest further resources in the operation of Lap Polly after completion of the existing project. Lap Polly has an alleged claim of outstanding payables by the joint and several liquidators of a past customer in relation to a previous construction project of that customer, prior to the acquisition of Lap Polly by the Group.

Regarding the air-purification business, it is believed that the demand for the air-purification products has decreased following the reduced social impact of COVID-19 pandemic. After thorough consideration by the management, it is decided that the Group will not invest further resources in this business segment and expects to cease the operation in the future.



MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW (Continued)

Outlook and prospects (Continued)

As aforementioned, while continuously developing the market in construction business, the Group will actively pursue new business opportunities in other industries, which include, inter alia, financial services industry. The management is keen on utilising its business relations and resources into new commercial strategies. At the moment, the Group is exploring the opportunities in asset management and investment advisory services. Meanwhile, we will also proactively seek for reputable enterprises for any partnership, merger or acquisition in the above-mentioned industries so as to diversify its revenue streams and drive long-term growth. The Group will also continue to apply tight cost control measures for the Group's sustainable development. The board of directors believes these strategies are essential to improve the profitability of the Group and sustain its long-term business growth.

FINANCIAL REVIEW

Revenue

The table below sets forth a breakdown of the Group's revenue for the six months ended 30 June 2023 and 2022:

	Six months ended 30 June			
	2023		2022	
	MOP'000	%	MOP'000	%
Types of construction works				
Fitting-out works	43,282	56.1	97,162	99.1
Structural works	33,783	43.8	—	—
Others	30	0.1	879	0.9
Total	77,095	100.0	98,041	100.0

During the Review Period, the Group's revenue decreased by approximately MOP20.9 million or 21.4% as compared with the corresponding period of the last year. Such decrease was mainly attributable to the decrease in revenue generated from fitting-out works projects of approximately MOP53.9 million or 55.5% due to most of the works were completed in 2022; but which was partially offset by the increase in revenue generated from structural works project of approximately MOP33.8 million or 100% due to the expansion of the PRC market.

The revenue of air purification business decreased by approximately MOP0.8 million or 96.6% as compared with the corresponding period of the last year due to decrease in demand in air-purification units/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 six months ended 30 June 2023 and 2022:

	Six months ended 30 June			
	2023		2022	
	Gross profit MOP'000	Gross profit margin %	Gross profit MOP'000	Gross profit margin %
Types of construction works				
Fitting-out works	302	0.7	1,882	1.9
Structural works	243	0.7	—	—
Others	15	50.0	446	50.7
Total	560	0.7	2,328	2.4

During the Review Period, the Group's gross profit decreased by approximately MOP1.8 million or 75.9% when compared with the corresponding period of the last year.

The gross profit margin of fitting-out works projects decreased by 1.2 percentage point from approximately 1.9% for the six months ended 30 June 2022 to 0.7% for the six months ended 30 June 2023. The decrease was mainly due to: (i) the recognition of loss arising from loss-making contract which amounted to approximately MOP1.7 million; and (ii) MOP1.6 million of additional provision for onerous contract was made. These unfavourable impact was partially offset by an overprovision of sub-contracting costs in prior years.

The gross profit of structural works projects increased by approximately MOP0.2 million was due to the expansion of the PRC market.

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

Other income

For the six months ended 30 June 2023, the other income of approximately MOP4.1 million mainly consisted of the bank interest income which amounted to approximately MOP3.5 million. For the six months ended 30 June 2022, the other income of approximately MOP3.0 million mainly consisted of the bank interest income, insurance claim and the subsidies from Government of Hong Kong Special Administrative Region following the economic recession due to the outbreak of COVID-19. The increase was mainly attributable to the increase in bank interest income as a result of the increase in the interest rates.



MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW (Continued)

Other gains and losses

For the six months ended 30 June 2023, the other income of approximately MOP301,000 mainly consisted of net exchange gains and the gain from the fair value change of the financial asset at FVTPL. For the six months ended 30 June 2022, the other losses of approximately MOP14,000 mainly consisted of net exchange losses.

Impairment losses under expected credit loss model, net of reversal

The impairment losses mainly consisted of impairment losses on trade receivables, other receivables and contract assets. It was decreased by MOP3.3 million or 56.8% in view of the settlement of some long-aged receivables during the Review Period.

Administrative expenses

Administrative expenses were increased by approximately MOP0.9 million from approximately MOP11.7 million for the six months ended 30 June 2022 to approximately MOP12.6 million for the six months ended 30 June 2023. The increase was mainly attributable to the expansion of the PRC market.

Loss for the period

The loss for the six months ended 30 June 2023 was approximately MOP10.3 million as compared to the loss of approximately MOP12.1 million for the six months ended 30 June 2022. Such change was mainly due to the combined effect of the aforementioned items.

Dividend

No dividend was paid, declared or proposed during the six months ended 30 June 2023. The directors of the Company have not recommended the payment of an interim dividend for both interim periods.





MANAGEMENT DISCUSSION AND ANALYSIS

CORPORATE FINANCE AND RISK MANAGEMENT

Liquidity and financial resources

The Group's capital expenditure and daily operations during the six months ended 30 June 2023 were mainly funded by bank overdrafts, cash generated from its operations and release of short-term bank deposits.

The total cash and bank balances (excluding bank overdrafts) together with the pledged bank deposits and short-term bank deposits as at 30 June 2023 was approximately MOP191.8 million, compared to approximately MOP213.4 million as at 31 December 2022. The decrease of approximately MOP21.6 million was mainly related to the operating cash outflow.

Bank overdrafts as at 30 June 2023 were approximately MOP17 million (31 December 2022: nil) which were due within one year.

Our gearing ratio (calculated as debt over total equity) as at 30 June 2023 was 8.9% which was mainly attributable to the increase in bank overdrafts by approximately MOP17.0 million.

As at 30 June 2023, the Group had unutilised banking facilities of approximately MOP210.2 million (31 December 2022: MOP203.0 million).

The current ratio of our Group as at 30 June 2023 was 2.1 times (31 December 2022: 2.2 times).

Capital structure

The capital structure of the Group consists of bank overdrafts and equity attributable to the owners of the Company comprising issued share capital, share premium, legal reserve, share-based payments reserve, exchange reserve, other reserve and retained earnings.

Future plans for material investments and capital assets

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

Pledge of assets

As at 30 June 2023, the Group's office premise of approximately MOP37.2 million (31 December 2022: MOP37.9 million) and certain bank deposits of approximately MOP67.1 million (31 December 2022: MOP67.1 million) were pledged with banks to secure the banking facilities including performance guarantees and bid bonds issued by the banks.



MANAGEMENT DISCUSSION AND ANALYSIS

CORPORATE FINANCE AND RISK MANAGEMENT (Continued)

Capital commitment

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. The Proposed Acquisition was completed on 16 January 2023 and as at 30 June 2023, the Group has an obligation to settle an amount of RMB40.0 million (equivalent to approximately MOP44.5 million) as a capital contribution to the entity (31 December 2022: an amount of RMB10 million (equivalent to approximately MOP11.5 million) as the consideration of the Proposed Acquisition and an amount of RMB40 million (equivalent to approximately MOP46.1 million) 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.

Significant investments, acquisition and disposals

The Group did not have any significant investment, acquisition and disposals during the six months ended 30 June 2023.

Exposure to exchange rate fluctuation

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

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

Employee and remuneration policies

As at 30 June 2023, the Group had 68 (31 December 2022: 56) full time employees. The increase in the number of employees was mainly due to the expansion of the PRC market. The Group adjusted the number of direct labour based on the progress and expected workload of our construction works and the expected completion dates of work projects.





MANAGEMENT DISCUSSION AND ANALYSIS

CORPORATE FINANCE AND RISK MANAGEMENT (Continued)

Employee and remuneration policies (Continued)

The remuneration package offered to employees includes salary and other employee benefits such as bonus. In general, the Group determines the salaries of its employees based on their individual performance, qualifications, position and seniority. The Group conducts annual salary and promotion review in order to attract and retain employees. In addition, the Group provides various types of training to its employees to promote overall efficiency, employee loyalty and retention. Total staff costs for the period ended 30 June 2023 were approximately MOP9.3 million (30 June 2022: MOP15.3 million).

Compliance with laws and regulations

The Group mainly carries out its business in Macau, the PRC and Hong Kong. To the best of the Directors' knowledge, the Group has complied with all relevant laws and regulations in Macau, the PRC and Hong Kong during the six months ended 30 June 2023.

Principal risk and uncertainties

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

- Material changes in the cost of construction materials and labour costs may result in cost overrun, which could materially affect our results of operation and financial performance;
- Mismanagement or delay of our projects will materially affect our reputation and also our financial performance as penalties and/or additional costs may be incurred;
- Cash flow of our projects may fluctuate;
- We rely on subcontractors to help complete our projects. Underperformance by our subcontractors or unavailability of subcontractors may adversely affect our operations, profitability and reputation;
- Our success significantly depends on the key management and our ability to attract and retain technical and management staff;
- The uncertainties on the worldwide economy due to the tension between the PRC, United States and the European Union; and
- Our inventory level may be affected by the market demand for air purification unit/system which may not be accurately estimated.



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

As of 30 June 2023, the net proceeds from the Global Offering had been applied as follows:

	HKD million					
	Planned use	Unutilised net proceeds as of 30 June 2020	Revised allocation of the unutilised net proceeds as of 27 August 2020	Utilised of revised allocation of the unutilised net proceed as of 27 August 2020 up to 31 December 2022	Net proceeds utilised during the period ended 30 June 2023	Unutilised net proceeds as of 30 June 2023
Financing the Group's construction projects and strengthening the financial position	26.4	—	9.2	9.2	—	—
Purchasing suitable new machinery for forthcoming construction works	16.5	14.6	—	—	—	—
Potential merger and acquisition	6.1	6.1	6.1	—	6.1	—
Hire additional staff for the Group's business operation	6.1	2.8	8.2	8.2	—	—
General working capital	6.1	1.2	1.2	1.2	—	—
Total	61.2	24.7	24.7	18.6	6.1	—

EVENTS AFTER THE REPORTING PERIOD

The Board is not aware of any significant event regarding the disclosure that has taken place subsequent to 30 June 2023 and up to the date of this report.





OTHER INFORMATION

DIRECTORS' AND THE CHIEF EXECUTIVES' INTERESTS OR SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

As at 30 June 2023, the interests or short positions of the directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (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 were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”), were set out below:

Name of director	Capacity/ Nature of interest	Number of ordinary shares (Note 1)	Approximate percentage of shareholding in the Company
Mr. Lao Chio Seng (“Mr. Lao”) (Note 2)	Interest in a controlled corporation and interest of spouse	390,000,000 (L)	65%
Mr. Ip Kin Wa	Beneficial owner	60,000,000 (L)	10%

Notes:

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

Save 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 report.



OTHER INFORMATION

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

As at 30 June 2023, 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 ordinary shares (Note 1)	Approximate percentage of shareholding in the Company
Mrs. Lao ^(Note 2)	Interest in a controlled corporation and interest of spouse	390,000,000 (L)	65%
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 the 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.

Save as disclosed above, as at 30 June 2023, 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.



OTHER INFORMATION

SHARE OPTION SCHEMES

The Company has conditionally adopted a share option scheme (the “**Scheme**”) on 17 August 2018 which was effective on 10 September 2018. The Scheme shall be valid for a period of 10 years commencing on the adoption date, i.e., 17 August 2018. The purpose of the Scheme is to enable the Group to grant share options to eligible participants as incentives or rewards for their contribution to the Group. The particulars of the Scheme were set out in the 2022 Annual Report of the Company.

The particulars of the share options under the Scheme during the six months ended 30 June 2023 are as follows:

Category of participant	Date of grant	Vesting date	Vesting Period	Validity period	Exercise price per share	Number of share options					
						Outstanding as at 1 January 2023	Granted during the Review Period	Exercised during the Review Period	Lapsed/ Cancelled/ Forfeited during the Review Period	Outstanding as at 30 June 2023	Exercisable at 30 June 2023
Senior management	24 February 2022	29 May 2022	24 February 2022 to 28 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 28 November 2022	24 February 2022 to 16 August 2028	HK\$0.670	1,000,000	—	—	—	1,000,000	1,000,000
	24 February 2022	29 November 2023	24 February 2022 to 28 November 2023	24 February 2022 to 16 August 2028	HK\$0.670	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\$0.670 and HK\$0.670 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 Review Period.



OTHER INFORMATION

During the six months ended 30 June 2023, the Group recognised equity-settled share-based payments of approximately MOP20,000 (six months ended 30 June 2022: 177,000) 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\$0.670
Expected volatility	55.92%
Expected dividend yield	0%
Risk-free rate	1.57%

The number of options available for grant under the Share Option Scheme was 57,000,000 as at 1 January 2023 and 57,000,000 as at 30 June 2023. The number of shares that may be issued in respect of options granted (i.e. 3,000,000) under the Share Option Scheme during the period ended 30 June 2023 divided by the weighted average number of issued shares of the Company for the year was 0.5%.

CONTINGENT LIABILITIES

On 20 February 2023, Lap Polly received a notice of arbitration regarding to an alleged claim by joint and several liquidators of one of its clients. The alleged claim arose from disputes on an amount payable to such client prior to the acquisition of Lap Polly on 10 September 2019. As at 30 June 2023, taken into account that the claim was still at the preliminary stage, the management of the Group was not in a position to determine the possibility of the result of the claim.

CORPORATE GOVERNANCE

The Company has applied the principles and the code provisions set out in the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange as its own code of corporate governance. During the six months ended 30 June 2023, to the best knowledge of the Board, the Company has complied with all the applicable code provisions set out in the CG code.

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

During the six months ended 30 June 2023, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.





OTHER INFORMATION

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the “**Model Code**”), as its own code of conduct regarding securities transactions by the directors of the Company. Having made specific enquiries of all directors, all directors confirmed that they have complied with the required standards as set out in the Model Code throughout the six months ended 30 June 2023.

AUDIT COMMITTEE

The Company established an audit committee on 17 August 2018 in compliance with Rule 3.21 of the Listing Rules. Written terms of reference in compliance with paragraph D.3.3 of the CG Code has been adopted and are available on the websites of the Stock Exchange and the Company. The primary roles of the audit committee include, but are not limited to, (a) making recommendations to the Board on the appointment, reappointment and removal of the external auditor, and approving the remuneration and terms of engagement of the external auditor; (b) monitoring integrity of the financial statements and reviewing significant financial reporting judgements contained in them; and (c) reviewing financial controls, internal control and risk management systems. The audit committee consists of three independent non-executive directors, namely Mr. O’Yang Wiley, Mr. Chu Yat Pang Terry and Mr. Choy Wai Shek, Raymond, *MH, JP*. Mr. O’Yang Wiley is the chairman of the audit committee.

The unaudited condensed consolidated financial statements for the six months ended 30 June 2023 have been reviewed by the audit committee and the Group’s auditor, Baker Tilly Hong Kong Limited.

By order of the Board

Lao Chio Seng

Chairman and Executive Director

Macau, 25 August 2023



REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



To the board of directors of AB Builders Group Limited

奧邦建築集團有限公司

(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of AB Builders Group Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) set out on pages 19 to 43, which comprise the condensed consolidated statement of financial position as of 30 June 2023 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 “Interim Financial Reporting” (“**IAS 34**”) issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion 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.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.





REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Baker Tilly Hong Kong Limited

Certified Public Accountants

Hong Kong

Chu, Johnny Chun Yin

Practising certificate number P05720

25 August 2023



CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2023

	Notes	Six months ended 30 June	
		2023 MOP'000 (unaudited)	2022 MOP'000 (unaudited)
Revenue	3	77,095	98,041
Cost of sales		(76,535)	(95,713)
Gross profit		560	2,328
Other income	5	4,081	3,028
Other gains and losses		301	(14)
Impairment losses under expected credit loss model, net of reversal	13	(2,500)	(5,792)
Administrative expenses		(12,575)	(11,656)
Finance costs		(125)	(2)
Loss before taxation		(10,258)	(12,108)
Income tax expense	6	(83)	—
Loss for the period	7	(10,341)	(12,108)
Other comprehensive expense for the period <i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		(570)	—
Total comprehensive expense for the period		(10,911)	(12,108)
Loss for the period attributable to:			
Owners of the Company		(7,140)	(7,622)
Non-controlling interests		(3,201)	(4,486)
		(10,341)	(12,108)
Total comprehensive expense for the period attributable to:			
Owners of the Company		(7,710)	(7,622)
Non-controlling interests		(3,201)	(4,486)
		(10,911)	(12,108)
Loss per share	9	MOP cents	MOP cents
— Basic		(1.19)	(1.27)



CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2023

	Notes	As at 30 June 2023 MOP'000 (unaudited)	As at 31 December 2022 MOP'000 (audited)
Non-current assets			
Property, plant and equipment	10	37,527	38,082
Intangible assets	10	3,794	—
Financial asset at fair value through profit or loss ("FVTPL")		11,354	11,748
		52,675	49,830
Current assets			
Inventories		1,137	1,152
Trade and other receivables	11	51,261	29,291
Contract assets	12	24,843	34,878
Pledged bank deposits		67,097	67,097
Short-term bank deposits		82,541	103,171
Bank balances and cash		42,200	43,178
		269,079	278,767
Current liabilities			
Trade and other payables	14	112,188	126,130
Tax payable		382	382
Bank overdrafts		17,042	—
		129,612	126,512
Net current assets		139,467	152,255
Total assets less current liabilities		192,142	202,085
Non-current liability			
Deferred tax liability		948	—
Net assets		191,194	202,085
Capital and reserves			
Share capital	15	6,189	6,189
Reserves		199,599	207,289
Equity attributable to owners of the Company		205,788	213,478
Non-controlling interests		(14,594)	(11,393)
Total equity		191,194	202,085



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2023

	Share capital MOP'000	Share premium MOP'000	Legal reserve MOP'000 (Note (i))	Share- based payments reserve MOP'000	Exchange reserve MOP'000	Other reserve MOP'000 (Note (ii))	Retained earnings MOP'000	Sub-total MOP'000	Non- controlling interests MOP'000	Total MOP'000
At 1 January 2022 (audited)	6,189	82,564	6,000	—	—	(86,724)	189,832	197,861	(5,805)	192,056
Loss and total comprehensive expense for the period	—	—	—	—	—	—	(7,622)	(7,622)	(4,486)	(12,108)
Recognition of equity-settled share-based payments (note 16)	—	—	—	177	—	—	—	177	—	177
At 30 June 2022 (unaudited)	6,189	82,564	6,000	177	—	(86,724)	182,210	190,416	(10,291)	180,125
At 1 January 2023 (audited)	6,189	82,564	6,000	235	—	(86,724)	205,214	213,478	(11,393)	202,085
Loss for the period	—	—	—	—	—	—	(7,140)	(7,140)	(3,201)	(10,341)
Exchange differences arising on translation of foreign operations	—	—	—	—	(570)	—	—	(570)	—	(570)
Total comprehensive expense for the period	—	—	—	—	(570)	—	(7,140)	(7,710)	(3,201)	(10,911)
Recognition of equity-settled share-based payments (note 16)	—	—	—	20	—	—	—	20	—	20
At 30 June 2023 (unaudited)	6,189	82,564	6,000	255	(570)	(86,724)	198,074	205,788	(14,594)	191,194

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 an 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.



CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

	Note	Six months ended 30 June	
		2023 MOP'000 (unaudited)	2022 MOP'000 (unaudited)
Operating cash flows before movements in working capital			
		(9,949)	(6,480)
(Increase) decrease in trade and other receivables		(11,464)	43,850
Decrease in contract assets		5,726	11,431
(Decrease) increase in trade and other payables		(16,112)	1,125
Net change in other working capital items		(909)	481
Net cash (used in) from operating activities		(32,708)	50,407
Investing activities			
Interest received		3,102	643
Purchase of property, plant and equipment		(21)	(2)
Net cash outflow on acquisition of a subsidiary	18	(8,737)	—
Release of short-term bank deposits		20,630	—
Placement of pledge bank deposits		—	(79)
Net cash from investing activities		14,974	562
Financing activities			
Repayment of bank overdrafts		—	(16,655)
Repayment of lease liabilities		—	(148)
Interest paid		(125)	(2)
Net cash used in financing activities		(125)	(16,805)
Net (decrease) increase in cash and cash equivalents		(17,859)	34,164
Cash and cash equivalents at the beginning of the period		43,178	115,050
Effect of foreign exchange rate changes, net		(161)	—
Cash and cash equivalents at the end of period, represented by:		25,158	149,214
Bank balances and cash		42,200	149,214
Bank overdrafts		(17,042)	—
		25,158	149,214



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

1 GENERAL INFORMATION AND BASIS OF PREPARATION

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.

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

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

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

2 PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments, which are measured of fair values.

Other than changes in accounting policies resulting from application of new and amendments to International Financial Reporting Standards (“**IFRSs**”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2023 are the same as those presented in the Group’s annual financial statements for the year ended 31 December 2022.

Application of new and amendments to IFRSs

In the current interim period, the Group has applied the following new and amendments to IFRSs issued by the IASB, for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2023 for the preparation of the Group’s condensed consolidated financial statements:

IFRS 17 (including the June 2020 and December 2021 Amendments to IFRS 17)	Insurance Contracts
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to IAS 12	International Tax Reform — Pillar Two model Rules

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





NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

2 PRINCIPAL ACCOUNTING POLICIES (Continued)

Impacts on application of 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. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. The amendments to IAS 8 clarify the distinction between changes in accounting estimates, and changes in accounting policies and the correction of errors.

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

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

In addition, the Group will apply Amendments to IAS 1 and IFRS Practice Statement 2 *Disclosure of Accounting Policies* which are mandatorily effective for the Group’s annual period beginning on 1 January 2023 for the preparation of the Group’s consolidated financial statements for the year ending 31 December 2023.

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

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

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

The application of the amendments in the current period had no material impact on the condensed consolidated financial statements but is expected to affect the disclosures of the Group’s accounting policies in the Group’s annual consolidated financial statements for the year ending 31 December 2023.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

3 REVENUE

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

	Six months ended 30 June	
	2023 MOP'000 (unaudited)	2022 MOP'000 (unaudited)
Recognised over time		
Contract revenue from provision of fitting-out works	43,282	97,162
Contract revenue from provision of structural works	33,783	—
	77,065	97,162
Recognised at a point in time:		
Revenue from sales of air purification unit/system	30	879
Total	77,095	98,041

Fitting-out works and structural works represent performance obligations that the Group satisfies over time for each respective contract. The period of fitting-out works and structural works varies from 1 to 2 years (six months ended 30 June 2022: from 1 to 2 years).

The Group's disaggregation of revenue from contracts with customers by geographical location is same as the geographical information of revenue from external customers as disclosed in note 4.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

3 REVENUE (continued)

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

	At 30 June 2023 MOP'000 (unaudited)	At 31 December 2022 MOP'000 (audited)
Provision of fitting-out works	31,809	54,728
Provision of structural works	17,539	—
	49,348	54,728

Based on the information available to the Group at the end of the reporting period, management of the Group expects the transaction price allocated to the above unsatisfied (or partially unsatisfied) contracts as of 30 June 2023 will be recognised as revenue during the years ending 31 December 2023 and 2024 in respect of provision of fitting-out works and structural works (31 December 2022: during the year ending 31 December 2023 in respect of provision of fitting-out works).

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

4 SEGMENT INFORMATION

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (the "CODM"), being the Chief Executive Officer of the Group, in order for the 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



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

4 SEGMENT INFORMATION (continued)

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

Segment revenue and results

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

For the period ended 30 June 2023 (unaudited)

	Fitting-out works MOP'000	Structural works MOP'000	Air purification business MOP'000	Total MOP'000
Segment revenue — external	43,282	33,783	30	77,095
Segment results	302	243	15	560
Other income and other gains and losses				4,382
Impairment losses under expected credit loss model, net of reversal				(2,500)
Administrative expenses				(12,575)
Finance costs				(125)
Loss before taxation				(10,258)



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

4 SEGMENT INFORMATION (continued)

Segment revenue and results (continued)

For the period ended 30 June 2022 (unaudited)

	Fitting-out works MOP'000	Structural works MOP'000	Air purification business MOP'000	Total MOP'000
Segment revenue — external	97,162	—	879	98,041
Segment results	1,882	—	446	2,328
Other income and other gains and losses				3,014
Impairment losses under expected credit loss model, net of reversal				(5,792)
Administrative expenses				(11,656)
Finance costs				(2)
Loss before taxation				(12,108)

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



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

4 SEGMENT INFORMATION (Continued)

Geographical information

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

	Revenue from external customers		Non-current assets	
	Six months ended 30 June			
	2023 MOP'000 (unaudited)	2022 MOP'000 (unaudited)	30.6.2023 MOP'000 (unaudited)	31.12.2022 MOP'000 (audited)
Macau	39,598	82,894	37,315	38,057
Hong Kong	3,714	15,147	13	25
The People's Republic of China (the "PRC")	33,783	—	3,993	—
	77,095	98,041	41,321	38,082

5 OTHER INCOME

	Six months ended 30 June	
	2023 MOP'000 (unaudited)	2022 MOP'000 (unaudited)
Bank interest income	3,515	1,056
Government grants	—	833
Others	566	1,139
	4,081	3,028



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

6 INCOME TAX EXPENSE

	Six months ended 30 June	
	2023 MOP'000 (unaudited)	2022 MOP'000 (unaudited)
Current tax		
PRC Enterprise Income Tax	(188)	—
Deferred tax credit	105	—
	(83)	—

Under the Law of the PRC on Enterprise Income Tax (the “**EIT Law**”) and Implementation Regulation of the EIT Law, the PRC Enterprise Income Tax is calculated at 25% of the assessable profit for the subsidiary established in the PRC for current period.

No provision for Macau Complementary Tax has been made as the assessable profits of the relevant group entities for both periods are absorbed by tax losses brought forward from prior years.

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



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

7 LOSS FOR THE PERIOD

	Six months ended 30 June	
	2023 MOP'000 (unaudited)	2022 MOP'000 (unaudited)
Loss for the period has been arrived at after charging:		
Contract costs recognised as expense		
Fitting-out works	42,980	95,280
Structural works	33,540	—
	76,520	95,280
Cost of inventories recognised as expense (including net reversal of written-down of inventory of nil (six months ended 30 June 2022: MOP48,000))	15	433
Depreciation of property, plant and equipment	785	761
Amortisation of intangible assets	421	—
Expenses related to short-term leases for warehouses and staff quarter	368	263

8 DIVIDENDS

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

9 LOSS PER SHARE

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

	Six months ended 30 June	
	2023 MOP'000 (unaudited)	2022 MOP'000 (unaudited)
Loss		
Loss for the purpose of basic loss per share for the period attributable to the owners of the Company	(7,140)	(7,622)



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

9 LOSS PER SHARE (continued)

	Six months ended 30 June	
	2023 '000	2022 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	600,000	600,000

Diluted loss per share is not presented for both periods because the potential ordinary shares were anti-dilutive.

10 PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

During the six months ended 30 June 2023, the Group made additions to furniture, fixtures and equipment and motor vehicles of MOP246,000 (six months ended 30 June 2022: MOP2,000), including MOP225,000 (six months ended 30 June 2022: nil) acquired through business combination.

During the six months ended 30 June 2023, construction licenses acquired through business combination with fair value of MOP4,215,000 (six months ended 30 June 2022: nil) are recognised as intangible assets and amortised using the straight-line method over their estimated useful life of 5 years. Details of the acquisition are disclosed in note 18.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

11 TRADE AND OTHER RECEIVABLES

	At 30 June 2023 MOP'000 (unaudited)	At 31 December 2022 MOP'000 (audited)
Trade receivables, net of loss allowance	24,428	17,072
Advances paid to subcontractors and suppliers	11,835	8,674
Other receivables, prepayment and deposits	14,998	3,545
Total trade and other receivables	51,261	29,291

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

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

	At 30 June 2023 MOP'000 (unaudited)	At 31 December 2022 MOP'000 (audited)
1–30 days	15,879	13,487
31–60 days	—	2,069
Over 90 days	8,549	1,516
	24,428	17,072



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

12 CONTRACT ASSETS

	At 30 June 2023 MOP'000 (unaudited)	At 31 December 2022 MOP'000 (audited)
Contract assets	24,843	34,878

As at 30 June 2023, contract assets include retention receivables held by customers for contract works amounting to MOP21,444,000 (31 December 2022: MOP29,157,000).

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



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

13 IMPAIRMENT ASSESSMENT ON FINANCIAL ASSETS AND OTHER ITEMS UNDER EXPECTED CREDIT LOSS MODEL

	Six months ended 30 June	
	2023 MOP'000 (unaudited)	2022 MOP'000 (unaudited)
Impairment loss recognised (reversed) on:		
Trade receivables	633	1,290
Other receivables	(2,442)	244
Contract assets	4,309	4,258
	2,500	5,792

The basis of determining the inputs and assumptions and the estimation techniques used in the condensed consolidated financial statements for the six months ended 30 June 2023 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2022.

During the current interim period, the Group provided impairment allowance of MOP6,529,000 (six months ended 30 June 2022: MOP6,303,000), no specific loss allowance (six months ended 30 June 2022: MOP3,952,000) has been made to any individual credit-impaired debtor.

During the current interim period, the Group reversed the impairment allowance of MOP4,029,000 (six months ended 30 June 2022: MOP511,000), in particular, specific reversal of MOP3,661,000 (six months ended 30 June 2022: nil) has been made to individual debtors due to latest communication with debtors up to the date of this report.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

14 TRADE AND OTHER PAYABLES

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

	At 30 June 2023 MOP'000 (unaudited)	At 31 December 2022 MOP'000 (audited)
Trade payables	14,253	15,175
Retention payables	38,494	41,984
Accrued contract costs	49,921	60,725
Provision of onerous contracts	2,302	724
Accruals and other payables	7,218	7,522
Total trade and other payables	112,188	126,130

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

	At 30 June 2023 MOP'000 (unaudited)	At 31 December 2022 MOP'000 (audited)
1 – 30 days	11,456	13,795
31 – 60 days	1,222	4
Over 60 days	1,575	1,376
	14,253	15,175

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.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

15 SHARE CAPITAL

	Number of shares '000	Share capital MOP'000
Ordinary shares of Hong Kong Dollars ("HK\$") 0.01 each		
Authorised:		
At 1 January 2022, 31 December 2022 and 30 June 2023	10,000,000	103,150
Issued and fully paid:		
At 1 January 2022, 31 December 2022 and 30 June 2023	600,000	6,189

16 SHARE OPTION SCHEME

The Company's share option scheme (the "**Scheme**") was conditionally adopted by the written resolutions of the shareholders of the Company passed on 17 August 2018. Under the Scheme, the board of directors of the Company may, at their absolute discretion, at any time within a period of ten years commencing from the effective date offer to grant to any eligible persons, including employees, directors, consultants, suppliers, customers and shareholders of any member of the Group, options to subscribe for shares. The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders.





NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

16 SHARE OPTION SCHEME (continued)

The table below discloses movement of the Scheme:

	Number of share options
Outstanding as at 1 January 2022	—
Granted during the period	3,000,000
As at 31 December 2022 and 30 June 2023	3,000,000

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

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

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

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

During the six months ended 30 June 2023, the Group recognised equity-settled share-based payments of approximately MOP20,000 (six months ended 30 June 2022: MOP177,000) in relation to share options granted by the Company to Mr. Fan Chi Chiu, the chief investment officer of the Company.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

17 PERFORMANCE GUARANTEES/BID BONDS

As at 30 June 2023, performance guarantees of MOP17,006,000 (31 December 2022: MOP40,563,000) were given by banks in favour of the Group's customers as security for the due performance and observance of the Group's obligations under the contracts entered into between the Group and its customers. If the Group fails to provide satisfactory performance to its customers to whom performance guarantees have been given, such customers may demand the banks to pay to them the sum or sum stipulated in such demand. The Group will become liable to compensate such banks accordingly. The performance guarantees will be released upon completion of the contract works. The performance guarantees were granted under the banking facilities of the Group which were secured by:

- (i) a legal charge over the office premises of the Group with carrying amount of MOP37,233,000 (31 December 2022: MOP37,935,000); and
- (ii) pledged bank deposits of MOP67,097,000 (31 December 2022: MOP67,097,000).

As at 30 June 2023, bid bonds of MOP1,670,000 (31 December 2022: MOP2,355,000), were given by banks for bidding the projects offered by the government of Macau.

In the opinion of the management of the Group, it is not probable that a claim will be made against the Group in respect of the above performance guarantees or bid bonds.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

18 ACQUISITION OF BUSINESS

On 1 November 2022, Goldkent Investment Limited ("**Goldkent**"), an indirect wholly-owned subsidiary of the Company, entered into a sale and purchase agreement (the "**Agreement**") with New Kingdom Development Company Limited ("**New Kingdom**"), a company which owned 60% of the equity interest of Jiangmen Jinying Construction and Engineering Company Limited ("**Jinying**"), and Jiangmen City Pengjiang District Jinying Property Development Company Limited, an independent company which owned 40% of the equity interest of Jinying (collectively referred to as the "**Vendors**"). New Kingdom is a related company of the Company which is indirectly owned as to 98% by Mr. Lao Chio Seng, the chairman and executive director of the Company, and his spouse, and indirectly owned as to 2% by his daughter, respectively. Pursuant to the Agreement, Goldkent agreed to acquire and the Vendors agreed to sell the entire issued share capital of Jinying at a cash consideration of RMB10,000,000 (equivalent to approximately MOP11,982,000) (the "**Acquisition**").

On 16 January 2023, the Acquisition was completed and has been accounted for as acquisition of business using the acquisition method in accordance with IFRS 3 "Business Combinations" as the directors of the Company consider that the acquired items constitute a business in accordance with IFRS 3. Jinying is principally engaged in provision of construction services in the PRC. Jinying was acquired so as to complement the Group's construction business in the PRC.

	MOP'000
Consideration transferred:	
Cash paid	11,982

Acquisition-related costs with an aggregated amount of MOP373,000 have been excluded from the consideration transferred and MOP38,000 and MOP335,000 have been recognised as an expense during the current period and for the year ended 31 December 2022, respectively, within the "administrative expenses" line item in the condensed consolidated statement of profit or loss and other comprehensive income.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

18 ACQUISITION OF BUSINESS (Continued)

Assets acquired and liabilities recognised of Jinying at the date of acquisition are as follows:

	MOP'000
Property, plant and equipment	225
Intangible assets	4,215
Other receivables, prepayment and deposits	8,284
Bank balances and cash	3,245
Trade and other payables	(2,170)
Tax payable	(764)
Deferred tax liability	(1,053)
Net assets acquired	11,982

The other receivables acquired with a fair value of MOP8,092,000 at the date of acquisition had gross contractual amounts of MOP8,092,000.

Net cash outflow on acquisition of Jinying:

	MOP'000
Consideration paid in cash	11,982
Less: cash and cash equivalents acquired	(3,245)
	8,737

19 RELATED PARTY TRANSACTIONS

Save for the Acquisition as disclosed in note 18 and the remuneration of key management personnel as disclosed below, the Group had no other significant transactions and balances with related party during the six months ended 30 June 2023 and 2022.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

19 RELATED PARTY TRANSACTIONS (Continued)

Remuneration of key management personnel

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

	Six months ended 30 June	
	2023 MOP'000 (unaudited)	2022 MOP'000 (unaudited)
Fee	371	371
Salaries and other allowances	2,666	3,018
Retirement benefits scheme contributions	3	3
	3,040	3,392

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

20 FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Investment fund classified as a financial asset at FVTPL with the fair value as at 30 June 2023 of MOP11,354,000 (31 December 2022: MOP11,748,000) is categorised as Level 3 of fair value hierarchy. Market approach with key inputs of discount for lack of marketability of 13.75% (31 December 2022: 14.57%) is adopted. A significant increase in the discount rate would result in a significant decrease in the fair value of the investment fund, and vice versa.

There were no transfers into or out of Level 3 during the period.

The fair values of financial assets, except for financial asset at FVTPL, and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

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



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

21 CONTINGENT LIABILITIES

On 20 February 2023, Lap Polly Engineering Company Limited (“**Lap Polly**”) received a notice of arbitration regarding to an alleged claim by joint and several liquidators of one of its clients. The alleged claim arose from disputes on an amount payable to such client prior to the acquisition of Lap Polly on 10 September 2019. As at 30 June 2023, taken into account that the claim was still at the preliminary stage, the management of the Group was not in a position to determine the possibility of the result of the claim.

22 CAPITAL COMMITMENTS

As at 30 June 2023, the Group has an obligation to contribute an amount of RMB40,000,000 (equivalent to approximately MOP44,460,000) as capital contribution in Jinying.

As at 31 December 2022, the Group has an obligation to settle RMB10,000,000 (equivalent to approximately MOP11,518,000) as the consideration of the Acquisition and RMB40,000,000 (equivalent to approximately MOP46,072,000) as capital contribution in Jinying.





FINANCIAL HIGHLIGHTS

	Six months ended 30 June	
	2023 MOP'000 (unaudited)	2022 MOP'000 (unaudited)
Results		
Revenue	77,095	98,041
Cost of sales	(76,535)	(95,713)
Gross profit	560	2,328
Loss before taxation	(10,258)	(12,108)
Loss for the period	(10,341)	(12,108)
Assets and Liabilities		
	At 30 June 2023 MOP'000 (unaudited)	At 31 December 2022 MOP'000 (audited)
Total assets	321,754	328,597
Total liabilities	(130,560)	(126,512)
Net assets	191,194	202,085

AB BUILDERS GROUP LIMITED
奧邦建築集團有限公司