



2018

Interim Report 中期報告

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*)
Ms. Lao Ka U
Mr. Cheang Iek Wai
Mr. Ip Kin Wa

Independent Non-executive Directors

Mr. Chu Yat Pang Terry
Mr. Law Wang Chak Waltery
Mr. Choy Wai Shek, Raymond, *MH, JP*

AUDIT COMMITTEE

Mr. Law Wang Chak Waltery (*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. Law Wang Chak Waltery
Mr. Cheang Iek Wai

COMPANY SECRETARY

Mr. Lai Yang Chau, Eugene (*Practising Solicitor*)

AUTHORISED REPRESENTATIVES

Ms. Lao Chao U
Mr. Cheang Iek Wai

ALTERNATE AUTHORISED REPRESENTATIVES TO CHEANG IEK WAI

Mr. Lai Yang Chau, Eugene (*Practising Solicitor*)

REGISTERED OFFICE

PO Box 1350
Clifton House
75 Fort Street
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

18th Floor, United Centre
95 Queensway
Hong Kong

CORPORATE INFORMATION

AUDITORS

Deloitte Touche Tohmatsu

COMPLIANCE ADVISER

Southwest Securities (HK) Capital Limited

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

Estera Trust (Cayman) Limited
PO Box 1350
Clifton House
75 Fort Street
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

COMPANY PROFILE

AB Builders Group Limited (the “**Company**”) and its subsidiaries (collectively, the “**Group**”) is an established construction contractor with over 20 years of operation in Macau, focused on providing structural works, including substructure and superstructure works (such as foundation works, basement works, piling and pile cap works and the construction of high rise buildings), and fitting-out works.

According to the industry report prepared by Frost & Sullivan International Limited , an independent market research consultant, in 2017, the Group had a Macau market share of approximately 2.1% in the overall fitting-out works market and ranked fourth in the commercial fitting-out works market in Macau (in terms of revenue in Macau). The Group’s customers include but not limited to hotel and casino owners, property developers and the Macau Government, as well as the main contractors of construction projects in Macau. Over the years, the Group has completed numerous landmark construction projects for hotels and casinos, department store, residential buildings and commercial buildings in Macau.

Subsequent to the balance sheet date on 30 June 2018, the shares of the Company (the “**Shares**”) were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 10 September 2018 (the “**Listing Date**”) through global offering (the “**Global Offering**”) as described in the section headed “Structure and Conditions of the Global Offering” in the prospectus of the Company dated 27 August 2018 (the “**Prospectus**”).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group's revenue for the six months ended 30 June 2018 was approximately MOP124.9 million, which represented an increase of approximately MOP40.4 million or approximately 47.8% over the corresponding period of the last year.

During the six months ended 30 June 2018, the Group completed three structural works and three fitting-out works projects, and was awarded with three structural works projects and four fitting-out works projects with an aggregate contract sum of approximately MOP139.9 million.

As at 30 June 2018, the Group had 16 on-going projects (either in progress or yet to commence), including four structural works projects and 12 fitting-out works projects. It is expected that these 16 on-going projects will contribute an estimated backlog revenue of approximately MOP296.5 million for the years ending 31 December 2018 and 2019.

Recent development and future prospects

Subsequent to the six months ended 30 June 2018 and up to the date of this report, the Group was awarded with three new fitting-out works projects with an aggregate contract sum of approximately MOP80.8 million and one new structural works project with contract sum of approximately MOP1.9 million.

Looking ahead, the Group will further strengthen its position and overall competitiveness of its construction business in Macau. In order to achieve these objectives, the Group will strengthen its financial position and solidify its competitiveness in the construction market in Macau, expand and capture business opportunities through organic growth and selective acquisition opportunities within Macau, expand its scale of operations through the acquisition of new machinery and equipment, strengthen its manpower by hiring additional experienced personnel, and support the growth of the Group's business and enhance its corporate image.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

The following table sets forth a breakdown of the Group's revenue by types of construction works for the six months ended 30 June 2017 and 2018:

	Six months ended 30 June			
	2018		2017	
	MOP'000 (unaudited)	%	MOP'000 (unaudited)	%
Types of construction works				
Structural works	23,173	18.6	-	-
Fitting-out works	101,701	81.4	84,493	100.0
Total	124,874	100.0	84,493	100.0

For the six months ended 30 June 2018, the Group's revenue increased by approximately MOP40.4 million, or 47.8% as compared to the corresponding period of the last year. Such increase was mainly attributable to (i) the increase in the revenue generated from structural works projects of approximately MOP23.2 million, as several structural projects were awarded since late 2017 and were undertaken by the Group for the first six months of 2018 while no structural works projects were undertaken during the corresponding period of the last year; and (ii) the increase in the revenue generated from fitting-out works projects of approximately MOP17.2 million or 20.4%, as more new fitting-out works projects were commenced in the first six months of 2018 as compared to the corresponding period of the last year.

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 construction works for the six months ended 30 June 2017 and 2018:

	Six months ended 30 June			
	2018		2017	
	Gross profit MOP'000 (unaudited)	Gross profit margin %	Gross profit MOP'000 (unaudited)	Gross profit margin %
Types of construction works				
Structural works	6,967	30.1	-	-
Fitting-out works	20,788	20.4	16,950	20.1
Total	27,755	22.2	16,950	20.1

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW (Continued)

Gross profit and gross profit margin (Continued)

For the six months ended 30 June 2018, the Group's gross profit increased by approximately MOP10.8 million, or 63.7% to approximately MOP27.8 million as compared to the corresponding period of the last year. The increase in gross profit was mainly resulted from the aforesaid increase in the revenue generated from structural works projects, which increased the gross profit by approximately MOP7.0 million.

The Group's gross profit margin increased by approximately 2.1 % from approximately 20.1% for the six months ended 30 June 2017 to approximately 22.2% for the six months ended 30 June 2018. The increase in gross profit margin was mainly attributable to the higher gross profit margin from the newly awarded structural works projects and the reversal of provision for repair and maintenance works for certain large scale completed structural works projects after expiry of the defect liability period.

Other income

The Group's other income decreased by approximately MOP12.1 million or 93.7% from approximately MOP12.9 million for the six months ended 30 June 2017 to approximately MOP0.8 million for the six months ended 30 June 2018. The decrease was mainly attributable to the decrease in imputed interest income of approximately MOP11.5 million, as there was no such income subsequent to the settlement of amounts due from related companies and director on 30 June 2017. The imputed interest income was only an accounting income under International Financial Reporting Standards and had not resulted in actual cash receipts, details of which is set out in note 8 and 18 of "Accountants' Report" in Appendix I to the Prospectus.

Other losses

Other losses consisted of net exchange loss of approximately MOP23,000 and MOP80,000 respectively for the six months ended 30 June 2017 and 2018.

Administrative expenses

Administrative expenses mainly comprise staff costs, professional fees and depreciation expenses. Administrative expenses for the six months ended 30 June 2017 and 2018 remained relatively stable at approximately MOP7.5 million and MOP7.6 million respectively.

Listing expenses

The Group incurred professional service fees in respect of the Global Offering preparation of the Shares of approximately MOP5.3 million and MOP3.4 million respectively for the six months ended 30 June 2017 and 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW (Continued)

Finance costs

Due to repayment of all outstanding bank loan in late 2017, the Group's finance costs decreased by approximately MOP0.4 million as compared to the corresponding period of the last year, and only interest on bank overdrafts at a minimal amount of less than MOP100 was incurred for the six months ended 30 June 2018.

Income tax expense

The Group's income tax expense increased by approximately MOP0.8 million or 54.4% from approximately MOP1.5 million for the six months ended 30 June 2017 to approximately MOP2.3 million for the six months ended 30 June 2018. The effective tax rates for the six months ended 30 June 2017 and 2018 were 8.9% and 13.2% respectively. The increase in the effective tax rate was mainly attributable to the decrease in the non-taxable imputed interest income as mentioned in the paragraph head "Other income" above.

Profit for the period and net profit margin

The Group's profit for the six months ended 30 June 2018 was approximately MOP15.1 million, which represented an increase of approximately MOP12,000 or approximately 0.1% over the corresponding period of the last year.

Excluding the accounting imputed interest income and the non-recurring listing expenses, the Group's profit for the six months ended 30 June 2017 and 2018 was approximately MOP9.0 million and MOP18.6 million, respectively, and the net profit margin was approximately 10.6% and 14.9%, respectively. The increase in Group's profit and net profit margin as such for the six months ended 30 June 2018 was mainly attributable to the increase in overall gross profit.

Basic earnings per share

The Company's basic earnings per Share for the six months ended 30 June 2018 was MOP0.03 (2017: MOP0.03).

No diluted earnings per Share is presented for the six months ended 30 June 2017 and 2018 as there were no potential ordinary share in issue.

Interim dividend

The board of directors (the "**Board**") of the Company does not recommend the payment of interim dividend for the six months ended 30 June 2018. A dividend of MOP284.3 million was declared by a subsidiary of the Company on 30 June 2017, and was settled through offsetting the amount due from a director, details of which is set out in note 13 of "Accountants' Report" in Appendix I to the Prospectus.

MANAGEMENT DISCUSSION AND ANALYSIS

CORPORATE FINANCE AND RISK MANAGEMENT

Liquidity and financial resources

As at 30 June 2018, the Group had net current assets of approximately MOP98.1 million (31 December 2017: MOP82.2 million). The current ratio of the Group, calculated based on the total current assets divided by the total current liabilities, was 1.8 as at 30 June 2018 (31 December 2017: 1.7).

The Group finances its operations primarily through a combination of cash flows generated from operations and banking facilities.

As at 30 June 2018, the Group had bank balances and cash of approximately MOP58.2 million (31 December 2017: MOP56.6 million). The Group also had an aggregate of bank deposits of approximately MOP65.6 million as at 30 June 2018 (31 December 2017: MOP65.2 million) pledged with banks to secure the bank overdrafts and banking facilities including performance guarantees and bid bonds issued by the banks.

As at 30 June 2018, the Group had bank overdrafts of approximately MOP0.1 million (31 December 2017: Nil) and had no outstanding bank borrowings (31 December 2017: Nil).

The gearing ratio of the Group, calculated based on total borrowings (including bank borrowings and bank overdrafts) divided by the total equity and multiplied by 100%, was 0.1% as at 30 June 2018 (31 December 2017: Nil).

As at 30 June 2018, the Group had unutilised banking facilities of approximately MOP113.7 million (31 December 2017: MOP128.5 million).

The Group has adopted a prudent approach in financial resources management. In the management of the liquidity, the Group continues to monitor and maintain adequate cash and cash equivalents as well as banking facilities to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

Capital structure

The capital structure of the Group consists of equity attributable to the owners of the Company, comprising issued share capital and reserves. During the six months ended 30 June 2018, there has been no change in capital structure of the Company.

Save as disclosed in the below section headed "Events after the Reporting Period", there has been no change in the capital structure of the Company after 30 June 2018 and up to the date of this report.

Significant investments held

The Group did not have any significant investments held as at 30 June 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

CORPORATE FINANCE AND RISK MANAGEMENT (Continued)

Material acquisitions and disposals

The Group did not have any material acquisitions and disposals of subsidiaries, associates and joint ventures during the six months ended 30 June 2018.

Charge on the Group's assets

As at 30 June 2018, the Group's office premises of approximately MOP44.3 million (31 December 2017: MOP45.0 million) and certain deposits of approximately MOP65.6 million (31 December 2017: MOP65.2 million) pledged with banks to secure the bank overdrafts and banking facilities including performance guarantees and bid bonds issued by the banks.

Future plans for material investments and capital assets

Save as disclosed in the section headed "Future Plans and Use of Proceeds" in the Prospectus, the Group did not have other plans for material investments and capital assets as at 30 June 2018.

Foreign exchange exposure

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 risk primarily through purchase of raw materials and sales 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 exposures and will consider hedging significant foreign currency exposures should the need arise.

Capital commitment

As at 30 June 2018, the Group did not have any capital commitments (31 December 2017: Nil).

Contingent liabilities

As at 30 June 2018, the Group had performance guarantees and bid bonds of approximately MOP83.8 million (31 December 2017: MOP99.3 million) and MOP26.3 million (31 December 2017: MOP18.3 million) respectively, details of which are set out in note 15 to the condensed consolidated financial statements.

Save as disclosed above, the Group had no material contingent liabilities as at 30 June 2018 (31 December 2017: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2018, the Group had a total of 74 full-time employees (31 December 2017: 205). The decrease in number of employees was mainly attributable to the decrease in number of direct labours. The Group has implemented a tight cost control and adjust the number of direct labours based on the progress and expected work load of our construction works and the expected completion dates of works 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 six months ended 30 June 2018 were approximately MOP20.5 million (30 June 2017: MOP16.1 million).

USE OF PROCEEDS FROM GLOBAL OFFERING

The estimated net proceeds from the Global Offering as referred to the Company's announcement of "Office Price and Allotment Results" on 7 September 2018 was approximately HK\$61.7 million. As the Listing Date is after 30 June 2018, the net proceeds from the Global Offering had not been received by the Company as at 30 June 2018. The net proceeds, upon receipt by the Company after the Listing Date, have been deposited at a bank and will be applied in the manners consistent with the use of proceeds as disclosed in the section headed "Future Plans and Use of Proceeds" of the Prospectus.

From the Listing Date to the date of this report, the Group has not utilised any of the net proceeds from the Global Offering.

MANAGEMENT DISCUSSION AND ANALYSIS

EVENTS AFTER THE REPORTING PERIOD

Subsequent to 30 June 2018, the following significant events took place:

As referred to the paragraph headed "Statutory and General Information – A. Further information about our Company – 4. Written resolutions of the Shareholders passed on 17 August 2018" in Appendix V to the Prospectus,

- i. a total number of 449,980,000 Shares were allotted and issued, credited as fully paid at par, to the shareholders of the Company, whose names are on the register of members prior to the Global Offering on a pro rata basis to their then existing shareholding in the Company, by way of capitalisation of a sum of HK\$4,499,800 (equivalent to MOP4,641,544) standing to the credit of the share premium account of the Company (the "**Capitalisation Issue**"); and
- ii. on 10 September 2018, 150,000,000 Shares with a par value of HK\$0.01 each were issued at a price of HK\$0.67 per share by way of Global Offering. On the same date, the Shares were listed on the Stock Exchange.

Save as mentioned above and disclosed in note 17 to the condensed consolidated financial statements, there are no significant events after the six months ended 30 June 2018 and up to the date of this report.

OTHER INFORMATION

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

Since the Listing Date and up to the date of this report, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

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

Upon completion of the Capitalisation Issue and the Global Offering, as at the date of this report, 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 (Chapter 571, Laws of Hong Kong) (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, 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"), are set out below:

Name of director	Capacity/ Nature of interest	As at the date of this report		As at 30 June 2018	
		Number of Shares ^(Note 1)	Approximate percentage of shareholding in the Company	Number of 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	450,000,000 (L)	75%	20,000 (L)	100%

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) 315,000,000 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

Upon completion of the Capitalisation Issue and the Global Offering, as at the date of this report, the register of substantial shareholders maintained by the Company pursuant to section 336 of the SFO shows that other than the interests of the directors and the chief executives, the following shareholders had notified the Company of relevant interests or short position in shares and underlying shares of Company as follows:

Name	Capacity/ Nature of interest	As at the date of this report		As at 30 June 2018	
		Number of Shares ^(Note 1)	Approximate percentage of shareholding in the Company	Number of Shares ^(Note 1)	Approximate percentage of shareholding in the Company
Mrs. Lao ^(Note 2)	Interest in a controlled corporation and interest of spouse	450,000,000 (L)	75%	20,000 (L)	100%
Laos International ^(Note 3)	Beneficial owner	315,000,000 (L)	52.5%	14,000 (L)	70%
WHM Holdings ^(Note 4)	Beneficial owner	135,000,000 (L)	22.5%	6,000 (L)	30%

Notes:

- The letter "L" denotes the substantial shareholders' long position in the Shares.
- 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) 315,000,000 Shares held by her spouse, Mr. Lao, in which Mrs. Lao is deemed to be interested in such Shares under the SFO.
- Laos International is wholly owned by Mr. Lao, the controlling shareholder and executive director of the Company.
- WHM Holdings is wholly owned by Mrs. Lao, the controlling shareholder of the Company.

OTHER INFORMATION

SHARE OPTION SCHEME

The Company has conditionally adopted a share option scheme (the “**Share Option Scheme**”) on 17 August 2018, which was effective upon listing of the Shares on the Stock Exchange. Details of the principal terms of the Share Option Scheme are summarised in the paragraph headed “Statutory and General Information – D. Share Option Scheme” in Appendix V to the Prospectus. The purpose of the Share Option Scheme is to enable the Group to grant options to eligible participants as incentives or rewards for their contributions to the Group. No options have been granted up to the date of this report.

CORPORATE GOVERNANCE

The Company has adopted the code provisions (the “**Code Provisions**”) set out in the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 14 to the Listing Rules as its own code of corporate governance. During the period from the Listing Date and up to the date of this report, the Company has complied with all the Code Provisions.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted 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 confirm that they have complied with the required standards as set out in the Model Code from the Listing Date and up to the date of this report.

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 C.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. Law Wang Chak Waltery, Mr. Chu Yat Pang Terry and Mr. Choy Wai Shek, Raymond, *MH, JP*. Mr. Law Wang Chak Waltery is the chairman of the audit committee.

The unaudited condensed consolidated financial statements for the six months ended 30 June 2018 have been reviewed by the audit committee and the Group’s auditor, Messrs. Deloitte Touche Tohmatsu.

By order of the Board

Lao Chio Seng

Chairman

Macau, 21 September 2018

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Deloitte.

德勤

TO THE MEMBERS 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 18 to 35, which comprise the condensed consolidated statement of financial position as of 30 June 2018 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” (“HKSRE 2410”) 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.

Without qualifying our review conclusion, we draw attention to the fact that the comparative 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 ended 30 June 2017 and the relevant explanatory notes included in these condensed consolidated financial statements have not been reviewed in accordance with HKSRE 2410.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
21 September 2018

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2018

	NOTES	Six months ended 30 June	
		2018 MOP'000 (unaudited)	2017 MOP'000 (unaudited)
Revenue	4	124,874	84,493
Cost of sales		(97,119)	(67,543)
Gross profit		27,755	16,950
Other income		807	12,862
Other losses		(80)	(23)
Administrative expenses		(7,637)	(7,482)
Listing expenses		(3,416)	(5,302)
Finance costs		-	(396)
Profit before taxation		17,429	16,609
Income tax expense	6	(2,294)	(1,486)
Profit for the period	7	15,135	15,123
Total comprehensive income for the period		15,135	15,123
Earnings per share	9		
- Basic (MOP)		0.03	0.03

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2018

	NOTES	At 30 June 2018 MOP'000 (unaudited)	At 31 December 2017 MOP'000 (audited)
<hr/>			
Non-current asset			
Property, plant and equipment	10	44,850	45,573
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Current assets			
Trade and other receivables	11	69,552	32,001
Contract assets	12	31,405	53,987
Pledged bank deposits		65,575	65,169
Bank balances and cash		58,197	56,621
		224,729	207,778
<hr/>			
Current liabilities			
Trade and other payables	13	107,671	103,616
Contract liabilities	12	3,725	9,087
Tax payable		15,152	12,858
Bank overdrafts		106	-
		126,654	125,561
<hr/>			
Net current assets		98,075	82,217
<hr/>			
Net assets		142,925	127,790
<hr/>			
Capital and reserves			
Share capital	14	-#	-#
Reserves		142,925	127,790
<hr/>			
Total equity		142,925	127,790
<hr/>			

Less than MOP1,000

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2018

	Share capital MOP'000	Legal reserve MOP'000 (Note (i))	Other reserve MOP'000 (Note (ii) and (iii))	Retained earnings MOP'000	Total MOP'000
At 1 January 2018 (audited)	-#	6,000	(86,724)	208,514	127,790
Profit and total comprehensive income for the period	-	-	-	15,135	15,135
At 30 June 2018 (unaudited)	-#	6,000	(86,724)	223,649	142,925
At 1 January 2017 (audited)	-#	6,000	(86,724)	457,039	376,315
Profit and total comprehensive income for the period	-	-	-	15,123	15,123
Dividend recognised as distribution (note 8)	-	-	-	(284,326)	(284,326)
At 30 June 2017 (unaudited)	-#	6,000	(86,724)	187,836	107,112

Less than MOP1,000

Notes:

- (i) In accordance with the Article 377 of the Commercial Code of Macau Special Administrative Region, the subsidiary registered in Macau is required to transfer part of its 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 the fair value adjustments recognised in equity as deemed distribution to Mr. Lao (as defined in note 2) for advances to New Zone Development Company Limited, a related company of the Group, and Mr. Lao.
- (iii) As part of the Reorganisation (as defined in note 2), there were disposal of subsidiaries and a joint venture to companies controlled by the Controlling Shareholders (as defined in note 2) resulting in a gain of MOP22,000 and a loss of MOP1,147,000, respectively. These are regarded as equity transactions and recognised in other reserve.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2018

	Six months ended 30 June	
	2018 MOP'000 (unaudited)	2017 MOP'000 (unaudited)
Net cash from operating activities	4,799	45,338
Investing activities		
Interest received	220	826
Purchase of property, plant and equipment	(70)	(27)
Repayment from a director	-	210
Repayment from related companies	-	44
Placement of pledged deposits	-	(5,206)
Advance to a director	-	(531)
Net cash from (used in) investing activities	150	(4,684)
Financing activities		
Issue costs paid	(3,479)	(521)
Repayment to a director	-	(819)
Interest paid	-	(449)
Advance from a director	-	819
Net cash used in financing activities	(3,479)	(970)
Net increase in cash and cash equivalents	1,470	39,684
Cash and cash equivalents at the beginning of the period	56,621	69,841
Cash and cash equivalents at the end of the period	58,091	109,525
Represented by:		
Bank balances and cash	58,197	109,641
Less: bank overdrafts	(106)	(116)
	58,091	109,525

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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.

The Company is an investment holding company. The principal activity of the Group is provision of construction services including structural works and fitting-out works.

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 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. GROUP REORGANISATION AND BASIS OF PREPARATION OF THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

SFS Construction Holdings Limited (“SFS BVI”), the then holding company of the Group were held as to 70% by Laos International Holdings Limited (“Laos International”), a company incorporated in the British Virgin Islands (the “BVI”) with limited liability and wholly owned by Mr. Lao Chio Seng (“Mr. Lao”), and 30% by WHM Holdings Limited (“WHM Holdings”), a company incorporated in the BVI with limited liability and wholly owned by Ms. Wong Hio Mei, spouse of Mr. Lao (“Mrs. Lao”). Mr. Lao and Mrs. Lao are collectively referred to as the “Controlling Shareholders”. In preparation for the listing of the Company’s shares on the Stock Exchange (the “Listing”), the entities in the Group underwent a group reorganisation (the “Reorganisation”). Details of the principal steps of the Reorganisation are set out in note 2 to the accountants’ report (the “Accountants’ Report”) as included in the prospectus of the Company dated 27 August 2018 (the “Prospectus”).

The Reorganisation was completed on 15 September 2017 and since then, the Company became the holding company of the companies comprising the Group.

The Group resulting from the Reorganisation is regarded as a continuing entity. The condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows of the Group for the six months ended 30 June 2017 had been prepared to present the results, changes in equity and cash flows of the entities comprising the Group as if the current group structure had been in existence throughout the period, taking into consideration of respective dates of incorporation where this is a shorter period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2018 are the same as those followed in the preparation of the financial information of the Group for the five months ended 31 May 2018 reported in the Accountants' Report as included in the Prospectus.

The Group has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9, i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018.

The table below illustrates the classification and measurement of financial assets and financial liabilities under IFRS 9 and IAS 9 at the date of initial application, 1 January 2018.

	Original measurement category under IAS 39	New measurement category under IFRS 9	Original carrying amount under IAS 39 MOP'000	New carrying amount under IFRS 9 MOP'000
Trade and other receivables (note 11)	Loans and receivables	Financial assets at amortised cost	20,714	20,714
Pledged bank deposits	Loans and receivables	Financial assets at amortised cost	65,169	65,169
Bank balances and cash	Loans and receivables	Financial assets at amortised cost	56,621	56,621
Trade and other payables (note 13)	Financial liabilities at amortised cost	Financial liabilities at amortised cost	39,378	39,378

The Group has not recognised additional impairment loss allowance upon the initial recognition of IFRS 9 on 1 January 2018 as the amounts involved are insignificant.

4. REVENUE

Revenue represents the amounts received and receivable for construction of structural works and fitting-out works rendered by the Group to customers:

	Six months ended 30 June	
	2018 MOP'000 (unaudited)	2017 MOP'000 (unaudited)
<i>Recognised over time</i>		
Contract revenue from provision of structural works	23,173	-
Contract revenue from provision of fitting-out works	101,701	84,493
	124,874	84,493

Structural works and fitting-out works represent performance obligations that the Group satisfies over time for each respective contract. The period of structural works and fitting-out works varies from 1 to 3 years.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

4. REVENUE (Continued)

The following table shows 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	
	2018 MOP'000 (unaudited)	2017 MOP'000 (unaudited)
Provision of structural works	66,032	10,441
Provision of fitting-out works	132,065	80,755
	198,097	91,196

Based on the information available to the Group at the end of the reporting period, the management of the Group expects the transaction price allocated to the above unsatisfied (or partially unsatisfied) contracts as of 30 June 2018 will be recognised as revenue during the years ending 31 December 2018 to 31 December 2019.

5. SEGMENT INFORMATION

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (the "CODM"), being the management 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) Structural works; and
- (b) Fitting-out works.

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 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

5. SEGMENT INFORMATION (Continued)

Segment revenue and profit

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

For the six months ended 30 June 2018 (unaudited)

	Structural works MOP'000	Fitting-out works MOP'000	Total MOP'000
Segment revenue - external	23,173	101,701	124,874
Segment results	6,967	20,788	27,755
Administrative expenses			(7,637)
Listing expenses			(3,416)
Other income, gains and losses			727
Profit before taxation			17,429

For the six months ended 30 June 2017 (unaudited)

	Structural works MOP'000	Fitting-out works MOP'000	Total MOP'000
Segment revenue - external	-	84,493	84,493
Segment results	-	16,950	16,950
Administrative expenses			(7,482)
Listing expenses			(5,302)
Other income, gains and losses			12,839
Finance costs			(396)
Profit before taxation			16,609

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

5. SEGMENT INFORMATION (Continued)

Segment revenue and profit (Continued)

Segment results represent the profit before taxation earned by each segment without allocation of administrative expenses, listing expenses, other income, gains and losses and finance costs. 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 in Macau. The geographical location of the Group's non-current assets is substantially situated in Macau.

All of the Group's revenue from external customers is attributed to the group entities' place of domicile (i.e. Macau).

6. INCOME TAX EXPENSE

	Six months ended 30 June	
	2018 MOP'000 (unaudited)	2017 MOP'000 (unaudited)
Macau Complementary Tax - current period	2,294	1,486

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

7. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2018 MOP'000 (unaudited)	2017 MOP'000 (unaudited)
Profit before taxation has been arrived at after charging:		
Contract costs recognised as expense		
Structural works	16,206	-
Fitting-out works	80,913	67,543
	97,119	67,543
Operating lease rentals in respect of warehouses	84	84
Depreciation of property, plant and equipment	793	752

8. DIVIDENDS

On 30 June 2017, a dividend of MOP284,326,000 was declared by San Fong Seng Construction & Engineering Company Limited ("SFS Construction Macau"), a wholly-owned subsidiary of the Company, to the Controlling Shareholders, and the dividend was settled through offsetting the amount due from Mr. Lao, an executive director of the Company.

The rate of dividend and number of shares ranking for dividend are not presented as such information is not meaningful having regard to the purpose of these condensed consolidated financial statements.

No dividend was paid, declared or proposed by other companies comprising the Group for the six months ended 30 June 2018 or by the Company since its incorporation.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

9. EARNINGS PER SHARE

Earnings	Six months ended 30 June	
	2018 MOP'000 (unaudited)	2017 MOP'000 (unaudited)
Earnings for the purpose of calculating basic earnings per share (profit for the period)	15,135	15,123

The calculation of the basic earnings per share for the period is based on the profit for the six months ended 30 June 2018 (unaudited), and weighted average number of ordinary shares of 450,000,000, taking into consideration the 20,000 shares of the Company in issue and on the assumption that, the Reorganisation as disclosed in note 2 and 449,980,000 ordinary shares issued pursuant to the capitalisation issue as set out in "Written resolutions of the Shareholders passed on 17 August 2018" in Appendix V to the Prospectus had been effective on 1 January 2017.

No diluted earnings per share is presented for both periods as there were no potential ordinary share in issue.

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2018, the Group acquired furniture, fixtures and equipment of MOP70,000 (six months ended 30 June 2017: MOP27,000).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

11. TRADE AND OTHER RECEIVABLES

	At 30 June 2018 MOP'000 (unaudited)	At 31 December 2017 MOP'000 (audited)
Trade receivables, net of allowance for doubtful debts	50,714	18,470
Advances paid to subcontractors and suppliers	11,793	6,550
Deferred issue costs	5,733	4,384
Other receivables, prepayment and deposits	1,312	2,597
Total trade and other receivables	69,552	32,001

Trade receivables represent amounts receivable for work certified after deduction of retention money.

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

	At 30 June 2018 MOP'000 (unaudited)	At 31 December 2017 MOP'000 (audited)
1 - 30 days	27,776	15,370
31 - 60 days	18,319	1,510
61 - 90 days	1,219	-
Over 90 days	3,400	1,590
	50,714	18,470

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

11. TRADE AND OTHER RECEIVABLES (Continued)

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customers. Recoverability of the existing customers is reviewed by the Group regularly.

As at 30 June 2018, included in the Group's trade receivable balances were receivables with aggregate carrying amount of MOP5,828,000 (31 December 2017: MOP3,100,000), which were past due at the end of the reporting period for which the Group had not provided for impairment loss as these balances were either subsequently settled or there has not been a significant change in credit quality and the amounts were still considered recoverable due to the on-going relationship and good repayment record from these customers. Accordingly, the management of the Group believes that no impairment loss was required. The Group does not hold any collateral over these balances.

Since the adoption of IFRS 9 on 1 January 2018, the Group applies the simplified approach to provide for expected credit losses prescribed by IFRS 9 which permits the use of the lifetime expected loss provision. The trade receivables are assessed individually for impairment allowance 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.

Included in trade receivables are allowances for doubtful debts of MOP533,000 (31 December 2017: MOP533,000), for which the amounts have aged over one year or the debtor is in severe financial difficulty, as at 30 June 2018. There is no addition to the allowances for doubtful debts during the period ended 30 June 2018.

For remaining other receivables, no allowance for impairment was made since the directors of the Company consider the probability of default is minimal after assessing the counter-parties' financial background and creditability.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12. CONTRACT ASSETS (LIABILITIES)

	At 30 June 2018 MOP'000 (unaudited)	At 31 December 2017 MOP'000 (audited)
Analysed for reporting purposes, on a net basis for each respective contract, as:		
Contract assets	31,405	53,987
Contract liabilities	(3,725)	(9,087)
	27,680	44,900

As at 30 June 2018, contract assets and liabilities include retention receivables held by customers for contract works amounting to MOP29,739,000 (31 December 2017: MOP51,713,000).

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.

As at 31 December 2017, contract assets and liabilities include advances received from customers amounting to MOP7,000,000 (30 June 2018: Nil).

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.

Contract liabilities as at the end of the reporting period are recognised as revenue in subsequent year.

Since the adoption of IFRS 9 on 1 January 2018, the Group applies the simplified approach to provide for expected credit losses prescribed by IFRS 9 which permits the use of the lifetime expected loss provision. There is no provision made in regards of the expected credit loss for contract assets during the period ended 30 June 2018.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

13. TRADE AND OTHER PAYABLES

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

	At 30 June 2018 MOP'000 (unaudited)	At 31 December 2017 MOP'000 (audited)
Trade payables	10,681	15,013
Retention payables	24,125	24,365
Accrued contract costs	66,427	54,167
Accruals and other payables	6,438	10,071
Total trade and other payables	107,671	103,616

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

	At 30 June 2018 MOP'000 (unaudited)	At 31 December 2017 MOP'000 (audited)
1 - 30 days	10,658	15,013
Over 60 days	23	-
	10,681	15,013

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

14. SHARE CAPITAL

On 23 February 2017, the Company was incorporated in the Cayman Islands as an exempted company with limited liability with an initial authorised share capital of HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each.

Details of movements of share capital of the Company are as follows:

	Number of shares	Share capital MOP'000
<hr/>		
Ordinary shares of HK\$0.01 each		
Authorised:		
As at 23 February 2017 (date of incorporation), 31 December 2017 and 30 June 2018	38,000,000	391
<hr/>		
Issued:		
As at 23 February 2017 (date of incorporation), 31 December 2017 and 30 June 2018	20,000	-#
<hr/>		

Less than MOP1,000

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

15. PERFORMANCE GUARANTEES/BID BONDS

As at 30 June 2018, performance guarantees of MOP83,807,000 (31 December 2017: MOP99,290,000), 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;
- (ii) the pledged bank deposits; and
- (iii) promissory notes endorsed by SFS Construction Macau and guaranteed by Mr. Lao and Mrs. Lao. The aforesaid personal guarantees in the banking facilities was released upon the Listing of the Group.

As at 30 June 2018, bid bonds of MOP26,325,000 (31 December 2017: MOP18,256,000), were given by banks for bidding the projects offering by the government of Macau.

In the opinion of the management of the Group, they 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.

16. RELATED PARTY TRANSACTIONS

(i) Transaction

Save as disclosed in other notes, during the period, the Group entered into the following transaction with its related party:

Related party	Nature of transaction	Six months ended 30 June	
		2018 MOP'000 (unaudited)	2017 MOP'000 (unaudited)
San lao Pong Construction & Engineering Co., Ltd. ("San lao Pong")	Subcontracting fee paid	-	458 [#]

[#] Ms. Lao Ka U, an executive director of the Company, purchased 60% equity interest of San lao Pong on 10 September 2014, since then it became the related party to the Group. San lao Pong was no longer related to the Group since 7 March 2017 and the amount only represented transactions up to 6 March 2017.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

16. RELATED PARTY TRANSACTIONS (Continued)

(ii) Pledge of assets and guarantees in support of the banking facilities by related parties

Details are disclosed in note 15.

(iii) Compensation of key management personnel

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

	Six months ended 30 June	
	2018 MOP'000 (unaudited)	2017 MOP'000 (unaudited)
Salaries and other allowances	3,234	2,910
Retirement benefits scheme contributions	4	4
	3,238	2,914

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

17. SUBSEQUENT EVENTS

Save as disclosed elsewhere in the condensed consolidated financial statements, subsequent to 30 June 2018, the following significant events took place:

- i. a total number of 449,980,000 shares of the Company were allotted and issued, credited as fully paid at par, to the shareholders of the Company, whose names are on the register of members prior to the Listing on a pro rata basis to their then existing shareholding in the Company, by way of capitalisation of a sum of HK\$4,499,800 (equivalent to MOP4,641,544) standing to the credit of the share premium account of the Company; and
- ii. on 10 September 2018, 150,000,000 shares of the Company with a par value of HK\$0.01 each were issued at a price of HK\$0.67 per share. On the same date, the shares of the Company were listed on the Stock Exchange.

FINANCIAL HIGHLIGHTS

	Six months ended 30 June	
	2018 MOP'000 (unaudited)	2017 ^(Note 1) MOP'000 (unaudited)
Results		
Revenue	124,874	84,493
Cost of sales	(97,119)	(67,543)
Gross profit	27,755	16,950
Profit before taxation	17,429	16,609
Profit for the period	15,135	15,123
Profit for the period (excluding imputed interest income and listing expenses) ^(Note 2)	18,551	8,958
Assets and Liabilities		
Total assets	269,579	253,351
Total liabilities	(126,654)	(125,561)
Net assets	142,925	127,790
Total equity	142,925	127,790

Notes:

1. The results for the six months ended 30 June 2017 had been prepared to present the results of the Group as if the current group structure had been in existence throughout the period, details of which is set out in note 2 to the condensed consolidated financial statements.
2. During the six months ended 30 June 2017, the Group recognised imputed interest income of MOP11,467,000. There was no such income subsequent to 30 June 2017. The imputed interest income was only an accounting income under International Financial Reporting Standards and had not resulted in actual cash receipts. Listing expenses are non-recurring. As imputed interest income and listing expenses are one-off or non-recurring items, profit excluding the effects of such items is calculated and presented for illustration purpose. For further details, please refer to the section headed "Summary - Adjusted profit for the year/period under non-IFRS measure" in the Prospectus.

AB BUILDERS GROUP LIMITED
奧邦建築集團有限公司