AB BUILDERS GROUP LIMITED
奧邦建築集團有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock code: 01615)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

The board (the "**Board**") of directors (the "**Directors**") of AB Builders Group Limited (the "**Company**") hereby announces the audited annual results of the Company and its subsidiaries for the year ended 31 December 2018. This announcement complies with the relevant requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited in relation to information to accompany preliminary announcements of annual results.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This results announcement is available on the website of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the Company's website (www.abbuildersgroup.com).

The Company's 2018 annual report will be despatched to shareholders and published on the websites of the Company and The Stock Exchange of Hong Kong Limited in due course.

By order of the Board
Lao Chio Seng
Chairman and Executive Director

Macau, 29 March 2019

As at the date of this announcement, the Board comprises five executive directors, namely Mr. Lao Chio Seng, Ms. Lao Chao U, Ms. Lao Ka U, Mr. Cheang Iek Wai and Mr. Ip Kin Wa; and three independent non-executive directors, namely Mr. Chu Yat Pang Terry, Mr. Law Wang Chak Waltery and Mr. Choy Wai Shek, Raymond, MH, JP.

ANNUAL RESULTS

The board (the "**Board**") of directors (the "**Directors**") of AB Builders Group Limited (the "**Company**") is pleased to announce the audited consolidated annual results of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 December 2018, together with the comparative figures for the year ended 31 December 2017 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

	NOTES	**2018** *MOP'000*	2017 *MOP'000*
Revenue	*5*	**262,597**	185,201
Cost of sales		**(199,525)**	(135,205)
Gross profit		**63,072**	49,996
Other income	*7*	**3,231**	13,945
Other losses		**(113)**	(113)
Impairment losses, net of reversal		**(3,003)**	2,637
Administrative expenses		**(20,563)**	(14,990)
Listing expenses		**(12,408)**	(10,196)
Finance costs		**–**	(706)
Profit before taxation		**30,216**	40,573
Income tax expense	*8*	**(5,522)**	(4,772)
Profit for the year	*9*	**24,694**	35,801
Earnings per share			
– Basic (MOP cents)	*11*	**4.97**	7.96

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2018

	NOTES	2018 MOP'000	2017 MOP'000
Non-current assets			
Property, plant and equipment		**44,110**	45,573
Deposit for acquisition of property, plant and equipment		**1,416**	–
		45,526	45,573
Current assets			
Trade and other receivables	12	**95,789**	32,001
Contract assets		**29,000**	53,987
Pledged bank deposits		**50,279**	65,169
Bank balances and cash		**155,229**	56,621
		330,297	207,778
Current liabilities			
Trade and other payables	13	**116,083**	103,616
Contract liabilities		**4,566**	9,087
Tax payable		**13,937**	12,858
		134,586	125,561
Net current assets		**195,711**	82,217
Net assets		**241,237**	127,790
Capital and reserves			
Share capital		**6,189**	–#
Reserves		**235,048**	127,790
Total equity		**241,237**	127,790

Less than MOP1,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

1. GENERAL INFORMATION

AB Builders Group Limited (the "Company") was incorporated in the Cayman Islands with limited liability on 23 February 2017 and its shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 10 September 2018. In the opinion of the directors, the ultimate parent of the Company is Laos International Holdings Limited, a company incorporated in the British Virgin Islands (the "BVI"). The addresses of the registered office and principal place of business of the Company are set out in the section headed "Corporate Information" to the annual report.

The Company acts as investment holding company and its subsidiaries are principally engaged in provision of construction services including structural works and fitting-out works. The Company and its subsidiaries are hereinafter collectively referred to as the "Group".

The presentation and functional currency of the Company is Macau Pataca ("MOP").

2. GROUP REORGANISATION AND BASIS OF PREPARATION OF THE 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, a company wholly owned by Mr. Lao Chio Seng ("Mr. Lao"), and 30% by WHM Holdings Limited, 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 hereinafter 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 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 consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2017 which include the results of the companies now comprising the Group have been prepared as if the current group structure upon completion of the Reorganisation had been in existence throughout the year then ended, or since their respective dates of incorporation, where there is a shorter period.

3. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

The Group has applied all the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), amendments and the related interpretations ("IFRICs") issued by the International Accounting Standards Board (the "IASB") which are effective for the accounting periods beginning on 1 January 2018 for both current and prior years, except that the Group adopted IFRS 9 "Financial Instruments" on 1 January 2018 and applied IAS 39 "Financial Instruments: Recognition and Measurement" for the year ended 31 December 2017.

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 39 at the date of initial application, 1 January 2018.

THE GROUP

	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	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	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 amount involved is insignificant.

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

IFRS 16	Leases[1]
IFRS 17	Insurance Contracts[3]
IFRIC 23	Uncertainty over Income Tax Treatments[1]
Amendments to IFRS 3	Definition of a Business[4]
Amendments to IFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to IAS 1 and IAS 8	Definition of Material[5]
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to IFRSs	Annual Improvements to IFRS Standards 2015 – 2017 Cycle[1]

1 Effective for annual periods beginning on or after 1 January 2019
2 Effective for annual periods beginning on or after a date to be determined
3 Effective for annual periods beginning on or after 1 January 2021
4 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.
5 Effective for annual periods beginning on or after 1 January 2020.

Except for the new IFRS mentioned below, the management of the Group anticipates that the application of the new and amendments to IFRSs will have no material impact on the financial statements of the Group in the foreseeable future.

IFRS 16 "Leases"

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede IAS 17 "Leases" and the related interpretations when it becomes effective.

Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

As at 31 December 2018, the Group did not have any non-cancellable operating lease commitments. The Group's assessment indicates that the lease arrangements of the Group are either short-term leases or leases of low value assets. The management of the Group anticipates that the application of IFRS 16 would not have material impact on the financial position and performance of the Group comparing with IAS 17 currently adopted by the Group.

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with IFRSs issued by the IASB. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis at the end of each reporting period, as explained in the accounting policies set out below.

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 "Share-based Payment", leasing transactions that are within the scope of IAS 17 "Leases", and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 "Inventories" or value in use in IAS 36 "Impairment of Assets".

5. REVENUE

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

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

	2018	2017
	MOP'000	*MOP'000*
Recognised over time		
Contract revenue from provision of fitting-out works	**219,013**	163,799
Contract revenue from provision of structural works	**43,584**	21,402
	262,597	185,201

6. SEGMENT INFORMATION

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

(b) Structural 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.

Segment revenue and profit

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

For the year ended 31 December 2018

	Fitting-out works	**Structural works**	**Total**
	MOP'000	***MOP'000***	***MOP'000***
Segment revenue – external	**219,013**	**43,584**	**262,597**
Segment results	**45,668**	**17,404**	**63,072**
Administrative expenses			**(20,563)**
Listing expenses			**(12,408)**
Other income, gains and losses			**115**
Profit before taxation			**30,216**

For the year ended 31 December 2017

	Fitting-out works *MOP'000*	Structural works *MOP'000*	Total *MOP'000*
Segment revenue – external	163,799	21,402	185,201
Segment results	41,428	8,568	49,996
Administrative expenses			(14,990)
Listing expenses			(10,196)
Other income, gains and losses			16,469
Finance costs			(706)
Profit before taxation			40,573

7. OTHER INCOME

	2018 ***MOP'000***	2017 *MOP'000*
Bank interest income	**2,333**	1,847
Income from scrap material sales	**–**	15
Imputed interest income *(note)*	**–**	11,467
Others	**898**	616
	3,231	13,945

Note: The imputed interest income represented interest income recognised in respect of amounts due from a related company and a director of the Company. The balances were fully settled during the year ended 31 December 2017.

8. INCOME TAX EXPENSE

	2018 ***MOP'000***	2017 *MOP'000*
Macau Complementary Tax – current year	**5,522**	4,772

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

9. PROFIT FOR THE YEAR

	2018	2017
	MOP'000	*MOP'000*
Profit for the year has been arrived at after charging (crediting):		
Contract costs recognised as expense		
Fitting-out works	**173,345**	122,371
Structural works	**26,180**	12,834
	199,525	135,205
Staff costs		
Gross staff costs (including Directors' emoluments below)	**36,561**	42,112
Less: Staff costs capitalised to contract costs incurred	**(25,091)**	(32,136)
	11,470	9,976
Directors' emoluments	**4,132**	3,829
Operating lease rentals in respect of office building and warehouses	**395**	168
Depreciation of property, plant and equipment	**1,617**	1,512

10. DIVIDENDS

On 30 June 2017, a dividend of MOP284,326,000 was declared by San Fong Sang Construction & Engineering Company Limited to the Controlling Shareholders, and the dividend was settled through offsetting the amount due from Mr. Lao, the 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 the consolidated financial statements.

Subsequent to the end of the reporting period, the Board has recommended a final dividend for 2018 of HK$0.01 per share to the shareholders whose names appear on the register of member of the Company on 13 June 2019.

11. EARNINGS PER SHARE

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

	2018	2017
Profit for the year (MOP'000)	**24,694**	35,801
Weighted average number of ordinary shares in issue	**496,438**	450,000
Basic earnings per share (MOP cents)	**4.97**	7.96

Note: The weighted average number of ordinary shares in issue has been determined on the assumption that the Reorganisation and the capitalisation issue had been effective on 1 January 2017.

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

12. TRADE AND OTHER RECEIVABLES

	2018	2017
	MOP'000	*MOP'000*
Trade receivables, net of loss allowance	**73,560**	18,470
Advances paid to subcontractors and suppliers	**16,933**	6,550
Deferred issue costs	**–**	4,384
Other receivables, prepayment and deposits	**5,296**	2,597
Total trade and other receivables	**95,789**	32,001

Trade receivables

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 aged analysis of trade receivables presented based on dates of work certified at the end of the reporting period, net of loss allowance.

	2018	2017
	MOP'000	*MOP'000*
1 – 30 days	**27,409**	15,370
31 – 60 days	**30,250**	1,510
61 – 90 days	**15,901**	–
Over 90 days	**–**	1,590
	73,560	18,470

13. TRADE AND OTHER PAYABLES

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

	2018	2017
	MOP'000	*MOP'000*
Trade payables	**40,234**	15,013
Retention payables	**22,953**	24,365
Accrued contract costs	**43,340**	54,167
Accruals and other payables	**9,556**	10,071
Total trade and other payables	**116,083**	103,616

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

	2018	2017
	MOP'000	*MOP'000*
1 – 30 days	**40,132**	15,013
31 – 60 days	**35**	–
Over 60 days	**67**	–
	40,234	15,013

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The shares of the Company (the "Shares") were successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 10 September 2018 by way of Global Offering (the "Listing").

We are an established construction contractor with over 20 years of operation in Macau Special Administrative Region ("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.

For the year ended 31 December 2018, the Group completed 4 structural works and 10 fitting out works projects, and was awarded with 5 structural works projects and 12 fitting-out works projects with an aggregate contract sum of approximately Macau Pataca ("MOP") 357.8 million.

As at 31 December 2018, the Group had 18 on-going projects, including 5 structural works projects and 13 fitting-out works projects.

Outlook and prospects

Going forward, the Listing not only opened a new chapter in the development of the Group but also provided a platform for the Group to further strengthen its financial position and solidify its competitiveness in the construction market in Macau by capturing business opportunities through organic growth, selective acquisition opportunities, acquisition of new machinery and equipment, strengthening its manpower by hiring additional experienced personnel, and supporting the growth of the Group's business and enhancing its corporate image.

However, the Group is aware of the temporary slowdown of the economic growth of Macau, which may affect the progress of the expansion, upgrade and renovation plan of the operators of hotels and casinos, property developers and so the availability of the projects in the market. Also, Macau positioning as the World Centre of Tourism and Leisure may be influenced by the change of global economy, the Group is paying attention to the status of the China-United Status trade war to assess whether there is any adverse impact on the consumption emotion of the visitors and the investment environment of Macau which in turn will affect the economic growth, so as the construction industry.

To cope with the above-mentioned uncertainties, the Board will take an active but cautious approach so as to maintain a sustainable and healthy financial position for the Group and solidify the competitiveness in the construction market in Macau, in the meantime, including but not limited to, looking for any opportunities arising from Guangdong-Hong Kong-Macau Greater Bay Area ("the Greater Bay Area") through mergers and acquisition, partnership with reputable enterprises in Macau, Hong Kong and Mainland China and tendering strategically to broaden the customers base. In the long run, with the future development of the Greater Bay Area, the Board strongly believe that the Group will be well-positioned through these measures and remain optimistic about the prospect of the Group.

FINANCIAL REVIEW

Revenue

The table below sets forth a breakdown of the Group's revenue by types of construction works for the years ended 31 December 2018 and 2017:

	For the year ended 31 December			
	2018		2017	
	MOP'000	*%*	*MOP'000*	*%*
Types of construction works				
Fitting-out works	**219,013**	**83.4**	163,799	88.4
Structural works	**43,584**	**16.6**	21,402	11.6
Total	**262,597**	**100.0**	185,201	100.0

For the year ended 31 December 2018, The Group's revenue increased by approximately MOP77.4 million or 41.8% as compared with the last year. Such increase was mainly attributable to (i) the increase in revenue generated from structural works projects of approximately MOP22.2 million or 103.6% mainly due to several structural projects were awarded since late 2017 started to contribute more revenue in 2018; and (ii) the increase in revenue generated from fitting-out works projects of approximately MOP55.2 million or 33.7%, mainly due to more new fitting-out works projects commenced in the year of 2018 as compared to 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 years ended 31 December 2018 and 2017:

	For the year ended 31 December			
	2018		2017	
	Gross profit	**Gross profit margin**	Gross profit	Gross profit margin
	MOP'000	*%*	*MOP'000*	*%*
Types of construction works				
Fitting-out works	**45,668**	**20.9**	41,428	25.3
Structural works	**17,404**	**39.9**	8,568	40.0
Total	**63,072**	**24.0**	49,996	27.0

The increase in the gross profit by approximately MOP13.1 million or 26.2%, when compared with that last year, was mainly due to the increase in revenue in both the structural works projects and fitting-out works projects.

The gross profit margin of structural works project was relatively stable.

The gross profit margin of fitting-out works projects was decreased by 4.4 percentage point from approximately 25.3% for the year of 2017 to approximately 20.9% for the year of 2018. The decrease was mainly due to the fact that in 2018, the newly awarded contracts which generated revenue in 2018 had a lower margin due to the adoption of competitive tender approach for broadening the customer base.

As a result, the Group's gross profit margin was decreased by 3.0 percentage points from approximately 27.0% for the year of 2017 to approximately 24.0% for the year of 2018.

Other income

The Group's other income was decreased by approximately MOP10.7 million or 76.8% from approximately MOP13.9 million for the year ended 31 December 2017 to approximately MOP3.2 million for the year ended 31 December 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 a director of the Company 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.

Other losses

The other losses represented the net exchange loss of approximately MOP0.1 million for the year ended 31 December 2018.

Impairment losses, net of reversal

The impairment loss for the year ended 31 December 2018 mainly consisted of allowance for doubtful trade receivables of approximately MOP2.9 million of which the debtors had financial difficulties. In the opinion of the management of the Group, the amount was considered irrecoverable and a full provision was made.

Administrative expenses

Administrative expenses were increased by approximately MOP5.6 million from approximately MOP15.0 million for the year ended 31 December 2017 to approximately MOP20.6 million for the year ended 31 December 2018. Administrative expenses consisted primarily of staff costs and Directors' emoluments, depreciation and other administrative expenses. The increase was mainly attributable to (i) increase in professional fee of approximately MOP2.2 million; (ii) increase in marketing expenses of approximately MOP1.1 million; (iii) increase in staff costs paid to Directors and staff of approximately MOP1.5 million.

Listing expenses

The Group incurred professional services fees in respect of the Listing of approximately MOP12.4 million and approximately MOP10.2 million for the years ended 31 December 2018 and 2017 respectively.

Finance costs

The finance costs was decreased by approximately MOP0.7 million when compared with last year as a result of the full repayment of all outstanding bank loans in late 2017. No bank borrowing was noted as of 31 December 2018.

Income tax expenses

The Group's income tax expenses was increased by approximately MOP0.7 million from approximately MOP4.8 million for the year ended 31 December 2017 to approximately MOP5.5 million for the year ended 31 December 2018, mainly attributable to the increase in the taxable profit after adjusting the non-taxable imputed interest income and the non-deductible listing expenses. This also accounted for the increase in the effective tax rates from approximately 11.8% for the year ended 31 December 2017 to approximately 18.3% for the year ended 31 December 2018.

Profit for the year

The Group's profit for the year was decreased by approximately MOP11.1 million when compared with the last year, mainly due to the effect of the absence of the imputed interest income of which approximately MOP11.5 million was recorded in 2017. Our adjusted net profit (excluding imputed interest income and listing expenses) increased from approximately MOP34.5 million for the year ended 31 December 2017 to approximately MOP37.1 million for the year ended 31 December 2018 was mainly attributable to the combined effect of the aforementioned items.

Final dividend

The Board has recommended a final dividend for 2018 of HK$0.01 per share to the shareholders whose names appear on the register of members of the Company on 13 June 2019.

CORPORATE FINANCE AND RISK MANAGEMENT

Liquidity and financial resources

On 10 September 2018, the Company has raised a gross proceeds from Listing of approximately HK$100.5 million.

The Group's capital expenditure and daily operations during the year ended 31 December 2018 were mainly funded by cash generated from its operations.

The total cash and bank balances together with the pledged bank deposits as at 31 December 2018 was approximately MOP205.5 million, compared to approximately MOP121.8 million as at 31 December 2017.

The increase of approximately MOP83.7 million was mainly related to the net proceed of approximately HK$61.2 million from Listing.

As at 31 December 2018, the Group had no outstanding borrowings and had unutilized banking facilities of approximately MOP118.9 million (31 December 2017: MOP128.5 million).

The current ratio of our Group as at 31 December 2018 was approximately 2.5 times as compared to that of approximately 1.7 times as at 31 December 2017.

Capital Structure

Other than the Listing, there has been no change in the capital structure of the Group during the year ended 31 December 2018. The share capital of the Group only comprises of ordinary shares and reserves.

Future plans for material investments and capital assets

Save as disclosed in the Prospectus and in this report, the Group did not have other plans for material investments or capital assets.

Pledge of assets

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

	2018	2017
	MOP'000	*MOP'000*
Leasehold land and building included in property, plant and equipment	**43,557**	44,962
Pledged bank deposits	**50,279**	65,169
Total	**93,836**	110,131

Capital commitment

As at 31 December 2018, the Group's total commitment for capital expenditures was MOP1.8 million (2017: Nil). These mainly comprised commitments for the acquisition of property, plant and equipment.

Significant investments, acquisition and disposals

Apart from the reorganisation in relation to the Listing, there were no significant investments held, acquisitions or disposals of subsidiaries and affiliated companies by our Group during the reporting period. Saved as disclosed in the Prospectus, our Group did not have other plans for significant investments, acquisitions and disposal of subsidiaries as at 31 December 2018.

Exposure to exchange rate fluctuation

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

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

Employee and remuneration policies

As at 31 December 2018, the Group had 94 (31 December 2017: 205) full time employees, of which the number of direct labour was 38 and 155 as of 31 December 2018 and 2017 respectively. The decrease in the number of employees was mainly attributable to the decrease in the number of direct labour. The Group has implemented a tight cost control and adjust the number of direct labour based on the progress and expected workload of our construction works and the expected completion dates of work projects. The number of administrative staff was relatively stable as of 31 December 2018 and 31 December 2017.

The remuneration package offered to employees includes salary and other employee benefits such as bonus. In general, the Group determines the salaries of its employees based on their individual performance qualifications, position and seniority. The Group conducts annual salary and promotion review in order to attract and retain employees. In addition, the Group provides various types of training to its employees to promote overall efficiency, employee loyalty and retention. Total staff costs for the year ended 31 December 2018 were approximately MOP36.6 million (31 December 2017: 42.1 million).

Share option scheme

The Group had adopted a share option scheme for the purpose of providing incentives and rewards to participants for the contribution of the Group. Up to 31 December 2018, no share option had been granted.

Compliance with laws and regulations

The Group mainly carries out its business in Macau. To the best of the Directors' knowledge, the Group has complied with all relevant laws and regulations in Macau during the year.

Principal risk and uncertainties

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

– Material changes in the cost of construction materials and labour costs may result in cost overrun, which could materially affect our results of operation and financial performance;

– Mismanagement or delay of our projects will materially affect our reputation and also our financial performance as penalties and/or additional costs may be incurred;

– Cash flow of our projects may fluctuate;

– We rely on subcontractors to help complete our projects. Underperformance by our subcontractors or unavailability of subcontractors may adversely affect our operations, profitability and reputation; and

– Our success significantly depends on the key management and our ability to attract and retain technical and management staff.

For other risks and uncertainties facing the Group, please refer to the section headed "Risk Factors" in the Prospectus.

USE OF PROCEED

The Company has raised gross proceeds of approximately HK$100.5 million through the Global Offering upon the Listing on 10 September 2018. After deducting the listing expenses, the net proceeds were approximately HK$61.2 million. Such net proceed are intended to be applied in the same manner and the same proportion as disclosed in the Prospectus, the below table sets out the proposed application and the status of utilisation.

As of 31 December 2018, the net proceeds from the Global Offering had been applied as follows:

	Net Proceeds (HK$' million)		
	Actual	**Utilized**	**Unutilized**
Financing the Group's construction projects and strengthening the financial position (43%)	26.4	11.6	14.8
Purchasing suitable new machinery for forthcoming construction works (27%) *(Note 1)*	16.5	–	16.5
Potential Merger & Acquisition (10%)	6.1	–	6.1
Hire additional staff for the Group's business operation (10%)	6.1	0.2	5.9
General working capital (10%)	6.1	1.6	4.5
Total	61.2	13.4	47.8

Note 1

Subsequent to the Listing, the Group is still in the process of soliciting suitable and cost-effective machineries and was not yet awarded for large-scale structural projects. Such proceed is expected to be utilized starting from 2019.

Note 2

As at 31 December 2018, the unutilized net proceeds from Global Offering were deposited in the time deposit account of the bank of the Group.

Corporate governance

From the Listing date up to the date of this announcement, the Company has applied the principles and code provisions in the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). During the period from the Listing date to 31 December 2018, to the best knowledge of the Board, the Company has complied with all the applicable code provisions set out in the CG Code.

Directors' interests in competing interests

For the year ended 31 December 2018, the Directors were not aware of any business or interest of each of the Directors, or the controlling shareholders of the Company and their respective close associates (as defined under the Listing Rules) that competes or may compete with the business of the Group and any other conflicts of interest which any such person has or may have within the Group.

Purchase, sale or redemption of listed securities

From the Listing date to the end of the reporting period, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

Events after the reporting period

The Board is not aware of any significant event requiring disclosure that has taken place subsequent to 31 December 2018 and up to the date of this announcement.

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 for securities transactions by Directors. Specific enquiry was made with all Directors of the Company and it was established that they had all complied with the required standard of the Model Code during the year ended 31 December 2018.

Audit committee

The Company established an audit committee of the Company (the "Audit Committee") pursuant to a resolution of the Directors passed on 17 August 2018 with written terms of reference in compliance with Rules 3.21 of the Listing Rules and the CG Code as set out in Appendix 14 to the Listing Rules. The Audit Committee comprises three independent non-executive Directors: Mr. Chu Yat Pang Terry, Mr. Choy Wai Shek, Raymond, *MH, JP* and Mr. Law Wang Chak Waltery. Mr. Law Wang Chak Waltery was appointed to serve as the chairman of the Audit Committee. The primary duties of the Audit Committee are to make recommendations to the Board on the appointment and dismissal of external auditor, review the financial statements and the information and provide advice in respect of financial reporting and oversee the internal control procedures of the Company.

The Company's consolidated financial statements for the year ended 31 December 2018 have been reviewed by the Audit Committee on 29 March 2019. The Audit Committee is of the opinion that the consolidated financial statements of the Company for the year ended 31 December 2018 comply with applicable accounting standards, the Listing Rules and that adequate disclosures have been made.

Scope of work of Messrs. Deloitte Touche Tohmatsu

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2018 as set out in the preliminary announcement have been agreed by the Company's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

Final dividend

The Board has recommended a final dividend for 2018 of HK$0.01 per share to the shareholders whose names appear on the register of members of the Company on 13 June 2019 (2017: Nil). The final dividend, if approved by the shareholders of the Company at the forthcoming annual general meeting (the "AGM"), will be payable on or around 27 June 2019.

Annual general meeting

The forthcoming AGM of the Company will be held on Thursday, 30 May 2019 at 3:00 p.m.. A notice convening the AGM will be published and despatched to the shareholders of the Company in due course.

CLOSURE OF REGISTER OF MEMBERS

For attending and voting at the AGM

The register of members of the Company will be closed from Monday, 27 May 2019 to Thursday, 30 May 2019 (both days inclusive) during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the AGM, unregistered holders of Shares shall ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Boardroom Share Registrars (HK) Limited, at 2103B, 21/F, 148 Electric Road, North Point, Hong Kong for registration not later than 4:30 p.m. on Friday, 24 May 2019.

For entitling to the proposed Final Dividend

For determining the Shareholders' entitlement to the proposed final dividend, the register of members will be closed from Monday, 10 June 2019 to Thursday, 13 June 2019 (both days inclusive) during which period no transfer of Shares will be registered. In order to qualify for the final dividend, unregistered holders of Shares shall ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Boardroom Share Registrars (HK) Limited, at 2103B, 21/F, 148 Electric Road, North Point, Hong Kong for registration not later than 4:30 p.m. on Thursday, 6 June 2019.