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

Annual Report 2018 年報

CONTENTS

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

Unit 708A, 7/F
Tower 1
Cheung Sha Wan Plaza
833 Cheung Sha Wan Road
Lai Chi Kok
Kowloon
Hong Kong

CORPORATE INFORMATION

AUDITORS

Deloitte Touche Tohmatsu

LEGAL ADVISOR

Yang Chau Law Office
(as to Hong Kong laws)

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

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board of directors (the "**Board**") of AB Builders Group Limited (the "**Company**" together with its subsidiaries, the "**Group**"), I am delighted to present the first annual report of the Group for the year ended 31 December 2018.

OVERVIEW

The Group had a remarkable year in 2018 as we successfully completed listing on the Main Board of the Stock Exchange of Hong Kong Limited on 10 September 2018 (the "**Listing**"). The Listing has given us a perfect opportunity to further strengthen our position and overall competitiveness of our construction business in Macau Special Administrative Region ("**Macau**").

In 1999, the Macau Government had drawn up a long-term plan for large-scale infrastructure, transportation and other urban development projects, as well as Macau had opened up its locally-controlled casino industry to foreign competition in 2001 transforming Macau into one of the world's largest gaming centres. As a result, Macau's economy experienced a rapid expansion, and a number of large-scale construction projects such as casinos, hotel resorts, commercial developments and major infrastructures were envisaged and subsequently realised. We have been benefited from the growth of Macau's economy and awarded various projects important to our business development, and our customers mainly include hotel and casino owners, property developers and the Macau Government, as well as the main contractors of various types of construction works, in Macau.

Over the years, we had participated in various structural works and fitting-out works projects for both private and public sectors in Macau, which had built up our track record and had successfully won the tenders for certain high-end hotel and casino construction projects. Together with our experienced management team, we have successfully led our Group to become a recognised construction contractor in Macau, and to achieve continuous growth in business and operation.

FORWARD

The Macau Government has launched various policies including Macau new urban zone development and continues to invest in public infrastructure such as healthcare facilities, cross-border facilities and supporting facilities of tourist hotpots. These, together with the development of Guangdong-Hong Kong-Macau Greater Bay Area ("the Greater Bay Area"), may encourage more investment and commercial activities which in turn give rise a lot of business opportunities in the construction market.

The Group is confident on the future prospect of the construction business and believes that our Group's enhanced financial resources from the Global Offering shall enable our Group to expand our business operations and capture business opportunities in both public and private sectors, and achieve stable and sustainable growth of the business in the long run.

APPRECIATION

On behalf of the Board, I wish to take this opportunity to express my sincere gratitude to all our customers, shareholders and business partners for their support. I would also like to thank all of our employees for the remarkable achievement throughout the year.

On behalf of the Board
Lao Chio Seng
Chairman and Executive Director

29 March 2019

DIRECTORS' REPORT

The board of directors (the "**Board**") of AB Builders Group Limited (the "**Company**") presents their first annual report and the audited consolidated financial statements of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2018.

CORPORATE REORGANISATION

The Company was incorporated in the Cayman Islands under the Companies Law of the Cayman Islands as an exempted company with limited liability on 23 February 2017.

In preparation for the listing of the Company's ordinary shares ("**Shares**") on the Main Board of The Stock Exchange of Hong Kong Limited ("**Stock Exchange**"), the Group underwent corporate reorganisation (the "**Reorganisation**"). The Reorganisation was completed on 15 September 2017, and the Company became the holding company of the Group.

Details of the Reorganisation are set out in note 2 to the consolidated financial statements. The Shares were listed on the Main Board of the Stock Exchange on 10 September 2018 ("**Listing Date**") by way of Global Offering.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The Group has mainly engaged in the business in providing structural works and fitting-out works services in Macau. Details of the principal activities of the Group's subsidiaries as at 31 December 2018 are set out in note 29 to the consolidated financial statements. The Group's revenue for the year was derived mainly from activities carried out in Macau. An analysis of the Group's revenue for the year is set out in note 6 to the consolidated financial statements.

BUSINESS REVIEW

A review of the business of the Group as required under Schedule 5 to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) comprising an analysis of our Group's performance during the year, assessment of the principal risks and uncertainties faced by our Group as well as indication of likely future development in the business of our Group are set out in the paragraphs headed "Management Discussion and Analysis" on pages 32 to 41 of this annual report.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2018 are set out in the Consolidated Statement of Profit or Loss and Other Comprehensive Income on pages 62.

The Board of the Company has recommended a final dividend (the "**Final Dividend**") of HK$0.01 per share (2017: Nil) to the shareholders of the Company (the "**Shareholders**") whose names appear on the register of members of the Company on 13 June 2019.

USE OF PROCEEDS

The net proceeds amounting from Listing on the Listing Date after deducting the underwriting fees and other listing expenses in connection with the Global Offering were approximately HK$61.2 million.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the year are set out in note 17 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 22 to the consolidated financial statements.

SHARE OPTION SCHEME

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

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

(a) Purpose of the Share Option Scheme

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

(b) Participants

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

(c) Maximum number of Shares

(i) Maximum number of shares which may be allotted and issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes adopted by the Group must not, in aggregate, exceed 30% of the total number of Shares in issue from time to time.

(ii) Total number of Shares in respect of which options may be granted under the Share Option Scheme and any other share option schemes of the Group shall not exceed 60,000,000 Shares, being 10% of the total number of Shares in issue as at the Listing Date unless the Group obtains the approval of the Shareholders of the Company in general meeting for renewing the scheme mandate limit under the Share Option Scheme.

(d) Period of the Share Option Scheme

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

(e) Maximum entitlement of each participant

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

(i) such further grant has been duly approved by the Shareholders in general meeting at which such grantee and his close associates shall abstain from voting;

(ii) a circular regarding the further grant has been despatched to the Shareholders in a manner complying with, and containing the information specified in, the relevant provisions of the Listing Rules.

(f) Payment on acceptance of the option

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

(g) Subscription price for Shares

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

(i) the closing price of the Shares on the offer date;

(ii) the average closing price of the Shares for the five consecutive business days immediately preceding the offer date; and

(iii) the nominal value of a Share on the offer date.

(h) The remaining life of the share option

Approximately 9 years and 7.5 months (expiring on 16 August 2028).

No share option has been granted under the Share Option Scheme since the Listing Date, nor was there any share option outstanding as at the date of this annual report.

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

PRE-EMPTIVE RIGHTS

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

FINANCIAL SUMMARY

A summary of the published results and assets and liabilities of the Group for the years ended 31 December 2014, 2015, 2016 and 2017, as extracted from the prospectus of the Company dated 27 August 2018, is set out on page 120 of this annual report. This summary does not form part of the audited financial statements.

TAX RELIEF AND EXEMPTION

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

DIRECTORS' REPORT

DIRECTORS

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

Executive Directors:

Mr. Lao Chio Seng *(Chairman) (Appointed on 23 February 2017)*
Ms. Lao Chao U *(Chief Executive Officer) (Appointed on 23 February 2017)*
Ms. Lao Ka U *(Appointed on 23 February 2017)*
Mr. Cheang Iek Wai *(Appointed on 23 February 2017)*
Mr. Ip Kin Wa *(Appointed on 23 February 2017)*

Independent Non-executive Directors:

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

Note:

Appointed on 17 August 2018 with effect from the Listing Date.

In accordance with Articles 108 of the Articles of Association, Mr. Lao Chio Seng, Ms. Lao Chao U and Mr. Cheang Iek Wai shall retire from office by rotation at the forthcoming annual general meeting ("**AGM**") and, being eligible, offer themselves for re-election.

Biographical details of the Directors and the Senior Management of the Group are set out on Page 42 to 53 of this annual report.

TERMS OF OFFICE FOR THE INDEPENDENT NON-EXECUTIVE DIRECTORS

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

The Company has received from all INEDs an annual confirmation of his independence from the Group, and as at the date of this report still considers them to be independent pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

DIRECTORS' SERVICE CONTRACTS

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

Particulars of the emoluments of the Directors on a named basis for the year are set out in note 14 to the consolidated financial statements.

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

There were no other transactions, arrangements or contracts of significance in relation to the Group's business to which the Company's or any of its subsidiaries or its controlling shareholders or any of its fellow subsidiaries was a party, and in which a Director or its connected entities had a material interest (whether directly or indirectly) subsisted at the end of the year or at any time during the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

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

PERMITTED INDEMNITY PROVISION

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

The Company has taken out and maintained Directors' liability insurance throughout the year which provides appropriate cover for legal actions brought against the Directors.

CHARITABLE DONATIONS

Charitable donations made by the Group during the year ended 31 December 2018 and before the Listing amounted to HK$1,000,000 to the Community Chest of Hong Kong.

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

As at 31 December 2018, the interests or short positions of the Directors and the chief executive of the Company or their respective associates in Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, including interests and/or short positions which they are deemed or taken to have under such provisions of the SFO, or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules, are set out below:

Name of director	Capacity/Nature of interest	Number of Shares *(Note 1)*	Approximate percentage of shareholding in the Company
Mr. Lao Chio Seng *(Note2)*	Interest in a controlled corporation and interest of spouse	450,000,000 (L)	75.0%

Notes:

1. The letter "L" denotes the director's long position in the Shares.

2. Shares in which Mr. Lao Chio Seng ("**Mr. Lao**") is deemed to be interested consist of (i) 315,000,000 Shares held by Laos International Holdings Limited ("**Laos International**"), a company wholly owned by Mr. Lao; 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**").

Saved as disclosed above, none of the Directors, chief executive of the Company or their associates had material 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 31 December 2018.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES

As at 31 December 2018, so far as was known to any Directors or chief executive of the Company, the following interests (other than those of the Directors and the chief executive) of which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or who were deemed to be directly or indirectly interested in 5% or more of the issued capital of the Company, or which were recorded in the register of interests required to be kept under Section 336 of the SFO or have notified to the Company were as follows:

Name of Shareholders	Capacity/Nature of Interest	Number of Shares *(Note 1)*	Approximate percentage of shareholding in the Company
Mrs. Lao *(Note 2)*	Interest of a controlled corporation and interest of spouse	450,000,000 (L)	75.0%
Laos International *(Note 3)*	Beneficial owner	315,000,000 (L)	52.5%
WHM Holdings *(Note 4)*	Beneficial owner	135,000,000 (L)	22.5%

Notes:

1. The letter "L" denotes the substantial shareholders' long position in the Shares.

2. Shares in which Mrs. Lao is deemed to be interested consist of (i) 135,000,000 Shares held by WHM Holdings, a company wholly owned by Mrs. Lao; and (ii) 315,000,000 Shares held by her spouse, Mr. Lao, through his wholly-owned corporation, Laos International.

3. Laos International is wholly owned by Mr. Lao, the controlling shareholder, chairman and executive director of the Company.

4. WHM Holdings is wholly owned by Mrs. Lao, the controlling shareholder of the Company.

Save as disclosed above, as at 31 December 2018, no person had registered an interest or short position in the Shares or underlying Shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

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

NON-COMPETITION UNDERTAKING CONFIRMATION

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

(i) not to, either on his/her/its own or in conjunction with any body corporate, partnership, joint venture or other contractual agreement, whether directly or indirectly, whether for profit or not, carry on, participate in, hold, engage in, acquire or operate, or provide any form of assistance to any person, firm or company (except members of our Group) to conduct any business which, directly or indirectly, competes or is likely to compete with the business of our Group in Macau and Hong Kong, including but not limited to the provision of construction works in Macau and Hong Kong (the "Restricted Business");

(ii) if any Covenantor and/or any Controlled Company is offered or becomes aware of any business opportunity which directly or indirectly engages in or owns a Restricted Business (the "New Business Opportunity"), to engage in the New Business Opportunity only if (a) a notice is received by the Covenantor from the Company confirming that the New Business Opportunity is not accepted and/or does not constitute competition with the Restricted Business (the "Non-acceptance Notice"); or (b) the Non-acceptance Notice is not received by the Covenantor within 30 days after the proposal of the New Business Opportunity is received by the Company.

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

The Company confirms that each of the Covenantors have complied with the Deed of Non-Competition for the year ended 31 December 2018. In order to ensure the Covenantors have complied with the Deed of Non-Competition, the following actions have been taken:

(i) the Company has required each of the Covenantors to give written confirmation to the Company on an annual basis as to whether he/she/it has complied with the Deed of Non-Competition for the year ended 31 December 2018;

(ii) each of the Covenantors has provided to the Company such written confirmation (a) in respect of his/her/its compliance with the Deed of Non-Competition for the year ended 31 December 2018; and (b) stating that he/she/it has not been conducted any business, or has not been offered or becomes aware of any New Business Opportunity directly or indirectly relating to the Restricted Business for the year ended 31 December 2018; and

(iii) the INEDs of the Company have reviewed, on behalf of the Company, the written confirmation made by each of the Covenantors for their compliance with the undertakings in the Deed of Non-Competition and have confirmed that, as far as they can ascertain, the Covenantors have complied with the Deed of Non-Competition.

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

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

RELATIONSHIP WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

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

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.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the aggregate sales attributable to the Group's five largest customers and the aggregate purchases attributable to the Group's five largest suppliers were approximately 74.8% and 44.9% of the Group's sales and purchases respectively.

During the year, the aggregate sales attributable to the Group's largest customer and the aggregate purchases attributable to the Group's largest supplier were approximately 24.0% and 22.8% of the Group's sales and purchases respectively.

None of the Directors, their associates or any Shareholders, which to the knowledge of the Directors owned more than 5% of the Company's issued share capital, had a beneficial interest in any of the Group's five largest suppliers and customers.

PURCHASE, SALE OR REDEMPTION OF SHARES

The Shares are listed on the Main Board of the Stock Exchange on 10 September 2018 by way of Global Offering.

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Shares during the period from the Listing Date to 31 December 2018.

COMPLIANCE ADVISER'S INTERESTS

As at the date of this report, neither Southwest Securities (HK) Capital Limited ("**Southwest**") nor any of its directors, employees or associates had any interests in the Shares or shares of any member of the Group, or any right to subscribe for or to nominate persons to subscribe for the Shares or shares of any member of the Group.

Pursuant to the compliance adviser agreement entered into between the Company and Southwest on 25 September 2017, Southwest received and will receive fees for acting as the Company's compliance adviser for the period commencing on the Listing Date and ending on the date which the Company complies with Rule 3A.19 of the Listing Rules in respect of its financial results for the first full financial year after the Listing Date.

EMOLUMENT POLICY

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

The Group is committed to support environmental protection to ensure business development and sustainability. A separate environmental, social and governance report is expected to be published on the Stock Exchange's website and the Company's website no later than three months after this annual report has been published.

CONNECTED TRANSACTION AND CONTINUING CONNECTED TRANSACTION

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

RELATED PARTY TRANSACTIONS

Details of the related party transactions entered into by the Group are set out in note 27 to the consolidated financial statements. Such related party transactions do not fall under the definition of connected transaction or continuing connected transaction under Chapter 14A of the Listing Rules.

CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 19 to 31 of this annual report.

COMPLIANCE WITH LAWS AND REGULATIONS

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

SUFFICIENCY OF PUBLIC FLOAT

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

AUDITORS

The consolidated financial statements have been audited by the Company's auditors, Deloitte Touche Tohmatsu which retire and, being eligible, offer themselves for re-appointment in the forthcoming AGM of the Company.

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 annual report.

On behalf of the Board

Lao Chio Seng
Chairman and Executive Director
Macau, 29 March 2019

INTRODUCTION

The Board is committed to achieving high standards of corporate governance to safeguard the interests of Shareholders and other stakeholders as our Board believes that good and effective corporate governance practices are the key to enhance the corporate value, formulate its business strategies and policies, and enhance its transparency and accountability.

CORPORATE GOVERNANCE PRACTICES

The Company has applied the principles as set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Listing Rules.

From the Listing Date to 31 December 2018 and throughout the period to the date of this annual report (the "**Reporting Period**"), the Company has complied with the applicable code provisions as set out in the CG Code. The Company will enhance its corporate governance practices appropriate to the operation and growth of the business of the Group. The Directors will continue reviewing the Company's corporate governance practices in order to enhance its corporate governance standard, to comply with the increasingly tightened regulatory requirements from time to time, and to meet the rising expectation on the Company.

DIRECTORS' SECURITIES TRANSACTIONS

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

The Company has made specific enquiry with all Directors and the Directors have confirmed that they have complied with the required standard as set out in the Model Code throughout the Reporting Period. The Company was not aware of any non-compliance with the Model Code by the Directors since the Listing Date and up to the date of this annual report.

BOARD OF DIRECTORS

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

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

Board Composition

The Board currently comprises eight Directors, consisting of five executive Directors and three INEDs.

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

BOARD OF DIRECTORS (Continued)

Board Composition (Continued)

Independent Non-executive Directors

Mr. Chu Yat Pang Terry *(Chairman of the Remuneration Committee and a member of the Audit Committee)*
Mr. Law Wang Chak Waltery *(Chairman of the Audit Committee and a member of the Nomination Committee)*
Mr. Choy Wai Shek, Raymond, *MH, JP (Chairman of the Nomination Committee, a member of the Remuneration Committee and a member of the Audit Committee)*

The biographical information of the Directors are set out in the section headed "Biographical Details of Directors and Senior Management" on pages 42 to 53 of this annual report.

A list showing the role and functions of Directors and whether they are INEDs is maintained on the website of Stock Exchange and the Company and updated when necessary.

Board Meetings

From the Listing Date up to 31 December 2018, two Board meetings were held. One was in September 2018 and the other was in December 2018. The Company will take appropriate arrangements for holding at least four regular board meetings in the forthcoming financial year. Apart from regular Board meetings, the chairman of the Company (the "**Chairman**") also held a meeting with the INEDs without the presence of executive Directors in December 2018.

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

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

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

Name of Directors	Number of attendance/ Number of Board meetings
Executive Directors	
Mr. Lao Chio Seng *(Chairman)*	2/2
Ms. Lao Chao U	2/2
Ms. Lao Ka U	2/2
Mr. Cheang Iek Wai	2/2
Mr. Ip Kin Wa	2/2
Independent Non-executive Directors	
Mr. Chu Yat Pang Terry	2/2
Mr. Law Wang Chak Waltery	2/2
Mr. Choy Wai Shek, Raymond, *MH, JP*	2/2

BOARD OF DIRECTORS (Continued)

Chairman and Chief Executive Officer

The roles of Chairman and chief executive officer ("**CEO**") are separate and not performed by the same person.

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

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

Independent Non-executive Directors

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

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

Appointment and Re-election of Directors

Code provision A.4.1 of the CG Code stipulates that non-executive directors shall be appointed for a specific term, subject to re-election, whereas code provision A.4.2 states that all directors appointed to fill a casual vacancy shall be subject to election by Shareholders at the first general meeting after appointment and that every director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years.

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

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

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

BOARD OF DIRECTORS (Continued)

Responsibilities of the Directors

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

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

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

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

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

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

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

Continuous Professional Development of Directors

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

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

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

BOARD OF DIRECTORS (Continued)

Continuous Professional Development of Directors (Continued)

The Directors have participated in the following trainings during the Reporting Period:

Directors	Type of Training [Note]
Executive Directors	
Mr. Lao Chio Seng	A & B
Ms. Lao Chao U	A & B
Ms. Lao Ka U	A & B
Mr. Cheang Iek Wai	A & B
Mr. Ip Kin Wa	A & B
Independent Non-executive Directors	
Mr. Chu Yat Pang Terry	A
Mr. Law Wang Chak Waltery	A & B
Mr. Choy Wai Shek, Raymond, *MH, JP*	A

Note:

Types of Training

A: Attending training sessions, including but not limited to, expert briefings, seminars, conferences and workshops

B: Reading relevant newspapers, journals, magazines and relevant publications.

BOARD COMMITTEES

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

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

Audit Committee

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

The Audit Committee consists of three INEDs, namely Mr. 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 Audit Committee held two meetings during the period from the Listing Date to 31 December 2018 during which the Audit Committee has, among other things, reviewed the unaudited consolidated financial statements of the Group. It will endeavor to perform its duties in the forthcoming financial year and hold at least two meetings and meet the external auditors once a year without the presence of the executive Directors.

The attendance record of each member of the Audit Committee at the Audit Committee meeting is set out in the table below:

Name of Directors	**Number of attendance/ Number of board meetings**
Mr. Law Wang Chak Waltery *(Chairman)*	2/2
Mr. Chu Yat Pang Terry	2/2
Mr. Choy Wai Shek, Raymond, *MH, JP*	1/2

BOARD COMMITTEES (Continued)

Remuneration Committee

The Company established the Remuneration Committee on 17 August 2018 with written terms of reference in compliance with Rules 3.25 to 3.27 of the Listing Rules and paragraph B.1 of the CG Code. The primary duties of the Remuneration Committee are to make recommendations to the Board on the overall remuneration policy and structure relating to all Directors and senior management of the Group; review performance based remuneration; ensure none of the Directors determine their own remuneration; to determine the criteria for assessing employee performance; review and approve compensation payable to executive Directors and senior management of the Group for loss or termination of office or appointment to ensure that it is consistent with contractual terms; and review and approve compensation arrangement relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms.

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

Name of Directors	Number of attendance/ Number of board meetings
Mr. Chu Yat Pang Terry *(Chairman)*	1/1
Ms. Lao Chao U	1/1
Mr. Choy Wai Shek, Raymond, *MH, JP*	0/1

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

Since the Listing Date up to 31 December 2018, one meeting was held by the Remuneration Committee.

Details of the remuneration of the senior management by band are set out in note 14 to the consolidated financial statements.

Nomination Committee

The Company established the Nomination Committee on 17 August 2018 with written terms of reference in compliance with paragraph A.5 of the CG Code. The primary duties of the Nomination Committee are to review the structure, size, composition and diversity of the Board on a regular basis; identify individuals suitably qualified to become Board members; assess the independence of INEDs; make recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors; make recommendations to the Board regarding candidates to fill vacancies on the Board and/or in senior management of the Group; and review the board diversity policy.

NOMINATION PROCESS

(a) Appointment of New Director

(i) The Nomination Committee and/or the Board should, upon receipt of the proposal on appointment of new Director and the biographical information (or relevant details) of the candidate, evaluate such candidate based on the criteria as set out above to determine whether such candidate is qualified for directorship.

(ii) If the process yields one or more desirable candidates, the Nomination Committee and/or the Board should rank them by order of preference based on the needs of the Company and reference check of each candidate (where applicable).

(iii) The Nomination Committee should then recommend to the Board to appoint the appropriate candidate for directorship, as applicable.

(iv) For any person that is nominated by a Shareholder for election as a Director at the general meeting of the Company, the Nomination Committee and/or the Board should evaluate such candidate based on the criteria as set out above to determine whether such candidate is qualified for directorship.

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

(b) Re-election of Director at General Meeting

(i) The Nomination Committee and/or the Board should review the overall contribution and service to the Company of the retiring Director and the level of participation and performance on the Board.

(ii) The Nomination Committee and/or the Board should also review and determine whether the retiring Director continues to meet the criteria as set out above.

(iii) The Nomination Committee and/or the Board should then make recommendation to Shareholders in respect of the proposed re-election of Director at the general meeting.

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

The Nomination Committee currently consists of three members, namely Mr. Choy Wai Shek, Raymond, *MH, JP*, Mr. Law Wang Chak Waltery and Mr. Cheang Iek Wai. The chairman of the Nomination Committee is Mr. Choy Wai Shek, Raymond, *MH, JP*.

BOARD COMMITTEES (Continued)

Nomination Committee (Continued)

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

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

Since the Listing Date up to 31 December 2018, no meeting was held by the Nomination Committee.

Corporate Governance Functions

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

RISK MANAGEMENT AND INTERNAL CONTROLS

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

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

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

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

RISK MANAGEMENT AND INTERNAL CONTROLS (Continued)

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

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

The management has reported to the Board and the Audit Committee on the effectiveness of the risk management and internal control systems for the year ended 31 December 2018. The Board and the Audit Committee considered the risk and management and internal control systems effective and adequate. No significant areas of concern that might affect Shareholders were identified.

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

Procedures and internal controls include:

i) Only designated persons are authorized to communicate the Company's corporate matters with investors, analysts, the media or other members of the investment community;

ii) Directors should report to the CEO any potential or suspected inside information as soon as possible for her to consult the Board for determining the nature of developments, and if required, making appropriate disclosure;

iii) Disclosure of inside information must be made in a manner that can provide for equal, timely and effective access by the public to the disclosed inside information.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the consolidated financial statements of the Company for the year ended 31 December 2018 to give a true and fair view of the state of affairs of the Group and of the results and cash flows for that year.

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

The statement of the independent auditors of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditors' Report on pages 54 to 61.

AUDITORS' REMUNERATION

The remuneration paid to the external auditors of the Company in respect of audit services and non-audit services for the year ended 31 December 2018 amounted to HK$1,000,000 and HK$1,598,000 respectively.

An analysis of the remuneration paid or payable to the external auditors of the Company, Messrs. Deloitte Touche Tohmatsu, in respect of audit services and non-audit services for the year ended 31 December 2018 is set out below:

Service Category	**Fees Paid/Payable (HK$)**
Audit services	**1,000,000**
Non-audit services	
– IPO reporting accountant, interim review and Macau profits tax services	**1,598,000**
	2,598,000

COMPANY SECRETARY

The appointment and removal of the Company Secretary is subject to the Board's approval in accordance with the articles of association of the Company. The Company's secretarial functions are outsourced to external services provider. Mr. Lai Yang Chau, Eugene ("**Mr. Lai**") was appointed as the Company Secretary on 18 April 2017. He is not an employee of the Company. Mr. Lai is currently a practicing solicitor in Hong Kong. He has experience in corporate finance, cross border merger and acquisition, and securities laws in Hong Kong. Mr. Lai obtained a bachelor of laws degree from the University of Hong Kong in 1992, a master of laws degree on Chinese laws from Renmin University of China in 1998, and an EMBA-Global Asia degree conferred jointly by Columbia University, London Business School and the University of Hong Kong in 2012. He has also completed Senior Executive Program for China (class 2011), jointly organised by Harvard Business School, Tsinghua University and China Europe International Business School. Mr. Lai has attained his alumnus status of Harvard Business School in July 2017. Mr. Lai is currently an independent non-executive director of Link Holdings Limited (stock code: 8237) whose shares are listed on the GEM of the Stock Exchange, one of the joint company secretaries of Sinopec Kantons Holdings Limited (stock code: 934) and Hengxin Technology Ltd. (Stock Code: 1085), and the company secretary of Strong Petrochemical Holdings Limited (stock code: 852), whose shares are listed on the Main Board of the Stock Exchange. Mr. Lai is a principal of Yang Chau Law Office, a practicing law firm in Hong Kong.

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

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

SHAREHOLDERS' RIGHTS

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

Convening an Extraordinary General Meeting

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

SHAREHOLDERS' RIGHTS (Continued)

Convening an Extraordinary General Meeting (Continued)

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

Putting Forward Enquiries to The Board and Contact Details

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

Address:	FAB Communications Limited 501 Wan Chai Central Building 89 Lockhart Road Wan Chai HK
Tel:	(852) 3705 9214
Fax:	(852) 3996 8604
Email:	info@fabpr.com.hk

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

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS/INVESTOR RELATIONS

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company endeavours to maintain an on-going dialogue with Shareholders and in particular, through annual general meetings and other general meetings. At the annual general meeting, Directors (or their delegates as appropriate) are available to meet Shareholders and answer their enquiries.

The Company has not made any changes to its Articles of Association since the Listing Date. An up to date version of the Articles of Association is also available on the Company's website and the Stock Exchange's website.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Shares of the Company were successfully listed on the Main Board of the Stock Exchange on 10 September 2018 by way of Global Offering.

We are an established construction contractor with over 20 years of operation in Macau, focused on providing structural works, including structure 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 MOP357.8 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.

FINANCIAL REVIEW (Continued)

Gross profit and gross profit margin

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

	For the year ended 31 December			
	2018		2017	
	Gross profit MOP'000	Gross profit margin %	Gross profit MOP'000	Gross profit margin %
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 work projects was decreased by 4.4 percentage points from approximately 25.3% for the year of 2017 to 20.9% for the year of 2018. The decrease was mainly due to the fact that in 2018, the newly awarded contract which generated revenue in 2018 had a lower margin due to the adoption of competitive tender approach for broadening our customers 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 24.0% for the year of 2018.

FINANCIAL REVIEW (Continued)

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 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 consisted of the net exchange loss of approximately MOP0.1 million for the year ended 31 December 2018.

Impairment losses, net of reversal

Impairment losses for the year ended 31 December 2018 mainly consisted of impairment losses on trade receivables of approximately MOP2.9 million. Details of impairment losses are set out in note 32 to the consolidated financial statements.

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.

FINANCIAL REVIEW (Continued)

Listing expenses

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

Finance costs

The finance costs was decreased by MOP0.7 million when compared with last year as a result of the full repayment of all outstanding bank loans in 2017. There was no bank borrowing 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 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 11.8% for the year ended 31 December 2017 to 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 of approximately HK$100.5 million. Details of the use of proceeds are set out on page 41 of this annual report.

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 the Listing.

As at 31 December 2018, the Group had no outstanding borrowings and had unutilised 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 2.5 times as compared to that of 1.7 times as at 31 December 2017.

CORPORATE FINANCE AND RISK MANAGEMENT (Continued)

Capital Structure

Other than this Listing, there has been no change in the capital structure of the Group during the year ended 31 December 2018. The capital structure of the Group consists of equity attributable to the owners of the Company, comprising issued share capital, share premium, legal reserve and retained earnings.

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

Details regarding the pledge of assets are set out in note 23 to the consolidated financial statements of this annual report.

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 of the Company, our Group did not have other plans for significant investments, acquisitions and disposal of subsidiaries as at 31 December 2018.

CORPORATE FINANCE AND RISK MANAGEMENT (Continued)

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 is primarily Hong Kong dollars ("HK$"). As the exchange rate of the HK$/MOP is relatively stable, the management of the Group does not expect any significant foreign currency exposure arising from the fluctuation of the HK$/MOP exchange rate.

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 MOP 36.6 million (31 December 2017: 42.1 million).

CORPORATE FINANCE AND RISK MANAGEMENT (Continued)

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	Utilised	Unutilised
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 and 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 utilised starting from 2019.

Note 2

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

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS AND SENIOR MANAGEMENT

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

Name	Age	Present position(s) in our Company	Date of appointment as Director	Date of joining our Group	Roles and responsibilities	Relationship with other Directors and/or senior management
Executive Directors						
Mr. Lao Chio Seng (劉朝盛先生) ("Mr. Lao")	59	Chairman of the Board and executive Director	23 February 2017	5 July 1998	Responsible for the overall business strategies and expansion of our Group	Father of Ms. Vicki Lao and Ms. Athena Lao; father-in-law of Mr. Cheang
Ms. Lao Chao U (劉秋瑜女士) ("Ms. Athena Lao")	31	Chief executive officer and executive Director	23 February 2017	3 January 2011	Responsible for the day-to-day operations of our Group	Daughter of Mr. Lao; younger sister of Ms. Vicki Lao; spouse of Mr. Cheang
Ms. Lao Ka U (劉家裕女士) ("Ms. Vicki Lao")	32	Executive Director	23 February 2017	21 September 2009	Responsible for the overall business development and planning of our Group	Daughter of Mr. Lao; eldest sister of Ms. Athena Lao; sister-in-law of Mr. Cheang
Mr. Cheang Iek Wai (鄭益偉先生) ("Mr. Cheang")	31	Executive Director	23 February 2017	2 June 2014	Responsible for finance and account management aspects and engaging in corporate finance functions in our Group	Spouse of Ms. Athena Lao; son-in-law of Mr. Lao; brother-in-law of Ms. Vicki Lao
Mr. Ip Kin Wa (葉建華先生)	52	Executive Director	23 February 2017	17 April 2006	Responsible for project management	N/A

Name	Age	Present position(s) in our Company	Date of appointment as Director	Date of joining our Group	Roles and responsibilities	Relationship with other Directors and/or senior management
Independent Non-executive Directors						
Mr. Chu Yat Pang Terry (朱逸鵬先生)	47	Independent Non-executive Director	17 August 2018	17 August 2018	Supervising and providing independent advice to the Board	N/A
Mr. Law Wang Chak Waltery (羅宏澤先生)	55	Independent Non-executive Director	17 August 2018	17 August 2018	Supervising and providing independent advice to the Board	N/A
Mr. Choy Wai Shek, Raymond, *MH, JP* (蔡偉石先生，榮譽勳章，太平紳士)	70	Independent Non-executive Director	17 August 2018	17 August 2018	Supervising and providing independent advice to the Board	N/A

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. LAO Chio Seng (劉朝盛先生), aged 59, was appointed as our Director on 23 February 2017 and was re-designated as our Chairman and our executive Director on 17 August 2018. He is responsible for the overall business strategies and expansion of our Group. Mr. Lao is the founder of our Group, and he is also a director of certain subsidiaries of the Company.

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

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

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

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

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

Ms. LAO Chao U (劉秋瑜女士), aged 31, was appointed as our Director on 23 February 2017 and was re-designated as our chief executive officer and executive Director on 17 August 2018. She is responsible for the day-to-day operations of our Group. She serves as a member of the remuneration committee of the Company. She is also a director of a subsidiary of the Company. Ms. Athena Lao obtained a bachelor 's degree in science from University of California, Berkeley in the United States in December 2010. Ms. Athena Lao is a civil engineer (執行工程指導職務而作之技術員) registered with Land, Public Works and Transport Bureau of Macau ("DSSOPT") and a civil engineer registered with the Council of Architecture, Engineering and Urban Planning (建築工程及城市規劃專業委員會) in Macau. She became a member and was appointed as a review examiner of the Chartered Institution of Civil Engineering Surveyors in July 2016 and April 2017, respectively.

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

Ms. Athena Lao is the deputy director of Macao ASEAN International Chamber of Commerce (澳門東盟國際商會副理事長), the Deputy Chairman of Macau Jiangmen Youth Association (澳門江門青年會副會長) and the Honorary Secretary of Chartered Institution of Civil Engineering Surveyors (Macau Region) (英國皇家特許土木工程測量師學會(澳門區)秘書長). Ms. Athena Lao is also a member of the Macau Institution of Engineers (澳門工程師學會會員).

Ms. Athena Lao is the daughter of Mr. Lao, the younger sister of Ms. Vicki Lao and the spouse of Mr. Cheang.

Ms. LAO Ka U (劉家裕女士), aged 32, was appointed as our Director on 23 February 2017 and was re-designated as our executive Director on 17 August 2018. She is responsible for the overall business development and planning of our Group. She is also a director of certain subsidiaries of the Company. Ms. Vicki Lao obtained a bachelor 's degree in architecture from Woodbury University in the United States in May 2009. Ms. Vicki Lao is an architect (執行計劃編製職務而作之技術員) registered with DSSOPT in Macau and an architect registered with the Council of Architecture, Engineering and Urban Planning (建築、工程及城市規劃專業委員會) in Macau.

Ms. Vicki Lao has around seven years of experience in the construction industry in Macau. Ms. Vicki Lao first joined our Group in September 2009 as the assistant to the chairman of a subsidiary of the Company and was promoted to be a director on June 2010.

In 2012, she was a committee member of Guangdong Youth Federation (廣東省青年聯合會委員). In 2013, she was then appointed as the deputy president of Jiangmen Youth Federation of Overseas Chinese (江門僑界青年聯合會副理事長) and was named a Jiangmen honorary citizen (江門市榮譽市民) by Jiangmen Municipal People's Government (江門市人民政府). She was a committee member of Guangxi Chongzuo City Federation of Overseas Chinese (廣西崇左市歸國華僑聯合會委員) in 2014. In 2015, she was appointed as the director of Jiangmen Overseas Chinese Enterprise Federation (江門市僑商總會理事). In 2016, she was appointed as the deputy chairman of Global Cantonese Association of Macau (澳門廣府人(珠璣聯誼會)副會長).

She is currently a member of the 13th Yunnan Committee of the Chinese People's Political Consultative Conference (中國人民政治協商會議廣東省第十三屆雲南省委員會委員), the president of Macao Jiangmen Communal Society (澳門江門同鄉會理事長) and a member of the Community Affairs Consultative Committee of the Northern District (北區社區服務諮詢委員會委員).

Ms. Vicki Lao is the daughter of Mr. Lao, the elder sister of Ms. Athena Lao and the sister-in-law of Mr. Cheang.

Mr. CHEANG Iek Wai (鄭益偉先生), aged 31, was appointed as our Director on 23 February 2017 and was re-designated as our executive Director on 17 August 2018. He is responsible for finance and account management aspects and engaging in corporate finance functions in our Group. He also serves as a member of the nomination committee of the Company. Mr. Cheang obtained a bachelor 's degree of commence in majors of finance and accounting from the University of Sydney in Australia in October 2008 and a master degree of finance specialising in investment banking from the University of New South Wales in Australia in August 2009. Mr. Cheang was granted the designation of financial risk manager (FRM) by the Global Association of Risk Professionals in 2011.

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

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

Mr. IP Kin Wa (葉建華先生) ("Mr. Ip"), aged 52, was appointed as our Director on 23 February 2017 and was re-designated as our executive Director on 17 August 2018. He is responsible for project management. Mr. Ip graduated from the Fujian Institutions of Higher Learning (福建高等學校) in the People's Republic of China in July 1988 and had obtained the diploma of safety supervisor from the Labour Affairs Bureau of Macau and Macau Construction Works School (澳門建築工程學校) in 1993. Mr. Ip completed the trainer course for occupational safety card for the construction industry organised by the Labour Affairs Bureau of Macau in December 2012.

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

Mr. Ip has undertaken various social responsibilities. He is a member of the 12th Quanzhou Committee of the Chinese People's Political Consultative Conference (中國人民政治協商會議第十二屆泉州市委員會委員), the vice chairman of the Fujian Chamber of Commerce (福建總商會副會長)、the vice chairman of the Macao-Taiwan Chamber of Commerce (澳門閩台商會副會長), the director of Hunan Overseas Friendship Association (湖南省海外聯誼會理事), the permanent chairman of Macau Engineering Superintendent Association (澳門工程施工主管協會永遠會長), the permanent chairman of Macau Nan An Shishan Association (澳門南安詩山同鄉會永遠會長), the executive deputy chairman and the executive deputy secretary general (常務副會長兼常務副秘書長) of Nam On Natives Association of Macau (澳門南安同鄉會) and Nanan Chamber of Commerce of Macau (澳門南安商會) and the deputy chairman of Macao Ip's Clan Association (澳門葉氏宗親會副會長). He was a trainer for occupational safety card for the construction industry organised by the Labour Affairs Bureau of Macau from October 2016 to December 2016.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. CHU Yat Pang Terry (朱逸鵬先生), aged 47, was appointed as our independent non-executive director on 17 August 2018. He is responsible for overseeing the management of our Group independently. He also serves as the chairman of the remuneration committee of the Board and a member of the audit committee of the Board. Mr. Chu obtained the degree of bachelor of arts from the University of Western Ontario in Canada in June 1992 and a master of business administration degree in investment and finance from the University of Hull in the United Kingdom in June 1997. He also obtained a diploma in accounting from the School of Business and Economics of Wilfrid Laurier University in Canada in October 1993. Mr. Chu is a member of the Hong Kong Institute of Certified Public Accountants since June 1997.

Mr. Chu has over 25 years of experience in auditing and corporate finance. Prior to joining our Group, Mr. Chu worked for the Department of Assurance and Advisory Business Services of Ernst & Young, an international accounting firm from September 1993 to February 2000 when he left the firm as a manager. Mr. Chu joined China Everbright Capital Limited, a corporate finance company, as a manager in March 2000. In February 2001, he joined Haitong International Capital Limited, being a subsidiary of Haitong International Securities Group Limited (formerly known as Taifook Securities Group Limited), a financial institution whose shares are listed in the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (stock code: 665), till September 2012 when he last served as managing director – corporate finance where he was responsible for managing and supervising the corporate finance advisory business. From January 2013 to present, Mr. Chu is a managing director of a Halcyon Capital Limited and a licensed representative of Halcyon Securities Limited in Hong Kong. Mr. Chu manages initial public offerings and fund-raising exercises and advises listed companies on mergers and acquisitions, and other corporate transactions.

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

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. LAW Wang Chak Waltery (羅宏澤先生), aged 55, was appointed as our independent non-executive director on 17 August 2018. He is responsible for overseeing the management of our Group independently. He also serves as the chairman of the audit committee of the Board and a member of the nomination committee of the Board. Mr. Law graduated from the University of London in the United Kingdom with a bachelor 's degree in economics in August 1991 and a master 's degree in financial economics in December 1995. Mr. Law was admitted as a fellow of the Chartered Association of Certified Accountants (currently known as Association of Chartered Certified Accountants) in the United Kingdom in October 1995, the Hong Kong Society of Accountants (currently known as Hong Kong Institute of Certified Public Accountants) in February 1998 and The Institute of Chartered Accountants in England and Wales in July 2017.

Mr. Law has over 30 years of experience in the accounting, financial auditing, financial due diligence reviews, mergers and acquisitions, corporate financing and corporate restructuring profession. Mr. Law served different key roles such as chief financial officer and vice president of the financial department in four other companies listed on the Main Board of the Stock Exchange from 1992 to 2004. Prior to that, Mr. Law had worked in the audit division of Coopers & Lybrand (currently known as PricewaterhouseCoopers), for more than five years.

Prior to joining our Group, Mr. Law was an executive partner of Profundas Capital Limited, a private equity and investment advisory firm, from December 2010 to January 2018. Mr. Law was the chief financial officer and non-executive director of Nine Dragons Paper (Holdings) Limited (stock code: 2689), the shares of which are listed on the Main Board of the Stock Exchange, from June 2004 to October 2008 and from August 2008 to October 2008, respectively. Mr. Law was an independent non-executive director of Orient Victory China Holdings Limited (currently known as Orient Victory Travel Group Company Limited) (stock code: 265), the shares of which are listed on the Main Board of the Stock Exchange, from September 2014 to June 2018.

Since April 2015, Mr. Law has been an independent non-executive director of D&G Technology Holding Company Limited (stock code: 1301), the shares of which are listed on the Main Board of the Stock Exchange. Since 10 November 2016, Mr. Law has been a non-executive director of In Technical Production Holdings Limited (stock code: 8446), a company listed on the GEM of the Stock Exchange. Since November 2017, Mr. Law has been an independent non-executive director of both Solis Holdings Limited (stock code: 2227) and Vicon Holdings Limited (stock code: 3878), the shares of which are listed on the Main Board of the Stock Exchange. Mr. Law is currently an executive Director and chief financial officer of GP Industries Limited, the shares of which are listed on the Main Board of the Singapore Exchange Securities Trading Limited.

Mr. CHOY Wai Shek, Raymond, MH, JP (蔡偉石先生，*榮譽勳章，太平紳士*), aged 70, was appointed as our independent non-executive Director on 17 August 2018. He is responsible for overseeing the management of our Group independently. He also serves as the chairman of the nomination committee of the Board and member of the audit committee of the Board. Mr. Choy was awarded a diploma in Chinese Law from the University of East Asia Macau in Macau (currently known as the University of Macau) in October 1987 and a diploma in Political Science from the International Affairs College, Institute of International Relations Hong Kong in July 1988.

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

He was a member of the 9th to 12th Guangzhou Committee of the Chinese People's Political Consultative Conference (中國人民政治協商會議廣州市委員會第九至第十二屆委員). He was also appointed as a vice president of GMC Hong Kong Member Association in February 2012 and has been a committee member of the 50th Chinese General Chamber of Commerce since November 2016.

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

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

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

(i) He/she does not have any relationship with any other Director, senior management or substantial or controlling Shareholders of the Company;

(ii) He/she does not hold any other position in the Company or other members of the Group;

(iii) He/she does not have any other interest in the shares of the Company with the meaning of Part XV of the SFO;

(iv) There is no other information relating to him/her that should be disclosed pursuant to the events under Rule 13.51(2) (h) to 13.51(2) (v) of the Listing Rules.

SENIOR MANAGEMENT

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

Name	Age	Present position(s) in our Company	Date of appointment as senior management	Date of joining our Group	Roles and responsibilities	Relationship with other Directors and/or senior management
Mr. Ho Wai Chuen (何惠泉先生)	65	Construction director	28 March 2017	28 March 2017	Responsible for carrying out strategic plans and explore business opportunities	N/A
Mr. Yeung Yun Ki (楊潤祺先生)	61	Commercial manager	3 December 2012	3 December 2012	Responsible for tendering and contract management	N/A

Mr. HO Wai Chuen (何惠泉) ("Mr. Ho"), aged 65, is a construction director of a subsidiary of the Company. He joined our Group in March 2017 and is responsible for carrying out strategic plans and explore business opportunities.

Mr. Ho attained various qualifications relating to the construction industry. In February 1974, he obtained the certificate in training course for foremen in construction industry issued by the Building Contractors' Association Ltd. and the Hong Kong Productivity Centre. In January 1975, he completed training courses on basic industrial accident prevention and advanced industrial safety conducted by the Industrial Safety Training Centre of the Labour Department of Hong Kong. In June 1975, he obtained the certificate in concrete technology training course issued by the Hong Kong Productivity Centre. In October 1994, he completed the self-learning certificate programme on principles of business management organised by the Hong Kong Management Association. In June 2004, he completed and passed the examination for safety management training course for managers organised by the Occupational Safety & Health Management Institute.

Prior to joining our Group, Mr. Ho had worked at various construction companies such as Gammon (Hong Kong) Limited, Leighton Contractors (Asia) Company Limited and Wan Chung Construction Company Limited. Mr. Ho has over 40 years of work experience in the construction industry.

Mr. YEUNG Yun Ki (楊潤祺) ("Mr. Yeung"), aged 61, is the commercial manager of a subsidiary of the Company. He joined our Group in December 2012 and is responsible for tendering and contract management of our Group.

Mr. Yeung obtained the Certificate in Civil Engineering from Hong Kong Polytechnic (currently known as Hong Kong Polytechnic University) in November 1982. He further obtained the Higher Certificate in Civil Engineering from Hong Kong Polytechnic (currently known as Hong Kong Polytechnic University) in November 1985.

Mr. Yeung received other trainings relating to construction. He completed the construction safety officer course in September 1988 organised by the Construction Industry Training Authority, and the course on labour relations organised by Labour Department in August 1989. In April 1990, he completed the distance learning certificate programme on practical personnel management organised by the Hong Kong Management Association. In January 1992, he attended the quality auditor training seminar organised by Handley-Walker. In 2011, he completed the modern safety management training organised by Det Norske Veritas and the DNV ISRS element leader training organised by the Occupational Safety & Health & Environmental Training Institute.

Mr. Yeung has over 33 years of work experience in the construction industry. Prior to joining our Group, during the period from April 2005 to January 2006, he was employed as the site administration manager at Chun Wo Construction & Engineering Co., Ltd. He was then employed by Galaxy Professional Services Limited as the manager of Human Resources & Administration Corporate Office from November 2006 to July 2007, and as a manager of Administration StarWorld Hotel & Casino from August 2007 to December 2008. From March 2009 to July 2009, he was employed by Panda Sociedade de Gestao de Investimentos Limitada as administration manager for General Affair Department. Subsequently, he was employed by Nishimatsu Construction Co., Ltd as an administration manager from June 2011 to September 2012.

Deloitte. 德勤

TO THE SHAREHOLDERS OF AB BUILDERS GROUP LIMITED
奧邦建築集團有限公司
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of AB Builders Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 62 to 119, which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

TO THE SHAREHOLDERS OF AB BUILDERS GROUP LIMITED
奧邦建築集團有限公司
(incorporated in the Cayman Islands with limited liability)

KEY AUDIT MATTERS (Continued)

Key audit matter	How our audit addressed the key audit matter
Recognition of revenue and costs from construction contracts	
We identified the recognition of revenue and costs from construction contracts as a key audit matter due to the degree of judgement and estimation uncertainty involved. The Group reviews and revises the estimates of contract revenue, contract costs, variations in contract work, claims and incentive payments prepared for each construction contract as the contract progresses. Budgeted contract costs are prepared by the management on the basis of quotations from time to time provided by the major subcontractors, suppliers or vendors involved and the experience of the management. In order to keep the budget accurate and up-to-date, management conducts periodic reviews of the budgets of contracts by comparing the budgeted amounts to the actual amounts incurred.	Our procedures in relation to the recognition of revenue and costs from construction contracts included: • Obtaining an understanding of the Group's controls and processes over revenue recognition and budget preparation; • Agreeing the total budget contract revenue to the construction contracts and variation orders, if any, independent architect's instructions or other form of agreements or other correspondences, and discussing with the project management teams of the Group to evaluate the reasonableness of their estimated total budget contract revenue based on the size and complexity of the construction contracts, on a sample basis;

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KEY AUDIT MATTERS (Continued)

Key audit matter	How our audit addressed the key audit matter
Recognition of revenue and costs from construction contracts (Continued)	
As set out in note 5 to the consolidated financial statements, recognised amounts of contract revenue and contract costs reflect management's best estimate of each contract's outcome and value of work completed, which are determined on the basis of a number of estimates. This includes the assessment of the profitability of on-going construction contracts. The actual outcome of the contract in terms of its total revenue and costs may be higher or lower than the estimates and this will affect the revenue and profit or loss recognised. The contract revenue and costs of provision of structural works and fitting-out works of MOP262,597,000 and MOP199,525,000, respectively, were recorded in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2018.	• Verifying the reasonableness of estimated total costs by agreeing to the latest costs quotations provided by major subcontractors/suppliers/vendors, on a sample basis, and understanding from the project management teams of the Group to evaluate the reasonableness of their estimated total contract costs, taking into account of factors including the profit margin of similar construction contracts, the duration and the complexity of the construction contracts, on a sample basis; • Evaluating the reasonableness of the management's estimated gross profit margins by taking into account the gross profit margins of similar projects, on a sample basis, to identify and investigate if there is any significant difference; and • Verifying whether value of work has been reasonably recognised as contract revenue including variations in contract work, by agreeing to the latest payment certificates issued by the independent architects, surveyors or other representatives appointed by the customers, on a sample basis.

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KEY AUDIT MATTERS (Continued)

Key audit matter	How our audit addressed the key audit matter
Valuation of trade receivables and contract assets	
We identified the valuation of trade receivables and contract assets as a key audit matter due to the use of judgement and estimates by the management in assessing the recoverability of trade receivables and contract assets. As set out in note 5 to the consolidated financial statements, the Group estimates the amount of impairment loss for expected credit loss ("ECL") on trade receivables and contract assets based on the credit risk of trade receivables and contract assets. The amount of the impairment loss based on the assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Where the probability of default is higher than expected, or being revised upwards due to changes in facts and circumstances, a material impairment loss may arise. As disclosed in notes 18 and 19 to the consolidated financial statements, as at 31 December 2018, the carrying amount of trade receivables and contract assets was MOP73,560,000 and MOP29,000,000, respectively.	Our procedures in relation to valuation of trade receivables and contract assets included: • Obtaining an understanding on management's credit review process and recoverability assessment process of trade receivables and contract assets; • Assessing the reasonableness of impairment under ECL model by examining the information used by the management to form its judgement and estimates, including test of accuracy of the historical default data with reference to the credit history, delay in payments, settlement records, and aging analysis of each relevant debtor, on a sample basis; • Evaluating the reasonableness of the forward-looking information the management has taken into account; and • Testing the mathematical accuracy of the ECL model on trade receivables and contract assets prepared by the management.

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OTHER INFORMATION

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

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

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

The engagement partner on the audit resulting in the independent auditor's report is Chu, Johnny Chun Yin.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
29 March 2019

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	6	**262,597**	185,201
Cost of sales		**(199,525)**	(135,205)
Gross profit		**63,072**	49,996
Other income	8	**3,231**	13,945
Other losses	9	**(113)**	(113)
Impairment losses, net of reversal	10	**(3,003)**	2,637
Administrative expenses		**(20,563)**	(14,990)
Listing expenses		**(12,408)**	(10,196)
Finance costs	11	**-**	(706)
Profit before taxation		**30,216**	40,573
Income tax expense	12	**(5,522)**	(4,772)
Profit and total comprehensive income for the year	13	**24,694**	35,801
Earnings per share			
– Basic (MOP cents)	16	**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	17	**44,110**	45,573
Deposit for acquisition of property, plant and equipment		**1,416**	–
		45,526	45,573
Current assets			
Trade and other receivables	18	**95,789**	32,001
Contract assets	19	**29,000**	53,987
Pledged bank deposits	20	**50,279**	65,169
Bank balances and cash	20	**155,229**	56,621
		330,297	207,778
Current liabilities			
Trade and other payables	21	**116,083**	103,616
Contract liabilities	19	**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	22	**6,189**	–#
Reserves		**235,048**	127,790
Total equity		**241,237**	127,790

Less than MOP1,000

The consolidated financial statements on pages 62 to 119 were approved and authorised for issue by the board of directors on 29 March 2019 and are signed on its behalf by:

Lao Chio Seng
DIRECTOR

Lao Chao U
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

	Share capital MOP'000	Share premium MOP'000	Legal reserve MOP'000 (Note (i))	Other reserve MOP'000 (Note (ii))	Retained earnings MOP'000	Total MOP'000
At 1 January 2017	–#	–	6,000	(86,724)	457,039	376,315
Profit and total comprehensive income for the year	–	–	–	–	35,801	35,801
Dividend recognised as distribution (note 15)	–	–	–	–	(284,326)	(284,326)
At 31 December 2017	–#	–	6,000	(86,724)	208,514	127,790
Profit and total comprehensive income for the year	**–**	**–**	**–**	**–**	**24,694**	**24,694**
Issue of new shares (note 22(c))	**1,548**	**102,119**	**–**	**–**	**–**	**103,667**
Capitalisation issue (note 22(d))	**4,641**	**(4,641)**	**–**	**–**	**–**	**–**
Share issuance costs	**–**	**(14,914)**	**–**	**–**	**–**	**(14,914)**
At 31 December 2018	**6,189**	**82,564**	**6,000**	**(86,724)**	**233,208**	**241,237**

Less than MOP1,000

Notes:

(i) In accordance with the Article 377 of the Commercial Code of Macau Special Administrative Region, the subsidiaries registered in Macau are required to transfer part of their profits of each accounting period of not less than 25% to legal reserve, until the amount reaches an amount equal to half of the respective share capital.

(ii) Other reserve includes (a) the fair value adjustments recognised in equity as deemed distribution made to Mr. Lao (as defined in note 1) of MOP85,599,000; and (b) a net loss on disposal of subsidiaries and a joint venture of MOP1,125,000 arising as part of the Reorganisation (as defined in note 2) to companies controlled by the Controlling Shareholders (as defined in note 1), which were regarded as equity transactions and included in other reserve.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	2018 MOP'000	2017 MOP'000
Operating activities		
Profit before taxation	**30,216**	40,573
Adjustments for:		
Depreciation of property, plant and equipment	**1,617**	1,512
Imputed interest income	**–**	(11,467)
Bank interest income	**(2,333)**	(1,847)
Interest expense	**–**	706
Impairment losses on trade and other receivables	**2,882**	–
Impairment losses on contract assets	**121**	–
Reversal of loss allowance	**–**	(2,637)
Operating cash flows before movements in working capital	**32,503**	26,840
(Increase) decrease in trade and other receivables	**(70,552)**	16,838
Decrease (increase) in contract assets	**24,866**	(6,006)
Increase (decrease) in trade and other payables	**11,950**	(11,814)
(Decrease) increase in contract liabilities	**(4,521)**	7,488
Decrease in amounts due to related companies	**–**	(1,239)
Cash (used in) generated from operations	**(5,754)**	32,107
Macau Complementary Tax paid	**(4,443)**	(5,914)
Net cash (used in) from operating activities	**(10,197)**	26,193
Investing activities		
Release of pledged deposits	**57,063**	8,165
Interest received	**1,831**	1,803
Placement of pledged deposits	**(42,173)**	(5,612)
Deposit paid for acquisition of property, plant and equipment	**(1,416)**	–
Purchase of property, plant and equipments	**(154)**	(198)
Advance to a director	**–**	(531)
Repayment from a director	**–**	210
Repayment from related companies	**–**	44
Net cash from investing activities	**15,151**	3,881

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	2018 MOP'000	2017 MOP'000
Financing activities		
Proceed from issue of shares	103,667	–
Issue costs paid	(10,013)	(1,287)
Advance from a director	–	819
Repayment of bank borrowings	–	(41,260)
Repayment to a director	–	(819)
Interest paid	–	(747)
Net cash from (used in) financing activities	93,654	(43,294)
Net increase (decrease) in cash and cash equivalents	98,608	(13,220)
Cash and cash equivalents at the beginning of the year	56,621	69,841
Cash and cash equivalents at the end of the year, representing bank balances and cash	155,229	56,621

1. GENERAL INFORMATION

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

The Company acts as 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, and 30% by WHM Holdings Limited, a company wholly owned by Mrs. Lao. 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 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, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended 31 December 2017 which include the results, changes in equity and cash flows 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 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 accounting policies for financial instruments under IFRS 9 are set out in note 4 below.

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.

	Original measurement category under IAS 39	**New measurement category under IFRS 9**	**Original carrying amount under IAS 39**	**New carrying amount under IFRS 9**
			MOP'000	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.

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

The Group has not early adopted the following new and amendments to IFRSs that 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 I 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 all other new and amendments to IFRSs will have no material impact on the consolidated financial statements 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, 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".

Basis of consolidation

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation (Continued)

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

When the Group loses control of a subsidiary, a gain or loss is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9/IAS 39 when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Revenue from contracts with customers

Revenue is recognised to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. Specifically, the Group uses a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue from contracts with customers (Continued)

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

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

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

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

Recognition

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

For contracts that contain variable consideration (i.e. variation order), the Group estimates the amount of consideration to which it will be entitled using either (a) the expected value method or (b) the most likely amount, depending on which method better predicts the amount of consideration to which the Group will be entitled.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue from contracts with customers (Continued)

***Recognition** (Continued)*

The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty associated with the variable consideration is subsequently resolved.

At the end of the reporting period, the Group updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of the reporting period and the change in circumstances during the reporting period.

For warranty embedded to the construction contracts, the Group accounts for the warranty in accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" unless the warranty provides the customer with a service in addition to the assurance that the contracting work complies with the agreed-upon specifications.

If at any time the unavoidable costs of meeting contractual obligations are estimated to exceed the remaining amount of the economic benefits expected to be received under the contract, then a provision is recognised in accordance with policy set out in "Onerous contracts" below.

Contract assets or liabilities

A contract asset represents the Group's right to consideration in exchange for services that the Group has transferred to a customer that is not yet unconditional. In contrast, a receivable represents the Groups' unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

Leasehold land and building

When the Group makes payments for a property interest which includes both leasehold land and building elements, the Group assesses the classification of each element separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire property is accounted as an operating lease. Specifically, the entire consideration (including any lump-sum upfront payments) are allocated between the leasehold land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element at initial recognition.

When the lease payments cannot be allocated reliably between the leasehold land and building elements, the entire property is generally classified as if the leasehold land is under finance lease.

Retirement benefit costs

Payments to the Social Security Fund Contribution in Macau are recognised as an expense when employees have rendered services entitling them to the contributions.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Short-term employee benefits

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

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

Taxation

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

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

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Financial instruments

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (upon the adoption of IFRS 9 on 1 January 2018)

All recognised financial assets are subsequently measured at either amortised cost or fair value, depending on the classification of the financial assets.

Classification and subsequent measurement of financial assets

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

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value.

Amortised cost and effective interest method

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (upon the adoption of IFRS 9 on 1 January 2018) *(Continued)*

Impairment of financial assets and contract assets

The Group recognises a loss allowance for expected credit losses ("ECL") on financial assets which are subject to impairment (including trade and other receivables, pledged bank deposits and bank balances) and contract assets. The amount of ECL is updated at the reporting date to reflect changes in credit risk since initial recognition.

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

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

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

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered included the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (upon the adoption of IFRS 9 on 1 January 2018) *(Continued)*

Impairment of financial assets and contract assets (Continued)

(i) Significant increase in credit risk (Continued)

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

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

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

Despite the aforegoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a financial asset to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definitions.

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (upon the adoption of IFRS 9 on 1 January 2018) *(Continued)*

Impairment of financial assets and contract assets (Continued)

(ii) Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

- when there is a breach of financial covenants by the counterparty; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

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

(iii) Credit-impaired financial assets

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

(a) significant financial difficulty of the issuer or the counterparty;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the counterparty, for economic or contractual reasons relating to the counterparty's financial difficulty, having granted to the counterparty a concession(s) that the lender(s) would not otherwise consider; or

(d) it is becoming probable that the counterparty will enter bankruptcy or other financial reorganisation.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (upon the adoption of IFRS 9 on 1 January 2018) *(Continued)*

Impairment of financial assets and contract assets (Continued)

(iv) Write-off policy

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

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the end of the reporting period.

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (upon the adoption of IFRS 9 on 1 January 2018) *(Continued)*

Impairment of financial assets and contract assets (Continued)

(v) Measurement and recognition of ECL (Continued)

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

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

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

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (before the adoption of IFRS 9 on 1 January 2018)

The Group's financial assets are classified as loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables, pledged bank deposits and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment.

Impairment of financial assets and contract assets

Financial assets and contract assets are assessed for indicators of impairment at the end of the reporting period. Financial assets and contract assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets and contract assets, the estimated future cash flows of the financial assets and contract assets have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty;
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial assets, such as trade receivables, and contract assets, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period or observable changes in national or local economic conditions that correlate with default on receivables.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (before the adoption of IFRS 9 on 1 January 2018) *(Continued)*

Impairment of financial assets and contract assets (Continued)

For financial assets measured at amortised cost and contract assets, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate.

The carrying amounts of the financial asset and contract assets are reduced by the impairment loss directly for all financial assets and contract assets with the exception of trade receivables, where the carrying amounts are reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost and contract assets, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

Financial liabilities and equity instruments

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments *(Continued)*

Equity instruments

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

Financial liabilities at amortised cost

All financial liabilities are subsequently measured at amortised cost using the effective interest method.

Derecognition of financial liabilities

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

Property, plant and equipment

Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment on tangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

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

Foreign currencies

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

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise, except for exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the Group's interests.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies (Continued)

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. MOP) using exchange rates prevailing at the end of the reporting period. Income and expenses items are translated at the average exchange rates for the reporting period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve.

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

Provisions

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

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

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Onerous contracts

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4, the management of the Group is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

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

Key sources of estimation uncertainty

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

Estimation uncertainty on construction contracts

The Group reviews and revises the estimates of contract revenue, contract costs, variations in contract work, claims and incentive payments prepared for each construction contract as the contract progresses. Budgeted contract costs are prepared by the management on the basis of quotations from time to time provided by the major subcontractors, suppliers or vendors involved and the experience of the management. In order to keep the budget accurate and up-to-date, management conducts periodic reviews of the budgets of contracts by comparing the budgeted amounts to the actual amounts incurred.

Recognised amounts of contract revenue, contract costs, and related contract assets and receivables reflect management's best estimate of each contract's outcome and value of works completed, which are determined on the basis of a number of estimates. This includes the assessment of the profitability of on-going construction contracts. For more complex contracts in particular, costs to complete and contract profitability are subject to significant estimation uncertainty. The actual outcomes in terms of total cost or revenue may be higher or lower than estimated at the end of the reporting period, which would affect the revenue and profit or loss recognised in future years as an adjustment to the amounts recorded to date.

Estimated impairment of trade receivables and contract assets

Since the adoption of IFRS 9 on 1 January 2018, the management of the Group estimates the amount of impairment loss for ECL on trade receivables and contract assets based on the credit risk of trade receivables and contract assets. The amount of the impairment loss based on the assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Where the probability of default is higher than expected, or being revised upwards due to changes in facts and circumstances, a material impairment loss may arise.

As at 31 December 2018, the carrying amount of trade receivables and contract assets is MOP73,560,000 (net of loss allowance of MOP3,390,000) and MOP29,000,000 (net of loss allowance of MOP121,000), respectively.

6. 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 MOP'000	2017 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

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 2 years (2017: from 1 to 3 years).

Transaction price allocated to the remaining performance obligations

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

	2018 MOP'000	2017 MOP'000
Provision of fitting-out works	167,867	79,297
Provision of structural works	52,554	65,327
	220,421	144,624

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 31 December 2018 will be recognised as revenue during the years ending 31 December 2019 to 2020 (2017: during the years ended/ending 31 December 2018 to 2020) in respect of provision of structural works and during the years ending 31 December 2019 to 2020 (2017: during the years ended/ending 31 December 2018 to 31 December 2019) in respect of provision of fitting-out works, respectively.

7. 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 MOP'000	Structural works MOP'000	Total 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

7. SEGMENT INFORMATION (Continued)

Segment revenue and profit (Continued)

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

The accounting policies of the operating and reportable segments are the same as the Group's accounting policies described in note 4. Segment results represent the profit before taxation earned by each segment without allocation of administrative expenses, listing expenses, other income, other losses, impairment losses, net of reversal, 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).

7. SEGMENT INFORMATION (Continued)

Information about major customers

	2018 MOP'000	2017 MOP'000
Customer A (note (a))	62,965	126,733
Customer B (note (b))	54,890	N/A[(c)]
Customer C (note (b))	42,647	N/A[(c)]

Notes:

(a) The revenue was derived from both segments.

(b) The revenue was derived from the fitting-out works segment.

(c) No revenue was derived in prior year.

8. 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.

9. OTHER LOSSES

	2018 MOP'000	2017 MOP'000
Net exchange loss	113	113

10. IMPAIRMENT LOSSES, NET OF REVERSAL

	2018 MOP'000	2017 MOP'000
Impairment losses recognised (reversed) on:		
Trade receivables	**2,857**	(2,637)
Other receivables	**25**	–
Contract assets	**121**	–
	3,003	(2,637)

Details of impairment assessment for the year ended 31 December 2018 are set out in note 32.

11. FINANCE COSTS

	2018 MOP'000	2017 MOP'000
Interest on bank borrowings	**–**	705
Interest on bank overdrafts	**–**	1
	–	706

12. 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.

12. INCOME TAX EXPENSE (Continued)

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

	2018 MOP'000	2017 MOP'000
Profit before taxation	**30,216**	40,573
Tax at applicable statutory tax rate of 12% (2017: 12%)	**3,626**	4,869
Tax effect of expenses not deductible for tax purpose	**2,204**	1,537
Tax effect of income not taxable for tax purpose (note)	**(236)**	(1,562)
Tax effect of tax exemption under Macau Complimentary Tax	**(72)**	(72)
Income tax expense for the year	**5,522**	4,772

Note: Income not taxable for the year ended 31 December 2017 mainly represents the imputed interest income recognised in respect of amounts due from a related company and a director. No imputed interest income was recognised for the year ended 31 December 2018.

At the end of the reporting period, there was no material deferred tax required to be provided.

13. PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR

	2018 MOP'000	2017 MOP'000
Profit and total comprehensive income for the year has been 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 (note 14)	**4,132**	3,829
Auditor's remuneration	**1,032**	6
Operating lease rentals in respect of office building and warehouses	**395**	168
Depreciation of property, plant and equipment	**1,617**	1,512

14. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS AND EMPLOYEES' EMOLUMENTS

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

Details of the emoluments paid or payable by the Group to the directors of the Company (including emoluments for services as employees or directors of the group entities prior to becoming the directors of the Company) during the year for their services rendered are as follows:

	Year ended 31 December 2018				
Name of directors	Fees MOP'000	Salaries and other allowances MOP'000	Discretionary bonus MOP'000	Retirement benefit scheme contributions MOP'000	Total MOP'000
Executive directors					
Mr. Lao	-	195	8	1	204
Ms. Lao Chao U ("Athena Lao")*	-	650	25	1	676
Ms. Lao Ka U ("Vicki Lao")*	-	650	25	1	676
Mr. Cheang Iek Wai	-	650	25	1	676
Mr. Ip Kin Wa ("Mr. Ip")	-	1,560	60	1	1,621
Independent non-executive directors					
Mr. Chu Yat Pang, Terry	93	-	-	-	93
Mr. Law Wang Chak, Waltery	93	-	-	-	93
Mr. Choy Wai Shek, Raymond	93	-	-	-	93
	279	3,705	143	5	4,132

* Daughters of the Controlling Shareholders

14. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS AND EMPLOYEES' EMOLUMENTS (Continued)

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

Name of directors	Year ended 31 December 2017 Fees MOP'000	Salaries and other allowances MOP'000	Discretionary bonus MOP'000	Retirement benefit scheme contributions MOP'000	Total MOP'000
Executive directors					
Mr. Lao	–	195	–	–	195
Ms. Athena Lao	–	650	–	1	651
Ms. Vicki Lao	–	650	–	1	651
Mr. Cheang Iek Wai	–	650	–	1	651
Mr. Ip	–	1,560	120	1	1,681
	–	3,705	120	4	3,829

Executive directors

The executive directors' emoluments shown above were for their services in connection with management of the affairs of the Company and the Group.

Certain executive directors of the Company are entitled to bonus payments which are determined with reference to individual performance of the director.

Mr. Lao was appointed as an executive director and the chairman of the Company on 23 February 2017. Ms. Athena Lao was appointed as an executive director and chief executive of the Company on 23 February 2017. Ms. Vicki Lao, Mr. Cheang Iek Wai and Mr. Ip were appointed as executive directors of the Company on 23 February 2017.

Independent non-executive directors

Mr. Chu Yat Pang, Terry, Mr. Law Wang Chak, Waltery and Mr. Choy Wai Shek, Raymond were appointed as independent non-executive directors of the Company on 17 August 2018.

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

14. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS AND EMPLOYEES' EMOLUMENTS (Continued)

(b) Employees' emoluments

The five highest paid individuals of the Group for the year ended 31 December 2018 include one (2017: one) director, details of whose emoluments are set out in note 14(a) above. Details of the remaining four (2017: four) highest paid individuals are as follows:

	2018 MOP'000	2017 MOP'000
Salaries and other allowances	**4,141**	3,885
Discretionary bonus	**335**	657
	4,476	4,542

The discretionary bonus is determined by reference to individual performance of the employees and approved by the management of the Group.

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

	2018 No. of individuals	2017 No. of individuals
Nil to Hong Kong dollars ("HK$") 1,000,000	**2**	1
HK$1,000,001 to HK$1,500,000	**2**	3
	4	4

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

15. DIVIDENDS

On 30 June 2017, a dividend of MOP284,326,000 was declared by San Fong Sang Construction & Engineering Company Limited ("SFS Construction Macau") 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, a final dividend in respect of the year ended 31 December 2018 of HK$0.01 (2017: nil) per share to the shareholders, whose names appear on the register of members of the Company on 13 June 2019, has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming general meeting.

16. EARNINGS PER SHARE

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

	2018 **MOP'000**	2017 MOP'000
Profit for the year	**24,694**	35,801

	2018 **'000**	2017 '000
Weighted average number of ordinary shares for the purpose of basic earnings per share	**496,438**	450,000

Note: The weighted average number of ordinary shares for the purpose of basic earnings per share has been determined on the assumption that the Reorganisation and the capitalisation issue (details as set out in note 22(d)) 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.

17. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings MOP'000	Leasehold improvement MOP'000	Furniture, fixtures and equipment MOP'000	Total MOP'000
COST				
At 1 January 2017	46,367	344	1,916	48,627
Additions	–	–	198	198
Write-off	–	–	(43)	(43)
At 31 December 2017	46,367	344	2,071	48,782
Additions	–	–	154	154
Write-off	–	(344)	(178)	(522)
At 31 December 2018	**46,367**	**–**	**2,047**	**48,414**
DEPRECIATION				
At 1 January 2017	–	285	1,455	1,740
Provided for the year	1,405	40	67	1,512
Eliminated on write-off	–	–	(43)	(43)
At 31 December 2017	1,405	325	1,479	3,209
Provided for the year	1,405	19	193	1,617
Eliminated on write-off	–	(344)	(178)	(522)
At 31 December 2018	**2,810**	**–**	**1,494**	**4,304**
CARRYING VALUES				
At 31 December 2018	**43,557**	**–**	**553**	**44,110**
At 31 December 2017	44,962	19	592	45,573

17. PROPERTY, PLANT AND EQUIPMENT (Continued)

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

Leasehold land and buildings	Remaining lease terms of 33 years
Leasehold improvement	Over the shorter of 3 years or the terms of the leases
Furniture, fixtures and equipment	3-5 years

The Group's leasehold land and buildings are situated in Macau.

As at 31 December 2018, the Group has pledged leasehold land and buildings with a carrying value of MOP43,557,000 (2017: MOP44,962,000) to secure general banking facilities granted to the Group.

18. TRADE AND OTHER RECEIVABLES

	2018 MOP'000	2017 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 aging analysis of trade receivables presented based on dates of work certified at the end of the reporting period, net of loss allowance.

18. TRADE AND OTHER RECEIVABLES (Continued)

Trade receivables (Continued)

	2018 MOP'000	2017 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

As at 31 December 2018 included in the Group's trade receivable balances were receivables with aggregate carrying amount of MOP28,909,000 (2017: MOP3,100,000), which were past due at the end of the reporting period but none of these balances has been past due more than 30 days, and 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. The Group does not hold any collateral over these balances.

18. TRADE AND OTHER RECEIVABLES (Continued)

Trade receivables (Continued)

Aging of trade receivables which are past due but not impaired:

	2017 MOP'000
Overdue	
1 – 30 days	–
31 – 60 days	1,510
Over 90 days	1,590
	3,100

Movement in the loss allowance during the year ended 31 December 2017 was as follows:

	2017 MOP'000
Balance at 1 January	3,170
Reversal of allowance upon recovery of amounts during the year	(2,637)
Balance at 31 December	533

As at 31 December 2017, included in the loss allowance are individually impaired trade receivables with aggregate balance of MOP533,000, for which the amounts have aged over one year or the debtor is in severe financial difficulty.

During the year ended 31 December 2017, the management of the Group had recovered partially the amount of MOP1,100,000 from the customer and subsequent to the end of the reporting period, in February 2018, an additional amount of MOP1,537,000 was further recovered as final settlement. Accordingly, MOP2,637,000 was recognised as a reversal of loss allowance and credited to profit or loss during the year ended 31 December 2017.

18. TRADE AND OTHER RECEIVABLES (Continued)

Trade receivables (Continued)

Details of impairment assessment of trade and other receivables for the year ended 31 December 2018 are set out in note 32.

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

	2018 MOP'000	2017 MOP'000
HK$	**8,736**	9,521

19. CONTRACT ASSETS (LIABILITIES)

	2018 MOP'000	2017 MOP'000
Analysed for reporting purposes, on a net basis of each respective contract as:		
Contract assets	**29,000**	53,987
Contract liabilities	**(4,566)**	(9,087)
	24,434	44,900

As at 31 December 2018, contract assets and liabilities include retention receivables held by customers for contract works amounting to MOP26,325,000 (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.

19. CONTRACT ASSETS (LIABILITIES) (Continued)

As at 31 December 2017, included in retention receivables was a balance of MOP3,400,000 (2018: nil) retained by Fu Tat Lei Development Company Limited ("Fu Tat Lei") which was to be settled within one year based on the expiry of the defect liability period. Fu Tat Lei is a company incorporated in Macau and is engaged in property investment and development, construction and engineering and is controlled by Mr. Lao.

As at 31 December 2018, contract assets and liabilities include advances received from customers amounting to MOP5,120,000 (2017: MOP7,000,000).

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 31 December 2018 will be recognised as revenue during the years ending 31 December 2019 to 2020 (2017: year ended 31 December 2018).

Details of the impairment assessment of contract assets are set out in note 32.

20. BANK BALANCES AND CASH/PLEDGED BANK DEPOSITS

Bank balances and cash comprises cash on hand and bank balances. As at 31 December 2018, bank balances carry interest at prevailing market interest rates which were ranging from 0.001% to 0.145% (2017: 0.001% to 0.01%) per annum.

Pledged bank deposits represent deposits pledged to a bank to secure banking facilities granted to the Group. As at 31 December 2018, the pledged bank deposits carried an average fixed interest rate of 1.50% (2017: 1.46%) per annum.

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

	2018 **MOP'000**	2017 MOP'000
Bank balances and cash		
HK$	**139,267**	34,469
Pledged bank deposits		
HK$	**50,279**	65,169

21. TRADE AND OTHER PAYABLES

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

	2018 MOP'000	2017 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 aging analysis of trade payables presented based on the certified periods at the end of the reporting period:

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

21. TRADE AND OTHER PAYABLES (Continued)

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

	2018 MOP'000	2017 MOP'000
Within one year	**14,156**	14,932
After one year	**8,797**	9,433
	22,953	24,365

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

	2018 MOP'000	2017 MOP'000
HK$	**6,874**	467

22. SHARE CAPITAL

Details of movements of share capital of the Company during the period from 23 February 2017 (date of incorporation) to 31 December 2018 are as follows:

	Number of shares	**Share capital** MOP'000
Ordinary shares of HK$0.01 each		
Authorised:		
At 23 February 2017 (date of incorporation) (note a) and 31 December 2017	38,000,000	391
Increase in authorised share capital (note b)	9,962,000,000	102,759
At 31 December 2018	**10,000,000,000**	**103,150**
Issued and fully paid:		
At 23 February 2017 (date of incorporation) (note a) and 31 December 2017	20,000	–#
Issue of shares on Listing (note c)	150,000,000	1,548
Issue of shares on capitalisation issue (note d)	449,980,000	4,641
At 31 December 2018	**600,000,000**	**6,189**

Less than MOP1,000

Notes:

(a) 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.

(b) Pursuant to the written resolutions of the shareholders passed on 17 August 2018, the authorised share capital of the Company was increased from HK$380,000 divided into 38,000,000 shares to HK$100,000,000 divided into 10,000,000,000 shares by the creation of an additional 9,962,000,000 shares of HK$0.01 each.

(c) On 10 September 2018, the Company allotted and issued 150,000,000 shares of par value of HK$0.01 each at a price of HK$0.67 per share for an aggregate gross proceed of HK$100,500,000 (equivalent to MOP103,667,000) pursuant to the Listing.

(d) On 10 September 2018, the Company capitalised the sum of HK$4,499,800 (equivalent to MOP4,641,000) standing to the credit of the share premium account of the Company and applied the amount towards paying up in full 449,980,000 shares of nominal value of HK$0.01 each for allotment to the shareholders whose names appear on the register of members of the Company prior to the listing of the Company's shares on the Stock Exchange pro rata to the then existing shareholders in the Company.

All ordinary shares of the Company issued during the period rank pari passu in all respects.

23. PLEDGE OF ASSETS

At the end of the reporting period, the Group has pledged following assets of the Group to secure the credit facilities granted to the Group and the carrying amounts of these assets are as follows:

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

24. PERFORMANCE GUARANTEES/BID BONDS

As at 31 December 2018, performance guarantees of MOP64,265,000 (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 assets as set out in note 23.

As at 31 December 2018, bid bonds of MOP9,046,000 (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.

25. RETIREMENT BENEFIT PLANS

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

During the year ended 31 December 2018, a total cost of MOP217,000 (2017: MOP338,000) was charged to consolidated statement of profit or loss and other comprehensive income representing contribution paid or payable to the above retirement benefit plans by the Group.

At the end of the reporting period, the Group had no significant obligation apart from the contribution as stated above.

26. SHARE OPTION SCHEME

The Company's share option scheme (the "**Scheme**") was conditionally adopted by the written resolutions of the shareholders of the Company passed on 17 August 2018. Under the Scheme, the board of directors of the Company may, at their absolute discretion, at any time within a period of ten years commencing from the effective date offer to grant to any eligible persons, including employees, directors, consultants, suppliers, customers and shareholders of any member of the Group, options to subscribe for shares. The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Up to the issuance of these consolidated financial statements, no option is granted under the Scheme.

27. RELATED PARTY TRANSACTIONS

(i) Transactions

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

Related party	Nature of transaction	2018 MOP'000	2017 MOP'000
San Iao Pong Construction & Engineering Co., Ltd. ("San Iao Pong")	Subcontracting fee paid	–	458#

Ms. Vicki Lao had 60% equity interest in San Iao Pong. On 7 March 2017, Ms. Vicki Lao had disposed of her entire interest in San Iao Pong and accordingly was no longer regarded as a related party to the Group since 7 March 2017. The amount presented only represented transactions up to 6 March 2017.

(ii) Compensation of key management personnel

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

	2018 MOP'000	2017 MOP'000
Fee	279	–
Salaries and other allowances	7,334	7,118
Retirement benefits scheme contributions	5	4
	7,618	7,122

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

28. MAJOR NON-CASH TRANSACTIONS

(i) On 30 June 2017, the amounts due from related companies of MOP15,594,000 and amount due to a related company of MOP14,999,000 were assigned to Mr. Lao, along with amount due to Mr. Lao of MOP12,027,000, were netted off against the amount due from Mr. Lao, the director of the Company.

(ii) During the year ended 31 December 2017, a dividend declared of MOP284,326,000 was settled through offsetting the amount due from Mr. Lao, the director of the Company.

29. INTERESTS IN SUBSIDIARIES

The Company has direct and indirect equity interests in the following subsidiaries:

Name of subsidiary	Place of incorporation/ establishment and operation	Date of incorporation/ establishment	Issued and fully paid capital/ registered capital	Equity interest attributable to the Company as at 31 December		Principal activities
				2018	2017	
Directly held						
SFS BVI	BVI/Hong Kong	4 August 2011	United States dollar 10	**100%**	100%	Investment holding
Indirectly held						
SFS Construction Macau	Macau	5 July 1998	MOP12,000,000	**100%**	100%	Construction works
San Fong Seng Construction & Engineering Co., Limited	Hong Kong	18 March 2011	HK$1	**100%**	100%	Management service

None of the subsidiaries had issued any debt securities at the end of the year.

30. CAPITAL COMMITMENTS

	2018 MOP'000	2017 MOP'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	**1,765**	–

31. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to the shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged throughout the year.

The capital structure of the Group consists of equity attributable to the owners of the Company, comprising issued share capital, share premium, legal reserve and retained earnings.

The management of the Group reviews the capital structure on a continuous basis. As part of this review, the management of the Group considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the management, the Group will balance its overall capital structure through payment of dividends, issue of new shares as well as issue of new debts.

32. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2018 MOP'000	2017 MOP'000
Financial assets		
Financial assets at amortised cost	**281,543**	–
Loans and receivables (including cash and cash equivalents)	**–**	142,504
Financial liabilities		
Amortised cost	**63,187**	39,378

Financial risk management objectives and policies

The Group's financial instruments include trade and other receivables, pledged bank deposits, bank balances and cash and trade and other payables. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

32. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Market risk

Currency risk

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 customers that are denominated in a currency other than the group entities' functional currency. The currency giving rise to this risk is primarily HK$.

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

The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities at the end of the reporting period are as follows:

	Assets		Liabilities	
	2018 MOP'000	2017 MOP'000	**2018 MOP'000**	2017 MOP'000
HK$ against MOP	**198,282**	109,159	**6,874**	467

Sensitivity analysis

As the exchange rate of HK$/MOP is relatively stable, the management of the Group does not expect any significant foreign currency exposure arising from the fluctuation of the HK$/MOP exchange rates. As a result, the management of the Group considers that the sensitivity of the Group's exposure towards the change in foreign exchange rates between HK$/MOP is minimal. Hence, no sensitivity analysis is presented.

Interest rate risk

The Group has minimal exposure to fair value interest rate risk in relation to fixed-rate pledged bank deposits. Hence, no sensitivity analysis is presented.

The Group's cash flow interest rate risk relates primarily to floating-rate bank balances. The Group currently does not have an interest rate hedging policy. However, the management of the Group monitors interest rate exposure and will consider other necessary actions when significant interest rate exposure is anticipated.

32. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment

At the end of the reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties are arising from the carrying amounts of the respective recognised financial assets and contract assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk, management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customers. Moreover, the Group only transacts with high-credit-rating banks or financial institutions. In addition, the Group reviews the recoverable amount of each individual trade receivable and other receivable at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts.

The Group's construction contracts include payment terms which require progress payments, after deducting the retention monies as disclosed in note 19, over the construction period based on the payment certificates issued by independent architects, surveyors or other representatives appointed by the customers.

The Group is exposed to concentration of credit risk as at 31 December 2018 on trade receivables from the Group's two (2017: three) major customers amounting to MOP47.7 million (2017: MOP13.2 million) and accounted for 64% (2017: 72%) of the Group's total trade receivables. In the opinion of the management of the Group, the major customers of the Group are reputable organisations in the market. The management of the Group considers that the credit risk is limited in this regard.

Before the adoption of IFRS 9 on 1 January 2018, the policy of loss allowance of the Group is based on the evaluation and estimation of collectability and aging analysis of the outstanding debts. Specific loss allowance is only made for receivables that are unlikely to be collected and is recognised on the difference between the estimated future cash flows expected to receive discounted using the original effective interest rate and the carrying value. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowance may be required. The management closely monitors the subsequent settlement of the counterparties. In this regard, the management of the Group consider that the credit risk is significantly reduced.

Since the adoption of IFRS 9 on 1 January 2018, the Group applies the simplified approach to provide for ECL prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for trade receivables and contract assets.

As part of the Group's credit risk management, the Group applies internal credit rating for the customers. As at 31 December 2018, the Group's trade receivables and contract assets are assessed for impairment on an individual basis.

32. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment *(Continued)*

As at 31 December 2018, lifetime ECL is recognised for trade receivables with an aggregate gross carrying amount of MOP76,950,000 of which MOP2,766,000 is credit-impaired. In regard to contract assets, lifetime ECL is recognised for an aggregate gross carrying amount of MOP29,121,000.

The following table shows the movement in lifetime ECL that has been recognised for trade receivables under the simplified approach.

	Lifetime ECL (not credit-impaired) MOP'000	**Lifetime ECL (credit-impaired** MOP'000	**Total** MOP'000
As at 1 January 2018	–	533	533
Impairment loss recognised	624	2,233	2,857
As at 31 December 2018	**624**	**2,766**	**3,390**

The following tables show reconciliation of loss allowances that has been recognised for contract assets:

	Lifetime ECL (not credit-impaired) MOP'000
As at 1 January 2018	–
Impairment loss recognised	121
As at 31 December 2018	**121**

32. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment *(Continued)*

In respect of other receivables as at 31 December 2018, 12m ECL is assessed individually and recognised for an aggregate gross carrying amount of MOP2,500,000, there has been no significant increase in credit risk since initial recognition based on past due information.

The following tables show reconciliation of loss allowances that has been recognised for other receivables:

	12m ECL (not credit-impaired) MOP'000
As at 1 January 2018	–
Impairment loss recognised	25
As at 31 December 2018	**25**

For the pledged bank deposits and bank balances, no impairment was made since the directors of the Company consider the probability of default is negligible as such amounts are receivable from or placed in banks in Macau and Hong Kong that have reputation.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management of the Group believes that the Group will have sufficient working capital for its future operational requirement.

As at 31 December 2018, the Group's remaining contractual maturity for its non-derivative financial liabilities represents its trade and other payables with carrying amount of MOP63,187,000 (2017: MOP39,378,000), which are either repayable on demand or less than 3 months and are non-interest bearing.

32. FINANCIAL INSTRUMENTS (Continued)

Fair value

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

The management of the Group considers that the carrying amounts of financial assets and financial liabilities recorded at amortised costs in the consolidated financial statements approximate their fair values.

33. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows from financing activities.

	1 January 2018 MOP'000	**Issue costs accrued MOP'000**	**Financing cash flows MOP'000**	**31 December 2018 MOP'000**
Accrued issue costs	**2,186**	**10,530**	**(10,013)**	**2,703**

	1 January 2017 MOP'000	Interest accrued/ issue costs accrued MOP'000	Financing cash flows MOP'000	Reclassification MOP'000	31 December 2017 MOP'000
Amounts due to related companies (non-trade)	14,999	–	–	(14,999)	–
Amount due to a director	12,027	–	–	(12,027)	–
Bank borrowings	41,260	–	(41,260)	–	–
Interest payable	41	706	(747)	–	–
Accrued issue costs	–	3,473	(1,287)	–	2,186

34. STATEMENT OF FINANCIAL POSITION AND RESERVE OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period includes:

	2018 MOP'000	2017 MOP'000
Non-current asset		
Investment in a subsidiary	–#	–#
Current assets		
Other receivables	1,102	4,384
Amounts due from subsidiaries	65,740	–
Bank balances and cash	1,589	–
	68,431	4,384
Current liabilities		
Other payables	3,951	2,186
Amounts due to subsidiaries	540	12,449
	4,491	14,635
Net current assets (liabilities)	63,940	(10,251)
Net assets (liabilities)	63,940	(10,251)
Capital and reserves		
Share capital	6,189	–#
Reserves	57,751	(10,251)
Total equity	63,940	(10,251)

Less than MOP1,000

34. STATEMENT OF FINANCIAL POSITION AND RESERVE OF THE COMPANY (Continued)

Movement of the reserves of the Company is as follows:

	Share premium MOP'000	Accumulated losses MOP'000	Total MOP'000
At 23 February 2017 (date of incorporation)	–	–	–
Loss and total comprehensive expense for the period	–	(10,251)	(10,251)
At 31 December 2017	–	(10,251)	(10,251)
Capitalisation issue	(4,641)	–	(4,641)
Issue of new shares upon Listing	102,119	–	102,119
Share issuance costs	(14,914)	–	(14,914)
Loss and total comprehensive expense for the year	–	(14,562)	(14,562)
At 31 December 2018	**82,564**	**(24,813)**	**57,751**

FINANCIAL SUMMARY

	2018 MOP'000	2017 MOP'000	2016 MOP'000	2015 MOP'000	2014 MOP'000
RESULTS					
For the five years ended 31 December 2014, 2015, 2016, 2017 and 2018					
Revenue	**262,597**	185,201	371,255	399,079	524,729
Profit before taxation	**30,216**	40,573	66,444	59,391	58,719
Taxation	**(5,522)**	(4,772)	(6,178)	(5,505)	(4,869)
Profit and total comprehensive income for the year	**24,694**	35,801	60,266	53,886	53,850
ASSETS AND LIABILITIES					
As at 31 December					
Total assets	**375,823**	253,351	577,003	535,274	505,424
Total liabilities	**(134,586)**	(125,561)	(200,688)	(218,149)	(241,770)
Net assets	**241,237**	127,790	376,315	317,125	263,654

Notes:

The summary above does not form part of the audited consolidated financial statements.

The financial information for the years ended 31 December 2017, 2016, 2015 and 2014 was extracted from the prospectus of the Company dated 27 August 2018.

Such summary was prepared as if the current structure of the Group had been in existence throughout these financial years and is presented on the basis as set out in note 2 to the consolidated financial statements.

AB BUILDERS GROUP LIMITED
奧 邦 建 築 集 團 有 限 公 司