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 2019 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 *(resigned on 11 June 2019)*
Mr. Choy Wai Shek, Raymond, *MH, JP*
Mr. O'Yang Wiley *(appointed on 11 June 2019)*

AUDIT COMMITTEE

Mr. Law Wang Chak Waltery *(Chairman)*
(resigned on 11 June 2019)
Mr. O'Yang Wiley *(Chairman)*
(appointed on 11 June 2019)
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 *(resigned on 11 June 2019)*
Mr. Cheang Iek Wai
Mr. O'Yang Wiley *(appointed on 11 June 2019)*

COMPANY SECRETARY

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

AUTHORISED REPRESENTATIVES

Ms. Lao Chao U
Mr. Cheang Iek Wai

ALTERNATE AUTHORISED REPRESENTATIVE 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

AUDITOR

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 annual report of the Group for the year ended 31 December 2019.

OVERVIEW

With the global economic uncertainties caused by the escalating tension arising from the China-US trade war in the second-half of 2019, and the further economic slowdown of Macau, it was a tough and challenging year for the Group. However, by leveraging on its flexible business strategies and competitive tender approach, the Group continued to move forward in 2019 to maintain a stable business performance and made progress in business operation despite the market instabilities.

To further expand the business in the construction industry and explore in Hong Kong market, the Group indirectly acquired 60% equity interest in Lap Polly Engineering Company Limited ("**Lap Polly**") on 10 September 2019. We believe the successful acquisition of Lap Polly would enable the Group to tap into the construction market in Hong Kong and to diversify the customer base.

FORWARD

Macau's gross revenue from Games of Fortune in 2019 was MOP292,455 million, which represented a 3.4% decrease when compared with that for 2018. Besides, the gross revenue from Games of Fortune was at the decreasing trend since the fourth quarter of 2019, which might imply that Macau would be at the stage of the economic recession.

Besides, the global outbreak of Novel Coronavirus ("**COVID-19**") in the beginning of 2020 has led to prudent consumption emotion and conservative investment environment, and is expected to add pressure on China's economy as well as Macau's economy, which highly relies on gambling and tourism industry. Hong Kong, a trade hub with tight linkages to China's economy, is also hardly to escape from the negative impact brought by the outbreak of COVID-19. This situation would shadow over the construction industry in both Macau and Hong Kong, and considerably adversely affect the performance of the Group in 2020. To against the challenging macroeconomic circumstance, the Group will continue to adopt a tighten cost control procedure to minimize the unfavorable impact on ongoing projects. Besides, we will continue to seek for any opportunities arising from Guangdong-Hong Kong-Macau Greater Bay Area to expand the Group's revenue resources.

APPRECIATION

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

On behalf of the Board
Lao Chio Seng
Chairman and Executive Director
27 March 2020

DIRECTORS' REPORT

The board of directors (the "**Board**") of AB Builders Group Limited (the "**Company**") presents their annual report and the audited consolidated financial statements of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2019.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The Group has mainly engaged in the business in providing structural works and fitting-out works services in Macau and building construction and engineering services in Hong Kong following the indirect acquisition of 60% equity interest in Lap Polly Engineering Company Limited ("**Lap Polly**") on 10 September 2019. Details of the principal activities of the Group's subsidiaries as at 31 December 2019 are set out in note 32 to the consolidated financial statements of this annual report. The Group's revenue for the year was derived mainly from activities carried out in both Macau and Hong Kong. An analysis of the Group's revenue for the year is set out in note 5 to the consolidated financial statements of this annual report.

BUSINESS REVIEW

A review of the business of the Group as required under Schedule 5 to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) comprising an analysis of our Group's performance during the year, assessment of the principal risks and uncertainties faced by our Group as well as indication of likely future development in the business of our Group are set out in the paragraphs headed "Management Discussion and Analysis" on pages 32 to 39 of this annual report.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2019 are set out in the Consolidated Statement of Profit or Loss and Other Comprehensive Income on page 59.

The Board does not recommend any payment of final dividend for the year ended 31 December 2019 (2018: HK$0.01 per share).

DISTRIBUTABLE RESERVES

As at 31 December 2019, the Company's reserve available for distribution, calculated in accordance with the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, amounted to MOP83.0 million (2018: MOP57.8 million).

USE OF PROCEEDS

The net proceeds amounting from Listing on 10 September 2018 (the "**Listing Date**") after deducting the underwriting fees and other listing expenses in connection with the Global Offering were approximately HK$61.2 million. Particulars of utilization are set out in the paragraph headed "Management Discussion and Analysis" on pages 32 to 39 of this annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the year are set out in note 15 to the consolidated financial statements of this annual report.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 25 to the consolidated financial statements of this annual report.

SHARE OPTION SCHEME

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

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

(a) Purpose of the Share Option Scheme

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

(b) Eligible Participants

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

(c) Maximum number of shares

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

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

(d) Period of the Share Option Scheme

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

(e) Maximum entitlement of each participant

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

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

(ii) a circular regarding the further grant has been despatched to the Shareholders in a manner complying with, and containing the information specified in, the relevant provisions of the Rules Governing the Listing of Securities (the "**Listing Rules**") on the Main Board of the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

(f) Payment on acceptance of the option

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

(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 8 years and 4.5 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 or their associates since the effective date of the Share Option Scheme.

FINANCIAL SUMMARY

A summary of the published results and assets and liabilities of the Group for the years ended 31 December 2015, 2016, 2017, 2018 and 2019 is set out on page 132 of this annual report, This summary does not form part of the audited consolidated financial statements.

PRE-EMPTIVE RIGHTS

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

TAX RELIEF AND EXEMPTION

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

DIRECTORS' REPORT

DIRECTORS

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

Executive Directors:

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

Independent Non-executive Directors:

Mr. Chu Yat Pang Terry
Mr. Law Wang Chak Waltery *(resigned on 11 June 2019)*
Mr. Choy Wai Shek, Raymond, *MH, JP*
Mr. O'Yang Wiley *(appointed on 11 June 2019)*

In accordance with Articles 108 of the Articles of Association, Ms. Lao Ka U, Mr. Ip Kin Wa and Mr. Chu Yat Pang Terry will retire from office by rotation and, being eligible, have offered themselves for re-election at the forthcoming annual general meeting ("**AGM**").

In accordance with Articles 112 of the Articles of Association, Mr. O'Yang Wiley who was appointed by the Board as Independent Non-executive Director on 11 June 2019 to hold office until the AGM will retire and, being eligible, has offered himself for election at the AGM.

Biographical details of the Directors of the Company and the Senior Management of the Group are set out on Page 40 to 51 of this annual report. Mr. Law Wang Chak Waltery ("**Mr. Law**") resigned as an independent non-executive Director on 11 June 2019 due to his other work and personal commitments which required more of his time and dedication. Mr. Law confirmed to the Board that he did not have any disagreement with the members of the Board and there was no matter in relation to his resignation that needs to be brought to the attention of the Shareholders of the Company or the Stock Exchange.

TERMS OF OFFICE FOR THE INDEPENDENT NON-EXECUTIVE DIRECTORS

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

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

DIRECTORS' SERVICE CONTRACTS

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

Particulars of the emoluments of the Directors on a named basis for the year are set out in note 12 to the consolidated financial statements of this annual report.

MANAGEMENT CONTRACTS

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

DIRECTORS'/CONTROLLING SHAREHOLDERS' 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 was a party, and in which a Director/Controlling Shareholders' 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 and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which the Directors or any of them, shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty, or supposed duty in their offices or otherwise in relation thereto provided that this indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to any of the Directors. Such permitted indemnity provision is currently in force and was in force throughout the year.

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

CHARITABLE DONATIONS

Charitable donations made by the Group during the year ended 31 December 2019 amounted to MOP41,000 (2018: HKD1,000,000).

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

As at 31 December 2019, the interests or short positions of the Directors and the chief executive of the Company in shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules, are set out below:

Name of directors	Capacity/Nature of interest	Number of ordinary shares *(Note 1)*	Approximate percentage of shareholding in the Company
Mr. Lao Chio Seng ("**Mr. Lao**")*(Note2)*	Interest in a controlled corporation and interest of spouse	390,000,000 (L)	65%
Mr. Ip Kin Wa	Beneficial Owner	60,000,000 (L)	10%

Notes:

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

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

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

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

As at 31 December 2019, so far as was known to any Directors or chief executive of the Company, the following interests (other than those of Directors and the chief executive) of which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or who were deemed to be directly or indirectly interested in 5% or more of the issued capital of the Company, or which were recorded in the register of interests required to be kept under Section 336 of the SFO or have notified to the Company were as follows:

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

Notes:

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

2. Shares in which Mrs. Lao is interested consist of (i) 135,000,000 shares held by WHM Holdings, a company wholly owned by Mrs. Lao in which Mrs. Lao is deemed to be interested under SFO; and (ii). 255,000,000 shares held by her spouse, Mr. Lao, in which Mrs. Lao is deemed to be interested in such shares under the SFO.

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

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

Saved as disclosed above, as at 31 December 2019, no person had registered an interest or short person in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 366 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 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 2019. 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 2019;

(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 2019; 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 2019; and

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

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

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

RELATIONSHIP WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

Employees are regarded as manpower and valuable assets of the Group. Details of renumerations are set out in the section headed, "Management Discussion and Analysis" on page 38 of 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 Tuesday, 2 June 2020 to Friday, 5 June 2020 (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 Monday, 1 June 2020.

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 72.0% and 30.4% 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 21.6% and 8.5% of the Group's sales and purchases respectively.

Major customers:

As one of the Group's five largest customers is 9.9% directly owned by Mr. Lao, the executive Director and chairman of the Company, Ms. Lao Chao U, Ms. Lao Ka U and Mr. Cheang Iek Wai, being the daughters and son-in-law of Mr. Lao, are deemed to have interest in the said customer. Save as disclosed herein, 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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the shares during the year ended 31 December 2019.

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 of the Company or any member of the Group, or any right to subscribe for or to nominate persons to subscribe for the shares of the Company or 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' and Directors' performance against agreed-upon goals with specific performance standards. Performance discussion is carried out on an ongoing basis and a formal evaluation is conducted once a year to review employees' overall performance, achievements, and areas in need of improvement. Salary review will be based on individual performance and subject to the Group's discretion.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

The Group 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 not later than two 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 31 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 18 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, our Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of our Group during the year.

SUFFICIENCY OF PUBLIC FLOAT

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

AUDITOR

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

EVENT AFTER THE REPORTING PERIOD

Please refer to note 38 to the consolidated financial statements for details. Save as disclosed herein, the Board is not aware of any significant event requiring disclosure that has taken place subsequent to 31 December 2019 and up to the date of this annual report.

On behalf of the Board

Lao Chio Seng
Chairman and Executive Director
Macau, 27 March 2020

CORPORATE GOVERNANCE REPORT

INTRODUCTION

The Board of Directors (the "**Board**") of the Company is committed to achieving high standards of corporate governance to safeguard the interests of shareholders of the Company (the "**Shareholders**"), enhance the corporate value, formulate its business strategies and policies, and enhance its transparency and accountability.

CORPORATE GOVERNANCE PRACTICES

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

From 1 January 2019 to 31 December 2019 and throughout the period to the date of this annual report (the "**Reporting Period**"), the Company has complied with the applicable code provisions as set out in the CG Code. The Company will enhance its corporate governance practices appropriate to the operation and growth of the business of the Group. The Directors will continue reviewing the Company's corporate governance practices in order to enhance its corporate governance standard, to comply with the increasingly tightened requirements from time to time, and to meet the rising expectation on the Company.

DIRECTORS' SECURITIES TRANSACTIONS

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

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

BOARD OF DIRECTORS

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

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

Board Composition

The Board currently comprises eight Directors, consisting of five executive Directors and three Independent Non-executive Directors ("**INEDs**").

BOARD OF DIRECTORS (Continued)

Board Composition (Continued)

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 *(Chairman of the Renumeration Committee and a member of the Audit 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)*
Mr. O'Yang Wiley *(Chairman of the Audit Committee and a member of the Nomination Committee)*

The biographical information of the Directors and relationship between board members are set out in the section headed "Biographical Details of Directors and Senior Management" on pages 40 to 51 of this annual report for the year ended 31 December 2019.

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

Board Meetings

From 1 January 2019 to 31 December 2019, five board meetings were held. Apart from regular board meetings, the Chairman also held a meeting with the INEDs without the presence of executive Directors in 2019.

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

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

BOARD OF DIRECTORS (Continued)

Board Meetings (Continued)

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

Name of Directors	Number of attendance/ Number of Board Meetings
Executive Directors	
Mr. Lao Chio Seng *(Chairman)*	5/5
Ms. Lao Chao U	5/5
Ms. Lao Ka U	4/5
Mr. Cheang Iek Wai	5/5
Mr. Ip Kin Wa	5/5
Independent Non-executive Directors	
Mr. Chu Yat Pang Terry	5/5
Mr. Law Wang Chak Waltery *(resigned on 11 June 2019)*	1/2
Mr. Choy Wai Shek, Raymond, *MH, JP*	5/5
Mr. O'Yang Wiley *(appointed on 11 June 2019)*	3/3

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

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

BOARD OF DIRECTORS (Continued)

Independent Non-executive Directors (Continued)

Mr. Chu Yat Pang Terry and Mr. Choy Wai Shek Raymond, *MH, JP*, have entered letters of appointment with the Company with an initial term of three years commencing from 10 September 2018 (the "**Listing Date**") subject to termination in certain circumstances as stipulated in the relevant letters of appointment.

Mr. O'Yang Wiley has entered a letter of appointment with the Company for an initial term of three years commencing from 11 June 2019 subject to termination in certain circumstances as stipulated in the relevant letter of appointment.

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 relevant date subject to termination in certain circumstances as stipulated in the relevant letters of appointment.

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

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.

BOARD OF DIRECTORS (Continued)

Responsibilities of the Directors (Continued)

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 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 year ended 31 December 2019:

Name of Directors	Type of Training Note
Executive Directors	
Mr. Lao Chio Seng *(Chairman)*	B
Ms. Lao Chao U	A&B
Ms. Lao Ka U	A&B
Mr. Cheang Iek Wai	A&B
Mr. Ip Kin Wa	B
Independent Non-executive Directors	
Mr. Chu Yat Pang Terry	A&B
Mr. Choy Wai Shek, Raymond, *MH, JP*	B
Mr. O'Yang Wiley	A&B

Note:

Types of Training:

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

B: Reading relevant newspaper, journals, magazines and relevant publications

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.

BOARD COMMITTEES (Continued)

Audit Committee

The Company established the Audit Committee on 17 August 2018 with written terms of reference in compliance with Rules 3.21 of the Main Board Listing Rules and paragraph 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 auditor, and approving the renumeration and terms of engagement of the external auditor; (b) monitoring the integrity of the financial statements and reviewing significant financial reporting judgements contained in them; and (c) reviewing financial controls, internal control and risk management systems and internal audit function of the Company; (d) ensuring the corporate governance functions are in place and effective.

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

The Audit Committee held two meetings from 1 January 2019 to 31 December 2019 during which the Audit Committee, among other things, reviewed and approved the audited consolidated financial statements for the year ended 31 December 2018 and the unaudited consolidated financial statements for the period ended 30 June 2019 and met the external auditor twice a year without the presence of the executive Directors.

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

Name of Directors	Number of attendance/ Number of meetings
Mr. O'Yang Wiley *(Chairman and appointed on 11 June 2019)*	1/1
Mr. Law Wang Chak Waltery *(Chairman and resigned on 11 June 2019)*	1/1
Mr. Chu Yat Pang Terry	2/2
Mr. Choy Wai Shek, Raymond, *MH, JP*	2/2

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 Main Board 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 our Directors determine their own remuneration; to determine the criteria for assessing employee performance; review and approve compensation payable to executive Directors and senior management of the Group for loss or termination of office or appointment to ensure that it is consistent with contractual terms; and review and approve compensation arrangement relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms.

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

Details of the remuneration of the Directors and of the senior management by band are set out in note 12 to the consolidated financial statements of this annual report.

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

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

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; and make recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors; make recommendations to the Board regarding candidates to fill vacancies on the Board and/or in senior management of the Group; and review the board diversity policy.

NOMINATION PROCESS

(a) Appointment of New Director

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

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

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

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

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

(b) Re-election of Director at General Meeting

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

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

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

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

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

NOMINATION PROCESS (Continued)

(b) Re-election of Director at General Meeting (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, educational background, professional qualifications, skills, knowledge and industry and regional experience etc. The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption.

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

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

Name of Directors	Number of attendance/ Number of meetings
Mr. Choy Wai Shek, Raymond, MH, JP *(Chairman)*	2/2
Mr. Law Wang Chak Waltery *(resigned on 11 June 2019)*	1/2
Mr. Cheang Iek Wai	2/2
Mr. O'Yang Wiley *(appointed on 11 June 2019)*	0/0

Corporate Governance Functions

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

RISK MANAGEMENT AND INTERNAL CONTROLS

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

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

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

RISK MANAGEMENT AND INTERNAL CONTROLS (Continued)

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

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

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

The management has reported to the Board and the Audit Committee on the effectiveness of the risk management and internal control systems for the year ended 31 December 2019. 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 2019.

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 auditor of the Company about its reporting responsibilities on the consolidated financial statements is set out in the Independent Auditor's Report on pages 52 to 58.

AUDITOR'S REMUNERATION

The remuneration paid to the external auditor of the Company in respect of audit services and non-audit services for the year ended 31 December 2019 amounted to HK$1,050,000 and HK$394,200 respectively.

An analysis of the remuneration paid to the external auditor of the Company, Messrs. Deloitte Touche Tohmatsu, in respect of audit services and non-audit services for the year ended 31 December 2019 is set out below:

Service Category	**Fees paid/payable (HK$)**
Audit services	**1,050,000**
Non-audit services	
— Interim review and Macau profits tax services	**394,200**

COMPANY SECRETARY

The appointment and removal of the Company Secretary is subject to the Board's approval in accordance with the Articles of Association (the "**Articles**") of the Company. The Company's secretarial functions are outsourced to an external services provider. Mr. 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 Growth Enterprise Market of the Stock Exchange, one of the joint company secretaries of Sinopec Kantons Holdings Limited (stock code: 934) and Hengxin Technology Limited (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.

COMPANY SECRETARY (Continued)

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

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

SHAREHOLDERS' RIGHTS (Continued)

Putting Forward Enquiries to the Board and Contact Details

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

Address:	Bright Communications International Limited 2020A, 20/F, The Centrium 60 Wyndham Street Central HK
Tel:	(852) 2555 0230
Fax:	(852) 2555 0233
Email:	ir@brightcommns.com

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

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS/INVESTOR RELATIONS

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company endeavours to maintain an on-going dialogue with Shareholders and in particular, through the AGM and other general meetings. At the AGM, 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 since the Listing Date. An up to date version of the Articles is also available on the Company's website and the Stock Exchange's website.

DIVIDEND POLICY

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

BUSINESS REVIEW

During the year ended 31 December 2019, the Group recorded a revenue of approximately MOP351.5 million, representing an increase of approximately MOP88.9 million or approximately 33.9% over the corresponding period of the last year. The increase in revenue is mainly contributed from projects with lower margin as a result of the adoption of the competitive tender approach in respond to the economic slowdown of the Macau economy. As a result, the Group's gross profit decreased to approximately MOP47.6 million for the year ended 31 December 2019 from approximately MOP63.1 million in 2018.

For the year ended 31 December 2019, the Group has completed 5 fitting-out works projects and 2 structural works projects, and was awarded with 2 structural works projects and 11 fitting-out works projects with an aggregate contract sum of approximately MOP268.4 million.

As at 31 December 2019, the Group had 28 on-going projects (either in progress or yet to commence), including 6 structural works projects and 22 fitting-out works projects.

Outlook and prospects

Looking ahead, the slack in Macau and Hong Kong's economy, which are affected by the slowdown of global economic growth, the on-going China-US trade tension and the outbreak of Novel Coronavirus ("**COVID-19**"), is expected to bring much more challenges to the regions' construction industry in 2020. Under the conservative investment environment and the COVID-19 outbreak continues, the number of projects available in the market is forecasted to be reduced or postponed considerably, which will intensify the competition of the construction industry and adversely affect the profitability of the projects. The progress of certain projects was also delayed which definitely deferred the recognition of revenue in the coming months. As a result, it may have a material unfavourable impact on the Group's business performance, especially for the first half of 2020 and the outlook for 2020 remains very challenging.

Under the challenging macroeconomic environment, the Group will continue to embrace a tighten cost control measure and maintain a sustainable and healthy financial position for the Group. It will also continue to solidify its competitiveness in the construction market in Macau, by implementing its tender strategies prudently and flexibly. Furthermore, for the Group's long-term development and sustainable growth, it is striving to catch opportunities arising from Guangdong-Hong Kong-Macau Greater Bay Area through mergers and acquisition, partnership with reputable enterprises. The acquisition of Lap Polly Engineering Company Limited ("**Lap Polly**") enables the Group to tap into construction market in Hong Kong with immediate effect. Lap Polly is continuing to tender different scale fitting-out works and structural works projects so as to broaden its customer base. With its proven track record in the construction industry and strategic business arrangement, the Group strongly believes that it will be well-positioned to grab the opportunities when the market recover.

FINANCIAL REVIEW

Revenue

The table below sets forth a breakdown of the Group's revenue by types of construction works for the year ended 31 December 2019 and 2018:

	For the year ended 31 December			
	2019		2018	
	MOP'000	%	MOP'000	%
Types of construction works				
Fitting-out works	275,869	78.5	219,013	83.4
Structural works	75,673	21.5	43,584	16.6
Total	351,542	100.0	262,597	100.0

For the year ended 31 December 2019, the Group's revenue increased by approximately MOP88.9 million or 33.9% as compared with the last year. Such increase was mainly attributable to (i) the increase in revenue generated from fitting-out works projects of approximately MOP56.9 million or 26.0%, mainly due to the expansion of Hong Kong market and several projects awarded and undertaken in 2019, recognised significant revenue in 2019; (ii) the increase in revenue generated from structural works projects of approximately MOP32.1 million or 73.6% due to a number of projects awarded and undertaken during the second half of 2019, generated a revenue of MOP30.0 million.

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 year ended 31 December 2019 and 2018:

	For the year ended 31 December			
	2019		2018	
	Gross profit MOP'000	Gross profit margin %	Gross profit MOP'000	Gross profit margin %
Types of construction works				
Fitting-out works	36,715	13.3	45,668	20.9
Structural works	10,847	14.3	17,404	39.9
Total	47,562	13.5	63,072	24.0

For the year ended 31 December 2019, The Group's gross profit decreased by approximately MOP15.5 million, or 24.6% to approximately MOP47.6 million when compared with the last year.

The gross profit margin of fitting-out works projects decreased by 7.6 percentage points from approximately 20.9% for the year of 2018 to 13.3% for the year of 2019. The decrease was mainly due to: (i). the recognition of loss arising from loss-making contracts which amounted to approximately MOP3.0 million; (ii). the increase in the revenue generated from projects with lower margin.

The gross profit margin of structural works projects decreased by 25.6 percentage points from approximately 39.9% for the year of 2018 to 14.3% for the year of 2019. The reduction was mainly attributable to the increase in the revenue generated from projects with lower margin.

Other income

The Group's other income increased by approximately MOP0.9 million or 26.6% from approximately MOP3.2 million for the year ended 31 December 2018 to MOP4.1 million for the year ended 31 December 2019. The increase was mainly attributable to the increase in bank interest income.

FINANCIAL REVIEW (continued)

Other losses

The other losses mainly consisted of the net exchange loss of approximately MOP40,000 and MOP113,000 respectively for the year ended 31 December 2019 and 2018.

Impairment losses under expected credit loss model, net of reversal

The impairment losses mainly consisted of impairment losses on trade receivables, other receivables and contract assets. It decreased by MOP2.3 million or 76.7% as the Group continued to strictly uphold its credit risks control.

Administrative expenses

Administrative expenses increased by approximately MOP6.1 million from approximately MOP20.6 million for the year ended 31 December 2018 to approximately MOP26.7 million for the year ended 31 December 2019. 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 and compliance cost of approximately MOP3.0 million since listing; (ii) expansion in Hong Kong market.

Listing expenses

No listing expenses was incurred for the year ended 31 December 2019 since it was non-recurring in nature while the Group incurred listing expenses of approximately MOP12.4 million for the year ended 31 December 2018.

Income tax expenses

The Group's income tax expenses decreased by approximately MOP1.6 million from approximately MOP5.5 million for the year ended 31 December 2018 to MOP3.9 million for the year ended 31 December 2019 which was in line with the decrease in the profit before tax of approximately MOP6.0 million. This also accounted for the decrease in the effective tax rates from 18.3% for the year ended 31 December 2018 to 16.1% for the year ended 31 December 2019.

Profit and total comprehensive income for the year

The Group's profit for the year was decreased by approximately MOP4.4 million when compared with the last year, mainly due to the combined effect of the aforementioned items.

FINANCIAL REVIEW (continued)

Final dividend

The Board does not recommend any payment of a final dividend for the year ended 31 December 2019 (2018: HKD0.01 per share).

CORPORATE FINANCE AND RISK MANAGEMENT

Liquidity and financial resources

On 10 September 2018, the Company has raised a gross proceed of approximately HKD100.5 million. Details of the use of proceeds are set out on page 39 of this annual report.

The Group's capital expenditure and daily operations during the year ended 31 December 2019 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 2019 was approximately MOP185.8 million, compared to approximately MOP205.5 million as at 31 December 2018.

The decrease of approximately MOP19.7 million was mainly related to 2018 final dividend payment of MOP6.2 million and the payment of the purchase consideration of approximately MOP5.3 million in relation to the acquisition of 60% equity interest in Lap Polly.

As at 31 December 2019, the Group had no outstanding borrowings and had unutilized banking facilities of approximately MOP191.1 million (31 December 2018: MOP118.9 million) and thus, it is not applicable to compute any gearing ratios.

The current ratio of our Group as at 31 December 2019 was 2.5 times same as that as at 31 December 2018.

Capital Structure

The capital structure of the Group consists of equity attributable to the owners of the Company comprising issued share capital, share premium, legal reserve, other reserve and retained earnings. During the year ended 31 December 2019, there has been no change in capital structure of the Company.

Future plans for material investments and capital assets

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

CORPORATE FINANCE AND RISK MANAGEMENT (continued)

Pledge of assets

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

	2019 MOP'000	2018 MOP'000
Owned properties included in property, plant and equipment	**42,152**	43,557
Pledged bank deposits	**63,518**	50,279
	105,670	93,836

Capital commitments

As at 31 December 2019, the Group's total commitment for capital expenditures was MOP1.1 million (2018: MOP1.8 million). These mainly comprised commitments for the acquisition of property, plant and equipment.

Contingent liabilities

Please refer to note 28 to the consolidated financial statements of this annual report for details.

Significant investments, acquisition and disposals

On 10 September 2019, the Company completed an indirect acquisition of 60% equity interest of Lap Polly and it has become a subsidiary of the Group. Lap Polly is principally engaged as a sub-contractor in building construction and engineering services. It is a registered general building contractor and a registered minor works contractor with the Building Authority in Hong Kong. Lap Polly generated a profit since the acquisition up to 31 December 2019.

Save as the above, during the year ended 31 December 2019, the Group did not have any significant investment, acquisition and disposal.

Exposure to exchange rate fluctuation

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

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

CORPORATE FINANCE AND RISK MANAGEMENT (continued)

Employee and renumeration policies

As at 31 December 2019, the Group had 115 (31 December 2018: 94) full time employees. The increase in the number of employees was mainly due to the acquisition of Lap Polly. 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 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 2019 were approximately MOP38.7 million (31 December 2018: MOP36.6 million).

Share option scheme

The Group had adopted a share option scheme for the purpose of providing incentives and rewards to participants for the contribution of the Group. Up to 31 December 2019, no share option had been granted.

Compliance with laws and regulations

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

CORPORATE FINANCE AND RISK MANAGEMENT (continued)

Principal risk and uncertainties (continued)

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

— The slowdown of global economic growth and the on-going China-US trade tension; and

— The uncertainties on the worldwide economy due to the rapid and wide-spread of COVID-19.

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 utilization.

As of 31 December 2019, the net proceeds from the Global Offering had been applied as follows:

	Net Proceeds (HK$' million)		
	Intended Use	**Utilised**	**Unutilised**
— Financing the Group's construction projects and strengthening the financial position (43%)	26.4	26.4	–
— Purchasing suitable new machinery for forthcoming construction works (27%)	16.5	0.7	15.8
— Potential merger and acquisition (10%)	6.1	–	6.1
— Hire additional staff for the Group's business operation (10%)	6.1	2.5	3.6
— General working capital (10%)	6.1	4.3	1.8
	61.2	33.9	27.3

Note:

1. As at 31 December 2019, the unutilised net proceeds from Global Offering were deposited in the times deposit account of the bank of the Group.

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**")	60	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**")	32	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**")	33	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**")	32	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)	53	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)	48	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
Mr. O'Yang Wiley (歐陽偉立先生)	57	Independent Non-executive Director	11 June 2019	11 June 2019	Supervising and providing independent advice to the Board	N/A

EXECUTIVE DIRECTORS

Mr. LAO Chio Seng (劉朝盛先生), aged 60, 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 32, 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 and a master degree of science in construction and real estate from The Hong Kong Polytechnic University in September 2019. Ms. Athena Lao is a civil engineer (執行工程指導職務而作之技術員) registered with Land, Public Works and Transport Bureau of Macau ("**DSSOPT**") and a civil engineer registered with the Council of Architecture, Engineering and Urban Planning (建築工程及城市規劃專業委員會) in Macau. She became a member and was appointed as a review examiner of the Chartered Institution of Civil Engineering Surveyors in July 2016 and April 2017, respectively.

Ms. Athena Lao has around nine 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 33, 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 more than ten 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 32, 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 53, 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 managing director of a subsidiary of the Company and all the contracts entered into between our Group and Wa Fa were then terminated to avoid any conflict of interest. Prior to joining our Group in 2006, he was employed by Tong Lei Engineering & Construction Company Limited from December 1995 to April 2004 and the latest position he served was the project manager. Mr. Ip served as the project manager of Top Builders Group Limited from April 2004 to April 2006.

Mr. Ip has undertaken various social responsibilities. He is a member of the 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 executive vice president of Fujian Natives General Association of Macau (澳門福建同鄉總會常務副理事長), the director of Hunan Overseas Friendship Association (湖南省海外聯誼會理事), the permanent chairman of Macau Engineering Superintendent Association (澳門工程施工主管協會永遠會長), the permanent chairman of Macau Nan An Shishan Association (澳門南安詩山同鄉會永遠會長), the executive deputy chairman and the executive deputy secretary general (常務副會長兼常務副秘書長) of Nam On Natives Association of Macau (澳門南安同鄉會) and Nanan Chamber of Commerce of Macau (澳門南安商會) and the deputy chairman of Macao Ip's Clan Association (澳門葉氏宗親會副會長). He was a trainer for occupational safety card for the construction industry organised by the Labour Affairs Bureau of Macau from October 2016 to December 2016.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. CHU Yat Pang Terry (朱逸鵬先生), aged 48, 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.

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 a member of the audit committee and remuneration committee of the Board. Mr. Choy was awarded a diploma in Chinese Law from the University of East Asia Macau in Macau (currently known as the University of Macau) in October 1987 and a diploma in Political Science from the International Affairs College, Institute of International Relations Hong Kong in July 1988.

Prior to joining our Group, Mr. Choy was a member of the Sham Shui Po District Board from April 1985 to 2001 and subsequently became the chairman from April 1991 to September 1994. Mr. Choy was a member of the Consultative Committee on the New Airport and Related Projects of the Government 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 a honorary 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.

Mr. O'Yang Wiley (歐陽偉立先生), aged 57, has over 33 years of experience in the accounting, finance and legal industries. He was appointed as our independent non-executive Director on 11 June 2019. He is responsible for overseeing the management of the Group independently. He also serves as the chairman of the audit committee and a member of the nomination committee of the Board.

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

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

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

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

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

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

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

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

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

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

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

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)	66	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)	62	Commercial manager	3 December 2012	3 December 2012	Responsible for tendering and contract management	N/A
Mr. Wong Kam Yin (王錦賢先生)	42	Financial Controller	14 February 2019	14 February 2019	Directing and financial management of the Group	N/A

Mr. HO Wai Chuen (何惠泉) ("Mr. Ho"), aged 66, 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 41 years of work experience in the construction industry.

Mr. YEUNG Yun Ki (楊潤祺) ("Mr. Yeung"), aged 62, 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 34 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.

Mr. WONG Kam Yin (王錦賢) ("Mr. Wong"), aged 42, is the financial controller of the Group. He joined our Group in February 2019 and is responsible for overall management of our Group's financial and management reporting, budget, auditing functions, accounting and compliance matters.

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

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

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 59 to 131, which comprise the consolidated statement of financial position as at 31 December 2019, 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 2019, 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
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KEY AUDIT MATTERS (Continued)

Key audit matter	How our audit addressed the key audit matter
Recognition of revenue from construction contracts	
We identified the recognition of revenue from construction contracts as key audit matter due to the significance of the amount to the consolidated financial statements as a whole and the degree of judgement and estimation uncertainty involved. The Group reviews and revises the estimates of contract revenue for construction contract as the contract progresses.	Our procedures in relation to the recognition of revenue 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)

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td colspan="2">Recognition of revenue from construction contracts (Continued)</td></tr>
<tr><td>As set out in note 4 to the consolidated financial statements, recognised amounts of contract revenue reflect management's best estimate, which are determined on the basis of a number of estimates. This includes assessment of progress of the construction contract. The actual outcome of the contract in terms of its total revenue may be higher or lower than the estimates and this will affect the revenue and profit or loss recognised.

The contract revenue of provision of fitting-out works and structural works of MOP351,542,000, was recorded in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2019.</td><td>• Verifying the reasonableness of estimated total costs by agreeing to the latest cost 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 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.</td></tr>
</table>

TO THE SHAREHOLDERS OF AB BUILDERS GROUP LIMITED
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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 judgements and estimates by management in assessing the recoverability of trade receivables and contract assets. As set out in note 4 to the consolidated financial statements, the Group estimates the amount of impairment loss for expected credit loss ("**ECL**") on trade receivables and contract assets based on the credit risk of trade receivables and contract assets. The amount of the impairment loss 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 19 and 20 to the consolidated financial statements, as at 31 December 2019, the carrying amounts of trade receivables and contract assets were MOP74,929,000 and MOP60,532,000, 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 management to form its judgments and estimates, including test of accuracy of the historical default data with reference to the credit history, delay in payments, settlement records, and aging analysis of each relevant debtor, on a sample basis; • Evaluating the reasonableness of the forward-looking information management has taken into account; and • Testing the mathematical accuracy of the ECL model on trade receivables and contract assets prepared by management.

TO THE SHAREHOLDERS OF AB BUILDERS GROUP LIMITED
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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.

TO THE SHAREHOLDERS OF AB BUILDERS GROUP LIMITED
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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.

- 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.

TO THE SHAREHOLDERS OF AB BUILDERS GROUP LIMITED
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AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

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

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

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
27 March 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	NOTES	2019 MOP'000	2018 MOP'000
Revenue	5	**351,542**	262,597
Cost of sales		**(303,980)**	(199,525)
Gross profit		**47,562**	63,072
Other income	7	**4,092**	3,231
Other losses	8	**(48)**	(113)
Impairment losses under expected credit loss model, net of reversal	9	**(701)**	(3,003)
Administrative expenses		**(26,663)**	(20,563)
Listing expenses		**—**	(12,408)
Profit before taxation		**24,242**	30,216
Income tax expense	10	**(3,900)**	(5,522)
Profit and total comprehensive income for the year	11	**20,342**	24,694
Profit and total comprehensive income for the year attributable to:			
Owners of the Company		**20,229**	24,694
Non-controlling interests		**113**	—
		20,342	24,694
Earnings per share			
— Basic (MOP cents)	14	**3.37**	4.97

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2019

	NOTES	2019 MOP'000	2018 MOP'000
Non-current assets			
Property, plant and equipment	15	**45,621**	44,110
Deposit for acquisition of property, plant and equipment		**761**	1,416
Intangible assets	16	**1,810**	—
Goodwill	17	**1,510**	—
Financial asset at fair value through profit or loss	18	**2,564**	—
		52,266	45,526
Current assets			
Trade and other receivables	19	**94,812**	95,789
Contract assets	20	**60,532**	29,000
Pledged bank deposits	21	**63,518**	50,279
Bank balances and cash	21	**122,290**	155,229
		341,152	330,297
Current liabilities			
Trade and other payables	22	**129,339**	116,083
Contract liabilities	20	**206**	4,566
Amount due to a non-controlling interest	23	**2,472**	—
Tax payable		**4,833**	13,937
		136,850	134,586
Net current assets		**204,302**	195,711
Total assets less current liabilities		**256,568**	241,237
Non-current liability			
Deferred tax liabilities	24	**383**	—
		383	—
Net assets		**256,185**	241,237

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2019

	NOTE	2019 MOP'000	2018 MOP'000
Capital and reserves			
Share capital	25	**6,189**	6,189
Reserves		**249,088**	235,048
Equity attributable to owners of the Company		**255,277**	241,237
Non-controlling interests		**908**	—
Total equity		**256,185**	241,237

The consolidated financial statements on pages 59 to 131 were approved and authorised for issue by the board of directors on 27 March 2020 and are signed on its behalf by:

Lao Chio Seng	**Lao Chao U**
DIRECTOR	*DIRECTOR*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	Attributable to owners of the Company							
	Share capital MOP'000	Share premium MOP'000	Legal reserve MOP'000 (Note (i))	Other reserve MOP'000 (Note (ii))	Retained earnings MOP'000	Subtotal MOP'000	Non-controlling interests MOP'000	Total MOP'000
At 1 January 2018	— #	—	6,000	(86,724)	208,514	127,790	—	127,790
Profit and total comprehensive income for the year	—	—	—	—	24,694	24,694	—	24,694
Issue of new shares (note 25(b))	1,548	102,119	—	—	—	103,667	—	103,667
Capitalisation issue (note 25(c))	4,641	(4,641)	—	—	—	—	—	—
Share issuance costs	—	(14,914)	—	—	—	(14,914)	—	(14,914)
At 31 December 2018	6,189	82,564	6,000	(86,724)	233,208	241,237	—	241,237
Profit and total comprehensive income for the year	—	—	—	—	20,229	20,229	113	20,342
Acquisition of subsidiaries (note 26)	—	—	—	—	—	—	795	795
Dividends paid (note 13)	—	—	—	—	(6,189)	(6,189)	—	(6,189)
At 31 December 2019	6,189	82,564	6,000	(86,724)	247,248	255,277	908	256,185

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) deemed distribution made to Mr. Lao Chio Seng ("**Mr. Lao**"), chairman and executive director of the Company, resulting from the provision of interest-free loans to Mr. Lao and entity controlled by Mr. Lao in prior years of MOP85,599,000; and (b) a net loss on disposal of subsidiaries and a joint venture of MOP1,125,000 to companies controlled by Mr. Lao and Ms. Wong Hio Mei ("**Mrs. Lao**"), spouse of Mr. Lao, arising as part of a group reorganisation completed in September 2017, which were regarded as equity transactions. Mr. Lao and Mrs. Lao are the ultimate controlling shareholders of the Company.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	NOTE	2019 MOP'000	2018 MOP'000
Operating activities			
Profit before taxation		**24,242**	30,216
Adjustments for:			
Depreciation of property, plant and equipment		**2,706**	1,617
Amortisation of intangible assets		**433**	—
Bank interest income		**(3,843)**	(2,333)
Impairment losses on trade and other receivables, net of reversal		**278**	2,882
Impairment losses on contract assets, net of reversal		**423**	121
Operating cash flows before movements in working capital		**24,239**	32,503
Decrease (increase) in trade and other receivables		**4,304**	(70,552)
(Increase) decrease in contract assets		**(31,340)**	24,866
Increase in trade and other payables		**15,063**	11,950
Decrease in contract liabilities		**(4,917)**	(4,521)
Cash generated from (used in) operations		**7,349**	(5,754)
Macau Complementary Tax paid		**(13,021)**	(4,443)
Net cash used in operating activities		**(5,672)**	(10,197)
Investing activities			
Interest received		**4,071**	1,831
Withdrawal of pledged bank deposits		**3,691**	57,063
Placement of pledged bank deposits		**(16,930)**	(42,173)
Net cash outflow on acquisition of subsidiaries	26	**(4,610)**	—
Purchase of property, plant and equipment		**(2,801)**	(154)
Deposit paid for acquisition of property, plant and equipment		**(761)**	(1,416)
Net cash (used in) from investing activities		**(17,340)**	15,151

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	NOTE	2019 MOP'000	2018 MOP'000
Financing activities			
Dividends paid	13	**(6,189)**	—
Issue costs paid		**(2,600)**	(10,013)
Repayments to a non-controlling interest		**(1,138)**	—
Proceed from issue of shares		**—**	103,667
Net cash (used in) from financing activities		**(9,927)**	93,654
Net (decrease) increase in cash and cash equivalents		**(32,939)**	98,608
Cash and cash equivalents at the beginning of the year		**155,229**	56,621
Cash and cash equivalents at the end of the year, representing bank balances and cash		**122,290**	155,229

1. GENERAL INFORMATION

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

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

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

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

New and Amendments to IFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to IFRSs issued by the International Accounting Standards Board (the "**IASB**") for the first time in the current year:

IFRS 16	Leases
IFRIC — Int 23	Uncertainty over Income Tax Treatments
Amendments to IFRS 9	Prepayment Features with Negative Compensation
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to IFRSs	Annual Improvements to IFRSs 2015–2017 Cycle

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

IFRS 16 "Leases"

The Group has applied IFRS 16 for the first time in the current year. IFRS 16 superseded IAS 17 "Leases", and the related interpretations.

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (Continued)

IFRS 16 "Leases" (Continued)

Definition of a lease

The Group has elected the practical expedient to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC-Int 4 "Determining whether an Arrangement contains a Lease" and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in IFRS 16 in assessing whether a contract contains a lease.

As a lessee

Short-term leases and leases of low value assets

The Group applies the short-term lease recognition exemption to leases of an office, a warehouse and staff quarters that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low value assets.

Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight line basis over the lease term.

Leasehold land and building

For payments of a property interest which includes both leasehold land and building elements, the entire property is presented as property, plant and equipment of the Group when the payments cannot be allocated reliably between the leasehold land and building elements.

As a lessor

There is no impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these consolidated financial statements for the Group acting as lessor.

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (Continued)

New and amendments to IFRSs in issue but not yet effective

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

IFRS 17	Insurance Contracts[1]
Amendments to IFRS 3	Definition of a Business[2]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[5]
Amendments to IAS 1 and IAS 8	Definition of Material[4]
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform[4]

1 Effective for annual periods beginning on or after 1 January 2021
2 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
3 Effective for annual periods beginning on or after a date to be determined
4 Effective for annual periods beginning on or after 1 January 2020
5 Effective for annual periods beginning on or after 1 January 2022

In addition to the above new and amendments to IFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, the "Amendments to References to the Conceptual Framework in IFRS Standards", will be effective for annual periods beginning on or after 1 January 2020.

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

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (Continued)

Amendments to IFRS 3 "Definition of a Business"

The amendments:

- add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The election on whether to apply the optional concentration test is available on transaction-by-transaction basis;
- clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs; and
- narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs.

The amendments are applied prospectively to all business combinations and asset acquisitions for which the acquisition date is on or after the first annual reporting period beginning on or after 1 January 2020, with early application permitted.

The optional concentration test and the amended definition of a business are not expected to have a significant impact to the Group.

Amendments to IAS 1 and IAS 8 "Definition of Material"

The amendments provide refinements to the definition of material by including additional guidance and explanations in making materiality judgments. In particular, the amendments:

- include the concept of "obscuring" material information in which the effect is similar to omitting or misstating the information;
- replace threshold for materiality influencing users from "could influence" to "could reasonably be expected to influence"; and
- include the use of the phrase "primary users" rather than simply referring to "users" which was considered too broad when deciding what information to disclose in the financial statements.

The amendments also align the definition across all IFRSs and will be mandatorily effective for the Group's annual period beginning on 1 January 2020. The application of the amendments is not expected to have significant impact on the financial position and performance of the Group but may affect the presentation and disclosures in the consolidated financial statements.

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (Continued)

Conceptual Framework for Financial Reporting 2018 (the "New Framework") and the Amendments to References to the Conceptual Framework in IFRS Standards

The New Framework:

- reintroduces the terms stewardship and prudence;
- introduces a new asset definition that focuses on rights and a new liability definition that is likely to be broader than the definition it replaces, but does not change the distinction between a liability and an equity instrument;
- discusses historical cost and current value measures, and provides additional guidance on how to select a measurement basis for a particular asset or liability;
- states that the primary measure of financial performance is profit or loss, and that only in exceptional circumstances other comprehensive income will be used and only for income or expenses that arise from a change in the current value of an asset or liability; and
- discusses uncertainty, derecognition, unit of account, the reporting entity and combined financial statements.

Consequential amendments have been made so that references in certain IFRSs have been updated to the New Framework, whilst some IFRSs are still referred to the previous versions of the framework. These amendments are effective for annual periods beginning on or after 1 January 2020, with earlier application permitted. Other than specific standards which still refer to the previous versions of the framework, the Group will rely on the New Framework on its effective date in determining the accounting policies especially for transactions, events or conditions that are not otherwise dealt with under the accounting standards.

3. 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 except for financial instruments that are measured at fair value at the end of each reporting period.

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 "Share-based Payment", leasing transactions that are accounted for in accordance with IFRS 16 (since 1 January 2019) or IAS 17 (before application of IFRS 16), 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".

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

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

The principal accounting policies are set out below.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation

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

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

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

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

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

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

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

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

Business combination

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combination (Continued)

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combination (Continued)

When the consideration transferred by the Group in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured to fair value at subsequent reporting dates, with the corresponding gain or loss being recognised in profit or loss.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted retrospectively during the measurement period (see above), and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

Goodwill

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Goodwill (Continued)

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

Revenue from contracts with customers

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue from contracts with customers (Continued)

Recognition

The Group provides fitting-out works and structural works based on contracts entered with customers. Such contracts are entered into before the services begin. Under the terms of the contracts, the fitting-out works and structural works performed by the Group creates or enhances a property that the customers controls as the property is created or enhanced. Revenue from provision of fitting-out works and structural works is therefore recognised over time using output method, i.e. based on value of fitting-out works and structural works completed by the Group to date with reference to payment certificates issued by independent architects, surveyors or other representatives appointed by the 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, 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue from contracts with customers (Continued)

Contract assets or liabilities

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

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

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

Contract asset is recognised when (i) the Group completes the fitting-out works and structural works under such services contracts but yet certified by independent architects, surveyors or other representatives appointed by customers, or (ii) the customers retain retention money to secure the due performance of the contracts. Any amount previously recognised as a contract asset is reclassified to trade receivables at the point at which 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.

Leases

Definition of a lease (upon application of IFRS 16)

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

The Group as a lessee (upon application of IFRS 16)

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components, including contract for acquisition of ownership interests of a property which includes both leasehold land and non-lease building components, unless such allocation cannot be made reliably.

Short-term leases and leases of low-value assets

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

The Group as a lessee (prior to 1 January 2019)

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.

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

Retirement benefit costs

Payments to the Social Security Fund Contribution in Macau and Mandatory Provident Fund Scheme in Hong Kong are recognised as an expense when employees have rendered services entitling them to the contributions.

Short-term employee benefits

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liabilities for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

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

In assessing any uncertainty over income tax treatments, the Group considers whether it is probable that the relevant tax authority will accept the uncertain tax treatment used, or proposed to be used by individual group entities in their income tax filings. If it is probable, the current and deferred taxes are determined consistently with the tax treatment in the income tax filings. If it is not probable that the relevant taxation authority will accept an uncertain tax treatment, the effect of each uncertainty is reflected by using either the most likely amount or the expected value.

Financial instruments

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets

Classification and subsequent measurement of financial assets

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

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

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

(i) Amortised cost and interest income

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

(ii) Financial assets at FVTPL

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets *(Continued)*

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

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

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

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

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

***Financial assets** (Continued)*

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

(i) Significant increase in credit risk

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

***Financial assets** (Continued)*

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

(i) Significant increase in credit risk (Continued)

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

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 debt 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 debt instrument 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.

(ii) Definition of default

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

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

(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:

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets *(Continued)*

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

(iii) Credit-impaired financial assets (Continued)

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

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

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

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

(iv) Write-off policy

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

(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. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

***Financial assets** (Continued)*

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

(v) Measurement and recognition of ECL (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. 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.

Financial liabilities and equity instruments

Classification as debt or equity instruments

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

3. 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, including trade and other payables and amount due to a non-controlling interest, 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 tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes. Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Ownership interests in leasehold land and building

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition.

To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "right-of-use assets" (upon application of IFRS 16) or "prepaid lease payments" (before application of IFRS 16) in the consolidated statement of financial position. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment (Continued)

Ownership interests in leasehold land and building (Continued)

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

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

Intangible assets

Intangible assets acquired in a business combination

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

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

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

Impairment on property, plant and equipment and intangible assets other than goodwill

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment on property, plant and equipment and intangible assets other than goodwill (Continued)

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies

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

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

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

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, 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.

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

Borrowing costs

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

Provisions

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Provisions (Continued)

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

Onerous contracts

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

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

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

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Estimation uncertainty on construction contracts (Continued)

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

Estimated impairment of trade receivables and contract assets

Management of the Group estimates the amount of impairment loss for ECL on trade receivables and contract assets based on the credit risk of trade receivables and contract assets. The amount of the impairment loss 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 2019, the carrying amount of trade receivables and contract assets are MOP74,929,000 (2018: MOP73,560,000) and MOP60,532,000 (2018: MOP29,000,000), respectively. Impairment losses of MOP3,605,000 (2018: MOP3,390,000) and MOP544,000 (2018: MOP121,000) in respect of trade receivables and contract assets have been recognised respectively.

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the recoverable amount of the cash-generating unit to which goodwill has been allocated, which is the higher of the value in use or fair value less costs of disposal. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, or changes in facts and circumstances which results in downward revision of future cash flows, a material impairment loss may arise.

As at 31 December 2019, the carrying amount of goodwill is MOP1,510,000 (2018: nil) (net of accumulated impairment loss of nil (2018: nil)). Details of the impairment assessment of goodwill are disclosed in note 17.

5. REVENUE

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

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

	2019 MOP'000	2018 MOP'000
Recognised over time		
Contract revenue from provision of fitting-out works	**275,869**	219,013
Contract revenue from provision of structural works	**75,673**	43,584
	351,542	262,597

Fitting-out works and structural works represent performance obligations that the Group satisfies over time for each respective contract. The period of fitting-out works and structural works varies from 1 to 2 years (2018: from 1 to 2 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.

	2019 MOP'000	2018 MOP'000
Provision of fitting-out works	**178,424**	167,867
Provision of structural works	**58,201**	52,554
	236,625	220,421

Based on the information available to the Group at the end of the reporting period, management of the Group expects the transaction price allocated to the above unsatisfied (or partially unsatisfied) contracts as of 31 December 2019 will be recognised as revenue during the year ending 31 December 2020 (2018: during the year ended/ending 31 December 2019 to 2020) in respect of provision of fitting-out works and structural works, respectively.

6. SEGMENT INFORMATION

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

Specifically, the Group's reportable and operating segments under IFRS 8 "Operating Segments" are as follows:

(a) Fitting-out works; 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 2019

	Fitting-out works MOP'000	Structural works MOP'000	Total MOP'000
Segment revenue — external	275,869	75,673	351,542
Segment results	36,715	10,847	47,562
Administrative expenses			(26,663)
Other income and other losses			3,343
Profit before taxation			24,242

6. SEGMENT INFORMATION (Continued)

Segment revenue and profit (Continued)

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 and other losses			115
Profit before taxation			30,216

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

Geographical information

The Group's operations are mainly located in Macau.

Majority of the Group's revenue from external customers is attributed to the Group entities' place of domicile (i.e. Macau and Hong Kong).

6. SEGMENT INFORMATION (Continued)

Information about major customers

	2019 MOP'000	2018 MOP'000
Customer A (note (a))	74,416	54,890
Customer B (note (a))	47,710	N/A[c]
Customer C (note (a))	47,281	N/A[c]
Customer D (note (a))	44,889	N/A[d]
Customer E (note (b))	N/A[c]	62,965
Customer F (note (a))	N/A[d]	42,647

Notes:

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

(b) The revenue was derived from both segments.

(c) Revenue from the customer is less than 10% of the total revenue of the Group.

(d) No revenue was derived during the year.

7. OTHER INCOME

	2019 MOP'000	2018 MOP'000
Bank interest income	3,843	2,333
Others	249	898
	4,092	3,231

8. OTHER LOSSES

	2019 MOP'000	2018 MOP'000
Net exchange loss	40	113
Others	8	—
	48	113

9. IMPAIRMENT LOSSES UNDER EXPECTED CREDIT LOSS MODEL, NET OF REVERSAL

	2019 MOP'000	2018 MOP'000
Impairment losses, net of reversal, recognised on:		
Trade receivables	**215**	2,857
Other receivables	**63**	25
Contract assets	**423**	121
	701	3,003

Details of impairment assessment are set out in note 35.

10. INCOME TAX EXPENSE

	2019 MOP'000	2018 MOP'000
Current tax:		
Macau Complementary Tax	**4,348**	5,522
Hong Kong Profits Tax	**61**	—
	4,409	5,522
Overprovision in prior years:		
Macau Complementary Tax	**(522)**	—
	3,887	5,522
Deferred tax (note 24)	**13**	—
	3,900	5,522

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

10. INCOME TAX EXPENSE (Continued)

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "**Bill**") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first Hong Kong dollars ("**HK$**") 2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entity not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Accordingly, the Hong Kong profits tax of the qualifying group entity is calculated at 8.25% on the first HK$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK$2 million.

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:

	2019 MOP'000	2018 MOP'000
Profit before taxation	24,242	30,216
Tax at applicable statutory tax rate of 12% (2018: 12%)	2,909	3,626
Tax effect of expenses not deductible for tax purpose	1,636	2,204
Tax effect of income not taxable for tax purpose	(4)	(236)
Tax effect of tax exemption under Macau Complimentary Tax	(72)	(72)
Overprovision in respect of prior years	(522)	—
Effect of different tax rate of a subsidiary operating in other jurisdiction	(47)	—
Income tax expense for the year	3,900	5,522

11. PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR

	2019 MOP'000	2018 MOP'000
Profit and total comprehensive income for the year has been arrived at after charging (crediting):		
Contract costs recognised as expense		
Fitting-out works	**239,154**	173,345
Structural works	**64,826**	26,180
	303,980	199,525
Staff costs		
Gross staff costs (including directors' emoluments below)	**38,714**	36,561
Less: Staff costs capitalised to contract costs incurred	**(24,405)**	(25,091)
	14,309	11,470
Directors' emoluments (note 12)	**4,459**	4,132
Auditor's remuneration	**1,114**	1,032
Depreciation of property, plant and equipment	**2,706**	1,617
Expenses relating to short-term leases and other leases with lease terms end within 12 months of the date of initial application of IFRS 16 and acquisition date of Equally (as defined in note 18) (Note)	**711**	—
Operating lease rentals in respect of an office and a warehouse	**—**	395
Amortisation of intangible assets	**433**	—

Note: The Group entered into short-term leases for an office, a warehouse and staff quarters. As at 31 December 2019, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed above. The total cash outflow for leases is MOP711,000 for the year ended 31 December 2019.

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

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

During year ended 31 December 2019, the emoluments paid or payable by the Group to the directors of the Company represent their services rendered as the director of the Company. During year ended 31 December 2018, the emoluments paid or payable by the Group to the directors of the Company included their services rendered as the director of the Company and emoluments for their services as employees or directors of the group entities prior to becoming the directors of the Company during the year. Details of which are as follows:

	Year ended 31 December 2019				
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	—	1	196
Ms. Lao Chao U ("**Athena Lao**")*	—	655	—	1	656
Ms. Lao Ka U ("**Vicki Lao**")*	—	650	—	1	651
Mr. Cheang Iek Wai	—	650	—	1	651
Mr. Ip Kin Wa	—	1,560	—	1	1,561
Independent non-executive directors					
Mr. Chu Yat Pang, Terry	248	—	—	—	248
Mr. Law Wang Chak, Waltery (Note)	110	—	—	—	110
Mr. Choy Wai Shek, Raymond	248	—	—	—	248
Mr. O'Yang Wiley (Note)	138	—	—	—	138
	744	3,710	—	5	4,459

* Daughters of the Controlling Shareholders

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

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

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
	Year ended 31 December 2018				
Executive directors					
Mr. Lao	—	195	8	1	204
Ms. Athena Lao	—	650	25	1	676
Ms. Vicki Lao	—	650	25	1	676
Mr. Cheang Iek Wai	—	650	25	1	676
Mr. Ip Kin Wa	—	1,560	60	1	1,621
Independent non-executive directors					
Mr. Chu Yat Pang, Terry	93	—	—	—	93
Mr. Law Wang Chak, Waltery (Note)	93	—	—	—	93
Mr. Choy Wai Shek, Raymond	93	—	—	—	93
	279	3,705	143	5	4,132

Note: On 11 June 2019, Mr. Law Wang Chak, Waltery resigned and Mr. O'Yang Wiley was appointed as an independent non-executive director of the Company.

Executive directors

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

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

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

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

Independent non-executive directors

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

(b) Employees' emoluments

The five highest paid individuals of the Group for the year ended 31 December 2019 include one (2018: one) director, details of whose emoluments are set out in note 12(a) above. Details of the remaining four (2018: four) highest paid individuals are as follows:

	2019 MOP'000	2018 MOP'000
Salaries and other allowances	4,446	4,141
Discretionary bonus	150	335
	4,596	4,476

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:

	2019 No. of individuals	2018 No. of individuals
Nil to HK$1,000,000	1	2
HK$1,000,001 to HK$1,500,000	2	2
HK$1,500,001 to HK$2,000,000	1	—
	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 of the Company have waived or agreed to waive any emoluments for both years.

13. DIVIDENDS

	2019 MOP'000	2018 MOP'000
Dividends for ordinary shareholders of the Company recognised as distribution during the year: 2018 final dividend — HK$0.01 (2018: 2017 final dividend — nil) per share	**6,189**	—

The Board did not declare any final dividend for the year ended 31 December 2019. In 2018, final dividend in respect of the year ended 31 December 2018 of HK$0.01 per ordinary share, in an aggregate amount of HK$6,000,000 has been proposed by the directors of the Company.

14. EARNINGS PER SHARE

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

	2019 MOP'000	2018 MOP'000
Profit and total comprehensive income for the year attributable to owners of the Company	**20,229**	24,694

	2019 '000	2018 '000
Weighted average number of ordinary shares for the purpose of basic earnings per share	**600,000**	496,438

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

15. PROPERTY, PLANT AND EQUIPMENT

	Owned properties MOP'000	Leasehold improvement MOP'000	Furniture, fixtures and equipment MOP'000	Motor vehicles MOP'000	Total MOP'000
COST					
At 1 January 2018	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
Additions	—	2,708	1,181	328	4,217
At 31 December 2019	**46,367**	**2,708**	**3,228**	**328**	**52,631**
DEPRECIATION					
At 1 January 2018	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
Provided for the year	1,405	819	422	60	2,706
At 31 December 2019	**4,215**	**819**	**1,916**	**60**	**7,010**
CARRYING VALUES					
At 31 December 2019	**42,152**	**1,889**	**1,312**	**268**	**45,621**
At 31 December 2018	43,557	—	553	—	44,110

15. 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:

Owned properties	Over 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
Motor vehicles	5 years

The Group's owned properties are situated in Macau.

As at 31 December 2019, the Group has pledged its owned properties with a carrying value of MOP42,152,000 (2018: MOP43,557,000) to secure general banking facilities granted to the Group.

16. INTANGIBLE ASSETS

	Secured customer contracts MOP'000
COST	
At 1 January 2018 and 31 December 2018	—
Arising from acquisition of subsidiaries (note 26)	2,243
At 31 December 2019	2,243
AMORTISATION	
At 1 January 2018 and 31 December 2018	—
Provided for the year	433
At 31 December 2019	433
CARRYING VALUES	
At 31 December 2019	1,810
At 31 December 2018	—

Secured customer contracts acquired in the business combination are identified and recognised as intangible assets. The aggregate amount of secured customer contracts is amortised using the straight-line method over their estimated useful life of 1 year. The intangible assets arising from the secured customer contracts as of 31 December 2019 will be fully amortised during the year ending 31 December 2020.

17. GOODWILL

	MOP'000
COST	
At 1 January 2018 and 31 December 2018	—
Arising from acquisition of subsidiaries (note 26)	1,510
At 31 December 2019	1,510
IMPAIRMENT	
At 1 January 2018, 31 December 2018 and 31 December 2019	—
CARRYING VALUES	
At 31 December 2019	1,510
At 31 December 2018	—

For the purposes of impairment testing, goodwill has been allocated to a cash generating unit ("**CGU**") in provision of construction services in Hong Kong.

The recoverable amount of this CGU has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a four-year period, and pre-tax discount rate of 14.4%. The cash flows beyond the four-year period are extrapolated using a steady 2.5% growth rate. The key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted revenue and gross margin, such estimation is based on the unit's past performance and management's expectations for the market development including the fluctuation in the current economic environment.

No impairment loss on goodwill was recognised in profit or loss during the year ended 31 December 2019 (2018: nil).

18. FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

On 10 September 2019, the Group entered into a sale and purchase agreement (the "**Agreement**") with the vendors (the "**Vendors**") for acquisition (the "**Acquisition**") of 100% equity interest in Equally Tycoon Limited ("**Equally**"), details of which are set out in note 26. Pursuant to the Agreement, the Vendors, irrevocably warrants and guarantees to the Group that net profit of Lap Polly Engineering Company Limited ("**Lap Polly**"), a subsidiary of Equally, for the years ending 31 December 2020 and 31 December 2021 (the "**Relevant Periods**") which will not be less than the following amounts (the "**Profit Guarantee**"). In the event that Lap Polly cannot meet the Profit Guarantee, the consideration of the Acquisition will be adjusted for 60% (i.e. shareholding in Lap Polly) of the aggregate sum of the shortfall between the actual profit/loss for the year and the Profit Guarantee during the Relevant Periods (the "**Contingent Consideration Adjustment**").

For the year ending	Profit Guarantee MOP'000
31 December 2020	4,384
31 December 2021	4,384

At the date of the Acquisition, the directors of the Company estimate the fair value of the Contingent Consideration Adjustment payable by the Vendors to the Group to be approximately HK$2,486,000 (equivalent to approximately MOP2,564,000) by reference to the estimated profit forecast of Lap Polly during the Relevant Periods:

	MOP'000
At 1 January 2018 and 31 December 2018	—
Arising from acquisition of subsidiaries (note 26)	2,564
At 31 December 2019	2,564

The Contingent Consideration Adjustment of HK$2,486,000 (equivalent to approximately MOP2,564,000) expected to be settled more than twelve months from the reporting period is included in "financial asset at fair value through profit or loss" under the non-current assets.

19. TRADE AND OTHER RECEIVABLES

	2019 MOP'000	2018 MOP'000
Trade receivables, net of loss allowance	74,929	73,560
Advances paid to subcontractors and suppliers	13,715	16,933
Other receivables, prepayment and deposits	6,168	5,296
Total trade and other receivables	94,812	95,789

Trade receivables

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

As at 1 January 2018, trade receivables, net of loss allowance from contracts with customers amounted to MOP18,470,000.

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

	2019 MOP'000	2018 MOP'000
1–30 days	54,612	27,409
31–60 days	7,023	30,250
61–90 days	2,431	15,901
Over 90 days	10,863	—
	74,929	73,560

As at 31 December 2019, included in the Group's trade receivable balances were receivables with aggregate carrying amount of MOP12,160,000 (2018: MOP28,909,000), which were past due at the end of the reporting period. Out of the past due balances, MOP9,656,000 has been past due 90 days or more and is not considered as in default as the directors of the Company are of the opinion that the balances are still considered fully recoverable due to long-term/on-going relationship and good repayment record from these customers The Group does not hold any collateral over these balances.

Details of impairment assessment of trade and other receivables are set out in note 35.

19. TRADE AND OTHER RECEIVABLES (Continued)

Trade receivables (Continued)

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

	2019 MOP'000	2018 MOP'000
HK$	**5,924**	8,736

20. CONTRACT ASSETS (LIABILITIES)

	2019 MOP'000	2018 MOP'000
Analysed for reporting purposes, on a net basis of each respective contract as:		
Contract assets	**60,532**	29,000
Contract liabilities	**(206)**	(4,566)
	60,326	24,434

As at 1 January 2018, contract assets and contract liabilities amounted to MOP53,987,000 and MOP9,087,000, respectively.

As at 31 December 2019, contract assets and liabilities included retention receivables held by customers for contract works amounting to MOP48,474,000 (2018: MOP26,325,000).

Retention receivables represent the money retained by the Group's customers to secure the due performance of the contracts. The customers normally withhold 10% of the certified amount payable to the Group as retention money, 50% of which is normally recoverable upon completion of respective project and the remaining 50% is recoverable after the completion of defect liability period of the relevant contracts or in accordance with the terms specified in the relevant contracts, ranging from 3 months to 2 years from the date of completion of respective projects. The amount is unsecured and interest-free.

As at 31 December 2019, contract assets and liabilities included advances received from customers amounting to MOP3,095,000 (2018: MOP5,120,000).

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.

20. CONTRACT ASSETS (LIABILITIES) (Continued)

Contract liabilities as at 31 December 2019 will be recognised as revenue during the year ending 31 December 2020 (2018: year ended/ending 31 December 2019 to 2020).

Details of the impairment assessment of contract assets are set out in note 35.

21. BANK BALANCES AND CASH/PLEDGED BANK DEPOSITS

Bank balances and cash comprises cash on hand and bank balances. As at 31 December 2019, bank balances carry interest at prevailing market interest rates which were ranging from 0.001% to 0.010% (2018: 0.001% to 0.145%) per annum.

Pledged bank deposits represent deposits pledged to a bank to secure banking facilities granted to the Group. As at 31 December 2019, the pledged bank deposits carried an average fixed interest rate of 2.50% (2018: 1.50%) 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:

	2019 **MOP'000**	2018 MOP'000
Bank balances and cash		
HK$	**106,284**	139,267
Pledged bank deposits		
HK$	**63,518**	50,279

22. 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.

	2019 **MOP'000**	2018 MOP'000
Trade payables	**34,521**	40,234
Retention payables	**36,738**	22,953
Accrued contract costs	**49,120**	43,340
Accruals and other payables	**8,960**	9,556
Total trade and other payables	**129,339**	116,083

22. TRADE AND OTHER PAYABLES (Continued)

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

	2019 MOP'000	2018 MOP'000
1–30 days	**33,206**	40,132
31–60 days	**602**	35
Over 60 days	**713**	67
	34,521	40,234

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

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

	2019 MOP'000	2018 MOP'000
Within one year	**23,241**	14,156
After one year	**13,497**	8,797
	36,738	22,953

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

	2019 MOP'000	2018 MOP'000
HK$	**8,357**	6,874

23. AMOUNT DUE TO A NON-CONTROLLING INTEREST

The amount is unsecured, non-interest bearing and repayable on demand.

24. DEFERRED TAX LIABILITIES

The following are the deferred tax liabilities recognised and movements thereon during the year:

	Timing difference on revenue recognition MOP'000	**Secured customer contracts** MOP'000	**Total** MOP'000
At 1 January 2018 and 31 December 2018	—	—	—
Arising from acquisition of subsidiaries (note 26)	—	370	370
Change (credit) to profit or loss (note 10)	84	(71)	13
At 31 December 2019	84	299	383

25. SHARE CAPITAL

	Number of shares	**Share capital** MOP'000
Ordinary shares of HK$0.01 each		
Authorised:		
At 1 January 2018	38,000,000	391
Increase in authorised share capital (note a)	9,962,000,000	102,759
At 31 December 2018, 1 January 2019 and 31 December 2019	10,000,000,000	103,150
Issued and fully paid:		
At 1 January 2018	20,000	—#
Issue of shares on listing (note b)	150,000,000	1,548
Issue of shares on capitalisation issue (note c)	449,980,000	4,641
At 31 December 2018, 1 January 2019 and 31 December 2019	600,000,000	6,189

Less than MOP1,000

25. SHARE CAPITAL (Continued)

Notes:

(a) Pursuant to the written resolutions of the shareholders passed on 17 August 2018, the authorised share capital of the Company 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.

(b) 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 of the Company's shares on the Stock Exchange.

(c) 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 year ended 31 December 2018 rank pari passu in all respects.

26. ACQUISITION OF BUSINESS

On 10 September 2019, Speedy Profit International Investment Limited ("**Speedy**"), a direct wholly-owned subsidiary of the Company, the Vendors and the Vendors' guarantor entered into the Agreement, pursuant to which Speedy agreed to acquire and the Vendors agreed to sell the entire issued share capital of Equally at a cash consideration of HK$5,100,000 (equivalent to approximately MOP5,261,000. The Acquisition was completed on 10 September 2019 and has been accounted for using the acquisition method in accordance with IFRS 3 "Business Combinations" as the directors of the Company consider that the acquired items constitutes a business in accordance with IFRS 3. Equally acts as an investment holding company and it holds 60% equity interest of Lap Polly. Lap Polly is principally engaged in provision of construction services. Lap Polly was acquired so as to complement the Group's construction business in Hong Kong.

	MOP'000
Consideration transferred:	
Cash paid	5,261
Less: Contingent Consideration Adjustment (Note)	(2,564)
Total	2,697

26. ACQUISITION OF BUSINESS (Continued)

Note: The Contingent Consideration Adjustment arrangement requires the Vendors to pay to the Group by reference to the operating performance of Lap Polly (i.e. profit for the year) during the Relevant Periods pursuant to the Agreement. The consideration will be adjusted for the aggregate sum of the shortfall between the actual profit/loss for the year and Profit Guarantee amount during the Relevant Periods. Details of the Contingent Consideration Adjustment are set out in note 18.

Acquisition-related costs amounting to MOP804,000 have been excluded from the consideration transferred and have been recognised as an expense in the current year, within the "administrative expenses" line item in the consolidated statement of profit or loss and other comprehensive income.

Assets acquired and liabilities recognised of Equally and its subsidiary (determined on a provision basis) at the date of acquisition are as follows:

	MOP'000
Intangible assets	2,243
Trade and other receivables	3,833
Contract assets	615
Bank balances and cash	651
Trade and other payables	(793)
Contract liabilities	(557)
Shareholder's loan	(3,610)
Tax payable	(30)
Deferred tax liabilities	(370)
Net assets acquired	1,982

The fair value of trade and other receivables at the date of acquisition amounted to MOP3,833,000. The gross contractual amounts of those trade and other receivables acquired amounted to MOP4,158,000 at the date of acquisition. The best estimate at acquisition date of the contractual cash flows expected to be collected amounted to MOP3,833,000.

26. ACQUISITION OF BUSINESS (Continued)

Goodwill arising on acquisition:

	MOP'000
Consideration transferred	2,697
Plus: non-controlling interests (40% in Lap Polly) (note)	795
Less: net assets acquired	(1,982)
Goodwill arising on acquisition	1,510

Note: The non-controlling interests, represent 40% equity interest in Lap Polly, recognised at the acquisition date were measured by reference to their proportionate share of net assets acquired in Lap Polly.

At the date of approval for issuance of these consolidated financial statements, the purchase consideration and fair value of several items of net assets acquired have been determined on a provisional value and are subject to finalisation of the identification and valuation of such items. Therefore, the initial accounting for the business combination has been determined only provisionally and thus, provisional values of purchase consideration, certain assets and liabilities and the related deferred tax liabilities arising from business combination are subject to adjustments upon the completion of initial accounting year which shall not exceed one year from the above acquisition date.

Net cash outflow arising on acquisition of Equally and its subsidiary:

	MOP'000
Cash consideration paid	5,261
Less: Cash and cash equivalents balances acquired	(651)
	4,610

Included in the profit for the year is MOP675,000 attributable to the additional business generated by Lap Polly. Revenue for the year includes MOP12,448,000 generated from Lap Polly.

Had the acquisition been completed on 1 January 2019, revenue for the year of the Group would have been MOP356,435,000, and profit for the year of the Group would have been MOP20,511,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2019, nor is it intended to be a projection of future results.

27. PLEDGE OF ASSETS

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

	2019 MOP'000	2018 MOP'000
Owned properties included in property, plant and equipment	42,152	43,557
Pledged bank deposits	63,518	50,279
	105,670	93,836

28. PERFORMANCE GUARANTEES/BID BONDS

As at 31 December 2019, performance guarantees of MOP46,765,000 (2018: MOP64,265,000) 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 27.

As at 31 December 2019, bid bonds of MOP2,230,000 (2018: MOP9,046,000), were given by banks for bidding the projects offering by the government of Macau.

In the opinion of 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.

29. 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 Macau Government. Contributions are generally made by both employees and employers by paying a fixed amount on a monthly basis to the Social Security Fund Contribution managed by the Macau Government. The Group funds the entire contribution and has no further commitments beyond its monthly contributions.

The plans for employees in Hong Kong are a Mandatory Provident Fund Scheme ("**MPF Scheme**") established under the Mandatory Provident Fund Schemes Ordinance in December 2000. The assets of the schemes are held separately from those of the Group in funds under the control of trustees. For members of the MPF Scheme, the Group contributes 5% of relevant payroll costs to the MPF Scheme subject only to the maximum level of payroll costs of HK$30,000 per employee per month, which contribution is matched by the employees.

During the year ended 31 December 2019, a total cost of MOP198,000 (2018: MOP217,000) was charged to profit or loss representing contribution paid or payable to the above retirement benefit plans by the Group.

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

30. 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.

31. RELATED PARTY TRANSACTIONS

(i) Transaction

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

Related party	Relationship	Nature of transaction	2019 MOP'000	2018 MOP'000
Open China Construction Engineering Limited	Common director of a subsidiary and the related party	Contract revenue	**557**	—

(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:

	2019 MOP'000	2018 MOP'000
Fee	**744**	279
Salaries and other allowances	**6,857**	7,334
Retirement benefits scheme contributions	**5**	5
	7,606	7,618

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

32. 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
				2019	2018	
Directly held						
SFS Construction Holdings Limited	BVI	4 August 2011	United States dollar ("**US$**") 10	100%	100%	Investment holding
Speedy	BVI	22 May 2019	US$50,000	100%	—	Investment holding
Indirectly held						
San Fong Seng Construction & Engineering Company Limited	Macau	5 July 1998	MOP12,000,000	100%	100%	Construction works
San Fong Seng Construction & Engineering Co., Limited	Hong Kong	18 March 2011	HK$1	100%	100%	Management services
Equally	BVI	2 April 2019	US$2	100%[(a)]	—	Investment holding
Lap Polly	Hong Kong	10 January 2001	HK$10,000	60%[(a)]	—	Construction works

Notes:

(a) The subsidiaries were acquired during the year ended 31 December 2019. Details are set out in note 26.

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

33. CAPITAL COMMITMENTS

	2019 MOP'000	2018 MOP'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	**1,142**	1,765

34. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of equity attributable to the owners of the Company, comprising issued share capital, share premium, other reserve, 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.

35. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2019 MOP'000	2018 MOP'000
Financial assets		
Financial assets at amortised cost	**264,401**	281,543
Financial asset at FVTPL	**2,564**	—
Financial liabilities		
Amortised cost	**73,731**	63,187

35. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies

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

Market risk

Currency risk

The Group 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	
	2019 MOP'000	2018 MOP'000	**2019 MOP'000**	2018 MOP'000
HK$	**175,726**	198,282	**8,357**	6,874

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.

35. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Market risk *(Continued)*

Interest rate risk

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

The Group's cash flow interest rate risk relates primarily to floating-rate bank balances. 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. Group's exposure towards the change in interest rates is minimal. Hence, no sensitivity is presented for cash flow interest rate risk.

Credit risk and impairment assessment

Credit risk refers to the risk that the Group's counterparties default on their contractual obligations resulting in financial losses to the Group. The Group's credit risk exposures are primarily attributable to trade and other receivables, contract assets, pledged bank deposits and bank balances. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

The Group performed impairment assessment for financial assets and contract assets under ECL model. At the end of the reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties are 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 this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

Trade receivables and contract assets arising from contracts with customers

The Group's construction contracts include payment terms which require progress payments, after deducting the retention monies as disclosed in note 20, over the construction period based on the payment certificates issued by independent architects, surveyors or other representatives appointed by the customers.

35. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

***Credit risk and impairment assessment** (Continued)*

Trade receivables and contract assets arising from contracts with customers (Continued)

The Group is exposed to concentration of credit risk as at 31 December 2019 on trade receivables from the Group's five (2018: two) major customers amounting to MOP53.1 million (2018: MOP47.3 million) and accounted for 71% (2018: 64%) 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.

The Group applies the simplified approach to perform impairment assessment under ECL model, which permits the use of the lifetime expected loss provision for trade receivables and contract assets.

As part of the Group's credit risk management, the Group applies internal credit rating for the customers. As at 31 December 2019, the Group's trade receivables and contract assets are assessed for impairment on an individual basis.

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables/ contract assets	Other financial assets/other items
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL — not credit-impaired	12m ECL
Watch list	Debtor frequently repays after due dates but usually settle in full	Lifetime ECL — not credit-impaired	12m ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL — not credit-impaired	Lifetime ECL — not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL — credit-impaired	Lifetime ECL — credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

35. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment *(Continued)*

The tables below detail the credit risk exposures of the Group's financial assets and contract assets, which are subject to ECL assessment:

	Notes	External credit rating	Internal credit rating	12m or lifetime ECL	2019 Gross carrying amount		2018 Gross carrying amount	
					MOP'000	MOP'000	MOP'000	MOP'000
Financial assets at amortised cost								
Trade receivables	19	N/A	Low risk	Lifetime ECL	17,354		51,977	
			Watch list	Lifetime ECL	58,414		22,207	
			Loss	Lifetime ECL	2,766	78,534	2,766	76,950
Other receivables	19	N/A	Low risk	12m ECL		3,752		2,500
Pledged bank deposits	21	A or above	N/A	12m ECL		63,518		50,279
Bank balances	21	A or above	N/A	12m ECL		122,289		155,201
Other item								
Contract assets	20	N/A	Low risk	Lifetime ECL		61,076		29,121

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 losses recognised	624	2,233	2,857
As at 31 December 2018	624	2,766	3,390
Impairment losses reversed	(624)	—	(624)
Impairment losses recognised	839	—	839
As at 31 December 2019	839	2,766	3,605

35. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

***Credit risk and impairment assessment** (Continued)*

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 losses recognised	121
As at 31 December 2018	121
Impairment losses reversed	(54)
Impairment losses recognised	477
As at 31 December 2019	544

Other receivables

In respect of other receivables as at 31 December 2019, 12m ECL is assessed individually and recognised for an aggregate gross carrying amount of MOP3,752,000 (2018: 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 losses recognised	25
As at 31 December 2018	25
Impairment losses recognised	63
As at 31 December 2019	88

35. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

***Credit risk and impairment assessment** (Continued)*

Pledged bank deposits/bank balances

The Group is exposed to concentration of credit risk as at 31 December 2019 on the Group's pledged bank deposits and bank balances from one (2018: one) major bank amounting to MOP137.6 million (2018: MOP112.7 million) which accounted for 74% (2018: 55%) of the Group's total pledged bank deposits and bank balances. Credit risk on pledged bank deposits and bank balances is limited because the counterparties are reputable banks with high credit ratings assigned by international credit agencies. No impairment allowance was made since the directors of the Company consider the probability of default is negligible as such amounts are receivable from or placed in banks in Macau and Hong Kong that have good credit rating.

Liquidity risk

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

The following table details the Group's remaining contractual maturity for its financial liabilities and derivative instruments. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

Liquidity tables

	Weighted average interest rate %	On demand or less than 3 months MOP'000	Total undiscounted cash flows MOP'000	Carrying amount at 31 December 2019 MOP'000
2019				
Trade and other payables	N/A	71,259	71,259	71,259
Amount due to a non-controlling interest	N/A	2,472	2,472	2,472
		73,731	73,731	73,731

35. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

***Liquidity risk** (Continued)*

Liquidity tables (Continued)

	Weighted average interest rate %	On demand or less than 3 months MOP'000	Total undiscounted cash flows MOP'000	Carrying amount at 31 December 2018 MOP'000
2018				
Trade and other payables	N/A	63,187	63,187	63,187

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

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair value of these financial assets are determined.

Fair value hierarchy at 31 December 2019:

	Level 3 MOP'000
Financial asset at FVTPL:	
Contingent Consideration Adjustment	2,564

There were no transfer between Level 1, 2 and 3 during the year.

35. FINANCIAL INSTRUMENTS (Continued)

Fair value (Continued)

***Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis** (Continued)*

Reconciliation of asset measured at fair value based on Level 3:

	Contingent Consideration Adjustment MOP'000
At 1 January 2018 and 31 December 2018	—
Arising from acquisition of subsidiaries (note 26)	2,564
As at 31 December 2019	2,564

The valuation techniques and inputs used in Level 3 fair value measurement are as follows:

Financial asset	**Fair value as at**		**Fair value hierarchy**	**Valuation technique and key input(s)**	**Significant unobservable input(s)**
	31/12/2019 MOP'000	31/12/2018 MOP'000			
Contingent Consideration Adjustment	**2,564**	—	Level 3	Discounted cash flow method was used to capture the present value of the expected future economic benefits that will be generated from the contingent consideration, based on an appropriate discount rate.	Discount rate of 12.1%. (Note (a)) Probability of securing contracts with a range from 10% to 30%. (Note (b))

Notes:

(a) An increase in the discount rate used in isolation would result in a decrease in the fair value measurement of the Contingent Consideration Adjustment, and vice versa. In 2019, a 1% increase/decrease in the discount rate holding all other variables constant would decrease/increase the carrying amount of the Contingent Consideration Adjustment by MOP60,000.

(b) A slight increase in the probability of securing contracts used in isolation would result in a significant decrease in the fair value measurement of the Contingent Consideration Adjustment, and vice versa. A 3% increase/decrease in the probability of securing contracts holding all other variables constant would decrease/increase the carrying amount of the Contingent Consideration Adjustment by MOP641,000.

35. FINANCIAL INSTRUMENTS (Continued)

Fair value (Continued)

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis *(Continued)*

The Group appointed an independent professional valuer to determine the fair value of the Contingent Consideration Adjustment using the discount cash flow model. The discount cash flow model considers the probability of the possible outcomes and factors the volatility of these outcomes. The fair value is then determined based on the present value of the expected cash flow that are discounted at appropriate discount rates.

36. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	Accrued issue costs MOP'000	**Dividends payable** MOP'000	**Amount due to a non-controlling interest** MOP'000 (Note 23)	**Total** MOP'000
At 1 January 2018	2,186	—	—	2,186
Financing cash flows	(10,013)	—	—	(10,013)
Non-cash change				
Issue costs accrued	10,530	—	—	10,530
At 31 December 2018 and 1 January 2019	2,703	—	—	2,703
Financing cash flows	(2,600)	(6,189)	(1,138)	(9,927)
Non-cash changes				
Dividends declared	—	6,189	—	6,189
Acquisition of subsidiaries (note 26)	—	—	3,610	3,610
At 31 December 2019	103	—	2,472	2,575

37. 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:

	2019 MOP'000	2018 MOP'000
Non-current asset		
Investment in a subsidiary	70,402	—#
Current assets		
Other receivables	557	1,102
Amounts due from subsidiaries	16,568	65,740
Bank balances and cash	3,760	1,589
	20,885	68,431
Current liabilities		
Other payables	1,494	3,951
Amounts due to subsidiaries	618	540
	2,112	4,491
Net current assets	18,773	63,940
Net assets	89,175	63,940
Capital and reserves		
Share capital	6,189	6,189
Reserves	82,986	57,751
Total equity	89,175	63,940

Less than MOP1,000

37. STATEMENT OF FINANCIAL POSITION AND RESERVE OF THE COMPANY

(Continued)

Movement in the reserves of the Company is as follows:

	Share premium MOP'000	(Accumulated losses) retained earnings MOP'000	Total MOP'000
At 1 January 2018	—	(10,251)	(10,251)
Loss and total comprehensive expense for the year	—	(14,562)	(14,562)
Issue of new shares upon listing of the Company's shares on the Stock Exchange	102,119	—	102,119
Capitalisation issue	(4,641)	—	(4,641)
Share issuance costs	(14,914)	—	(14,914)
At 31 December 2018	82,564	(24,813)	57,751
Profit and total comprehensive income for the year	—	31,424	31,424
Dividends paid	—	(6,189)	(6,189)
At 31 December 2019	82,564	422	82,986

38. EVENT AFTER THE REPORTING PERIOD

The global outbreak of COVID-19 may have negative impact on the operations of the Group.

As the situation remains fluid as at the date these financial statements are authorised for issue, the directors of the Company considered that the financial effects of the COVID-19 outbreak on the Group's consolidated financial statements cannot be reasonably estimated. Nevertheless, the COVID-19 outbreak is expected to have an unfavourable impact on the consolidated results of the Group for the first half and full year of 2020.

FINANCIAL SUMMARY

	2019 MOP'000	2018 MOP'000	2017 MOP'000	2016 MOP'000	2015 MOP'000
RESULTS					
For the five years ended 31 December 2015, 2016, 2017, 2018 and 2019					
Revenue	**351,542**	262,597	185,201	371,255	399,079
Profit before taxation	**24,242**	30,216	40,573	66,444	59,391
Taxation	**(3,900)**	(5,522)	(4,772)	(6,178)	(5,505)
Profit and total comprehensive income for the year	**20,342**	24,694	35,801	60,266	53,886
ASSETS AND LIABILITIES					
As at 31 December					
Total assets	**393,418**	375,823	253,351	577,003	535,274
Total liabilities	**(137,233)**	(134,586)	(125,561)	(200,688)	(218,149)
Net assets	**256,185**	241,237	127,790	376,315	317,125

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 and 2015 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 3 to the consolidated financial statements.

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