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## **AB BUILDERS GROUP LIMITED**

**奧邦建築集團有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 01615)**

### **SUPPLEMENTAL ANNOUNCEMENT TO 2019 ANNUAL REPORT AND CHANGE IN USE OF PROCEEDS**

Reference is made to the section headed “Future Plans and Use of Proceeds” in the prospectus of AB Builders Group Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) dated 27 August 2018 (the “**Prospectus**”) and the section headed “Use of Proceed” in the annual report of the Company for the financial year ended 31 December 2019 (the “**2019 Annual Report**”). Unless otherwise defined, capitalised terms used herein shall have the same meanings as those defined in the 2019 Annual Report.

This announcement is made to provide supplemental information for the section headed “Use of Proceeds” in the 2019 Annual Report and the recent update to the use of proceeds from the Global Offering upon the listing of the Company’s securities on The Stock Exchange of Hong Kong Limited on 10 September 2018 (the “**Listing**”).

The Company has raised gross proceeds of approximately HK\$100.5 million upon the Listing. After deducting the listing expenses, the net proceeds were approximately HK\$61.2 million upon Listing. Such net proceed are intended to be applied in the same manner and the same proportion as disclosed in the Prospectus, saved as otherwise disclosed in the announcement.

In addition to the information disclosed in the section headed “Use of Proceeds” in the 2019 Annual Report, the Board of Directors (the “**Board**”) of the Company would like to provide additional information pursuant to paragraph 11(8) of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited in relation to the use of proceeds as follows:

## ADDITIONAL INFORMATION ON 2019 ANNUAL REPORT

The intended use of net proceeds up to 31 December 2019 and the expected timelines are set out in the table below:

Intended use of net proceeds	Planned use	HKD million		Expected timeline for utilising the remaining net proceeds up to 31 Dec 2019 <i>(Note)</i>
		Utilised up to 31 Dec 2019	Unutilised up to 31 Dec 2019	
Financing the Group’s construction projects and strengthening the financial position (43%)	26.4	26.4	—	N/A
Purchasing suitable new machinery for forthcoming construction works (27%)	16.5	0.7	15.8	On or before December 2022
Potential merger and acquisition (10%)	6.1	—	6.1	On or before December 2021
Hire additional staff for the Group’s business operation (10%)	6.1	2.5	3.6	On or before December 2022
General working capital (10%)	6.1	4.3	1.8	On or before June 2021
Total	61.2	33.9	27.3	

*Note*

*Please see the section headed, “Change in use of proceeds” for the proposed change in use of proceeds.*

## CHANGE IN USE OF PROCEEDS

For reasons set out in the paragraph headed “Reasons for and benefits of the change in use of proceeds” below, the Board of the Company has resolved to change the use of proceeds as marked for purchasing suitable new machinery for forthcoming construction works by reallocating to: 1) financing the Group’s construction projects and strengthening the financial position; and 2) hire additional staffs for the Group’s business operation. The revised allocation of the net proceeds is set out in the table below:

Intended use of net proceeds	Planned use	HKD million		Revised allocation of Unutilised net proceeds	Expected timeline for utilising the remaining net proceeds ( <i>Note</i> )
		Utilised up to 30 June 2020	Unutilised up to 30 June 2020		
Financing the Group’s construction projects and strengthening the financial position	26.4	26.4	—	9.2	On or before December 2021
Purchasing suitable new machinery for forthcoming construction works	16.5	1.9	14.6	—	N/A
Potential merger and acquisition	6.1	—	6.1	6.1	On or before December 2021
Hire additional staff for the Group’s business operation	6.1	3.3	2.8	8.2	On or before December 2022
General working capital	6.1	4.9	1.2	1.2	On or before June 2021
Total	<u>61.2</u>	<u>36.5</u>	<u>24.7</u>	<u>24.7</u>	

### *Note*

The expected timelines for utilising the remaining net proceeds is based on the best estimation made by the Group barring unforeseen circumstances. It may be subject to further change based on the future development of the market conditions.

## REASONS FOR AND BENEFITS OF THE CHANGE IN USE OF PROCEEDS

### Potential Merger and Acquisition in Macau:

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 on 10 September 2019 (the “**Acquisition**”) as per the announcement on 10 September 2019. The Acquisition enables the Company to tap into the construction market in Hong Kong.

In addition, the Group’s subsidiary, San Fong Seng Construction & Engineering Co., Limited, a company incorporated in Macau, obtained the Macao Construction and Related Engineering Consulting Qualification Record Certification by the Hengqin New District of Zhuhai City recently (the “**Certification**”) on 3 July 2020. This allows the Group to commence its construction business in Hengqin.

The Acquisition and the Certification enable the Group to capture business opportunities arising from Guangdong-Hong Kong-Macau Greater Bay Area. As at the date of this announcement, the Group has not identified any suitable target company in Macau that the Board considers to be beneficial to the Group and its shareholders as a whole. In order to solidify the construction business and create synergy for the business of the Group, the Group would like to extend the scope of potential merger and acquisition and other investment targets to cover those in the Mainland China and Hong Kong, and to consider upstream and downstream expansion, including the provision of construction-related materials and products. The Board is of the view that this extension will enable the Group to have a higher degree of flexibility in managing financial resources for the potential merger and acquisition and other investment targets. As at the date of this announcement, the Group is still soliciting suitable target company that is beneficial to the Group’s development, including a recent negotiation on a potential investment in a company in HK in providing construction-related materials and products in a preliminary stage and will make further announcement when appropriate.

## **Purchasing suitable new machinery:**

Since the Listing, the Group has been tendering some large-scale structural works projects with contract sum over MOP100 million yet was able to award such projects as expected due to the keen competition in the Macau's structural works market. Although the Group has continued its effort in tendering large-scale structural works projects, no project with contract sum over MOP100 million was awarded. The Board considers that further investment in purchase of machines may not be able to make a breakthrough in the Group's business and generate satisfactory financial results and return for the Group given the outbreak of coronavirus ("**COVID-19**") where competition in Macau construction industry has become more intense, especially for structural works projects and some construction works or development plan may be delayed. Having considered the above, the Group's latest business development and needs, and in order to better utilise the unutilised net proceeds, originally allocated for purchasing suitable machinery in the short run, the Board is of the view that the unutilised net proceeds should be better to reallocate to: (i) financing the Group's construction projects and strengthening the financial position; and (ii) hire additional staff for the Group's business operation to solidify our competitiveness in the market and develop the strategy for the Group's future growth (the "**Reallocation**"). The Board is of the view that the Reallocation serves the purpose of achieving effective deployment of the Group's financial resources.

The Board will continuously evaluate the plans for use of the unutilised net proceeds and may revise the plans where necessary in responses to the changing market conditions and strive for better business performance of the Group.

Based on the interest of the Company and its Shareholders as a whole, and in view of strengthening the efficiency and effectiveness of the capital use, the use of proceeds is appropriately adjusted to better meet the current business needs of the Company as mentioned above. The Board confirms that there is no material change in the business nature of the Group as set out in the Prospectus and considered that the proposed change will not have any material adverse impact on the operations of the Group and is in the best interests of the Company and its shareholders as a whole.

The above supplemental information does not affect other information contained in the 2019 Annual Report and save as disclosed above, all other information in the 2019 Annual Report remains unchanged. Save as disclosed in this announcement, there is no material delay or change in the use of proceeds. Should there be any material delay or further change in the use of proceeds, further announcement(s) will be made by the Company as and when appropriate.

By Order of the Board  
**AB Builders Group Limited**  
**Lao Chio Seng**  
*Chairman and executive Director*

Macau, 27 August 2020

*As at the date of this announcement, the Board comprises five executive Directors, namely Mr. Lao Chio Seng, Ms. Lao Chao U, Ms. Lao Ka U, Mr. Cheang Iek Wai and Mr. Ip Kin Wa; and three independent non-executive Directors, namely Mr. Chu Yat Pang Terry, Mr. O' Yang Wiley and Mr. Choy Wai Shek, Raymond, MH, JP.*