Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2020

The board of directors (the "**Board**") of AB Builders Group Limited (the "**Company**") hereby announces the unaudited interim results of the Company and its subsidiaries for the six months ended 30 June 2020. This announcement complies with the relevant requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited in relation to information to accompany preliminary announcements of interim results.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

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

The Company's 2020 interim report will be despatched to shareholders and published on the websites of the Company and The Stock Exchange of Hong Kong Limited in due course.

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

Macau, 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. Choy Wai Shek, Raymond, MH, JP and Mr. O'Yang Wiley.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Six months ended 30 June	
		2020	2019
	NOTES	***MOP' 000***	*MOP' 000*
		(unaudited)	(unaudited)
Revenue	*3*	**109,693**	178,853
Cost of sales		**(110,045)**	(150,187)
Gross (loss)/profit		**(352)**	28,666
Other income		**2,035**	2,093
Other losses		**(23)**	(42)
Impairment losses under expected credit loss model, net of reversal		**(1,953)**	(1,476)
Administrative expenses		**(15,578)**	(11,675)
Finance Costs		**(3)**	—
(Loss)/Profit before taxation		**(15,874)**	17,566
Income tax credit/(expenses)	*5*	**1,571**	(2,402)
(Loss)/Profit and total comprehensive (expense)/income for the period	*6*	**(14,303)**	15,164
(Loss)/Profit and total comprehensive (expense)/income for the period attributable to:			
Owners of the Company		**(12,403)**	15,164
Non-controlling interests		**(1,900)**	—
		(14,303)	15,164
(Loss)/Earnings per share			
– Basic (MOP)	*8*	**(0.02)**	0.03

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	NOTES	**As at 30 June 2020** *MOP' 000* **(unaudited)**	As at 31 December 2019 *MOP' 000* (audited)
Non-current assets			
Property, plant and equipment	*9*	**46,138**	45,621
Right-of-use asset	*9*	**653**	—
Deposits for acquisition of property, plant and equipment		**—**	761
Intangible assets		**905**	1,810
Goodwill		**1,510**	1,510
Financial asset at fair value through profit or loss		**2,564**	2,564
Deferred tax assets		**1,422**	—
		53,192	52,266
Current assets			
Trade and other receivables	*10*	**106,804**	94,812
Contract assets	*11*	**39,131**	60,532
Pledged bank deposits		**63,616**	63,518
Bank balances and cash		**149,634**	122,290
		359,185	341,152
Current liabilities			
Trade and other payables	*12*	**137,559**	129,339
Contract liabilities	*11*	**23,603**	206
Amount due to a non-controlling shareholder of a subsidiary		**3,601**	2,472
Lease liability		**334**	—
Tax payable		**4,833**	4,833
		169,930	136,850
Net current assets		**189,255**	204,302
Total assets less current liabilities		**242,447**	256,568

	NOTE	As at 30 June 2020 MOP' 000 (unaudited)	As at 31 December 2019 MOP' 000 (audited)
Non-current liabilities			
Lease liability		**321**	—
Deferred tax liabilities		**234**	383
		555	383
Net assets		**241,892**	256,185
Capital and reserves			
Share capital	*13*	**6,189**	6,189
Reserves		**236,685**	249,088
Equity attributable to owners of the Company		**242,874**	255,277
Non-controlling interests		**(982)**	908
Total equity		**241,892**	256,185

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

1. GENERAL INFORMATION AND BASIS OF PREPARATION

The Company was incorporated in the Cayman Islands with limited liability on 23 February 2017 and its shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 10 September 2018.

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

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" issued by the International Accounting Standards Board ("IASB") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange.

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

The outbreak of novel coronavirus ("COVID-19") and the subsequent quarantine measure as well as the travel restrictions imposed by many countries have had negative impacts to the global economy, business environment and directly and indirectly affected the operations of the Group. As a result, there were less potential projects available for tendering and the progress of certain of the Group's on-going projects were delayed. As such, the financial positions and performance of the Group were affected in different aspects, including but not limited to, a reduction in revenue.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed 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.

Other than additional accounting policies resulting from application of amendments to International Financial Reporting Standards ("IFRSs"), the accounting policies and methods of computations used in the condensed consolidated financial statements for the six months ended 30 June 2020 are the same as those presented in the Group's annual financial statements for the year ended 31 December 2019.

Application of amendments to IFRSs

In the current interim period, the Group has applied the Amendments to References to the Conceptual Framework in IFRSs and the following amendments to IFRSs issued by the IASB, for the first time, which are mandatory effective for the annual period beginning on or after 1 January 2020 for the preparation of the Group's condensed consolidated financial statements:

Amendments to IAS 1 and IAS 8	Definition of Material
Amendments to IFRS 3	Definition of a Business
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform

Except as described below, the application of the Amendments to References to the Conceptual Framework in IFRSs and the amendments to IFRSs in the current period has had no material impact on the Group's financial positions and performance for the current period and/or on the disclosures set out in these condensed consolidated financial statements.

Impact of application on Amendments to IAS 1 and IAS 8 "Definition of Material"

The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments in the current period had no impact on the condensed consolidated financial statements. Changes in presentation and disclosures on the application of the amendments, if any, will be reflected on the consolidated financial statements for the year ending 31 December 2020.

3. REVENUE

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

	Six months ended 30 June	
	2020	2019
	MOP' 000	*MOP' 000*
	(unaudited)	(unaudited)
Recognised over time		
Contract revenue from provision of fitting-out works	**62,831**	150,380
Contract revenue from provision of structural works	**46,862**	28,473
	109,693	178,853

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 (2019: from 1 to 2 years).

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.

	At 30 June	
	2020	2019
	MOP' 000	*MOP' 000*
	(unaudited)	(unaudited)
Provision of fitting-out works	**224,603**	132,292
Provision of structural works	**14,067**	24,073
	238,670	156,365

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 30 June 2020 will be recognised as revenue during the years ending 31 December 2020 to 2021 (2019: during the years ended/ending 31 December 2019 to 2020) in respect of provision of fitting-out works and structural works, respectively.

4. 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 period ended 30 June 2020 (unaudited)

	Fitting-out works *MOP' 000*	Structural works *MOP' 000*	Total *MOP' 000*
Segment revenue – external	**62,831**	**46,862**	**109,693**
Segment results	**(3,424)**	**3,072**	**(352)**
Administrative expenses			**(15,578)**
Other income and losses			**59**
Finance costs			**(3)**
Loss before taxation			**(15,874)**

For the period ended 30 June 2019 (unaudited)

	Fitting-out works *MOP' 000*	Structural works *MOP' 000*	Total *MOP' 000*
Segment revenue – external	150,380	28,473	178,853
Segment results	21,147	7,519	28,666
Administrative expenses			(11,675)
Other income and losses			575
Profit before taxation			17,566

Segment results represent the (loss)/profit before taxation resulted from each segment without allocation of administrative expenses, other income, other losses, impairment losses under expected credit loss model, net of reversal and finance costs. This is the measure reported to the CODM for the purposes of resource allocation and assessment of segment performance.

Geographical information

The Group's operations are mainly located in Macau. The geographical location of the Group's non-current assets is substantially situated 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).

5. INCOME TAX CREDIT/(EXPENSES)

	Six months ended 30 June	
	2020 ***MOP' 000*** **(unaudited)**	2019 *MOP' 000* (unaudited)
Current tax:		
Macau Complementary Tax	**—**	2,402
Deferred tax	**1,571**	—
	1,571	2,402

6. (LOSS)/PROFIT AND TOTAL COMPREHENSIVE (EXPENSE)/INCOME FOR THE PERIOD

	Six months ended 30 June	
	2020	2019
	MOP' 000	*MOP' 000*
	(unaudited)	(unaudited)
(Loss)/profit and total comprehensive (expense)/income for the period has been arrived at after charging:		
Contract costs recognised as expense		
Fitting-out works	**66,255**	129,233
Structural works	**43,790**	20,954
	110,045	150,187
Depreciation of property, plant and equipment	**1,447**	1,298
Depreciation of right-of-use asset	**29**	—
Amortisation of intangible assets (included in administrative expenses)	**905**	—

7. DIVIDENDS

No dividends were paid, declared or proposed during the current interim period. The directors of the Company have not recommended the payment of an interim dividend for both interim periods.

The dividend recognised as a distribution during the period ended 30 June 2019 represents a final dividend of HK$0.01 per share in respect of the year ended 31 December 2018 amounting to HK$6,000,000 (equivalent to approximately MOP6,189,000), which was declared and approved by the Company's shareholders at the annual general meeting on 30 May 2019.

8. (LOSS)/EARNINGS PER SHARE

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

	Six months ended 30 June	
	2020	2019
	MOP' 000	*MOP' 000*
	(unaudited)	(unaudited)
(Loss)/Earnings		
(Loss)/Profit and total comprehensive (expense)/income for the period attributable to the owners of the Company	**(12,403)**	15,164

	Six months ended 30 June	
	2020	2019
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic (loss)/earnings per share	**600,000**	600,000

Diluted (loss)/earnings per share are not presented as there were no potential ordinary shares in issue during both periods.

9. PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSET

During the six months ended 30 June 2020, the Group made additions to furniture, fixtures and equipment of MOP1,964,000 (six months ended 30 June 2019: MOP1,441,000).

During the six months ended 30 June 2020, the Group entered into a new lease agreement with lease term for 2 years. The Group is required to make fixed monthly payments during the lease term. On lease commencement, the Group recognised right-of-use asset of MOP682,000 (six months ended 30 June 2019: Nil) and lease liabilities of MOP682,000 (six months ended 30 June 2019: Nil).

10. TRADE AND OTHER RECEIVABLES

	At 30 June 2020	**At 31 December** 2019
	MOP' 000	*MOP' 000*
	(unaudited)	(audited)
Trade receivables, net of loss allowance	**74,747**	74,929
Advances paid to subcontractors and suppliers	**25,127**	13,715
Other receivables, prepayment and deposits	**6,930**	6,168
Total trade and other receivables	**106,804**	94,812

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

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

	At 30 June 2020	**At 31 December** 2019
	MOP' 000	*MOP' 000*
	(unaudited)	(audited)
1 – 30 days	**47,696**	54,612
31 – 60 days	**3,617**	7,023
61 – 90 days	**—**	2,431
Over 90 days	**23,434**	10,863
	74,747	74,929

11. CONTRACT ASSETS (LIABILITIES)

	At 30 June 2020 MOP' 000 (unaudited)	At 31 December 2019 MOP' 000 (audited)
Analysed for reporting purposes, on a net basis of each receptive contract as:		
Contract assets	**39,131**	60,532
Contract liabilities	**(23,603)**	(206)
	15,528	60,326

As at 30 June 2020, contract assets and liabilities include retention receivables held by customers for contract works amounting to MOP39,131,000 (31 December 2019: MOP48,474,000).

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 30 June 2020, contract assets and liabilities include advances received from customers amounting to MOP29,887,000 (31 December 2019: MOP3,095,000).

The changes in contract assets and liabilities are due to i) adjustments arising from changes in the measure of progress of construction work, or ii) reclassification to trade receivables when the Group has unconditional right to the consideration.

Contract liabilities as at the end of the reporting period will be recognised as revenue during the years ending 31 December 2020 to 2021 (31 December 2019: year ending 31 December 2020).

12. 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.

	At 30 June 2020 MOP' 000 (unaudited)	At 31 December 2019 MOP' 000 (audited)
Trade payables	**24,636**	34,521
Retention payables	**34,936**	36,738
Accrued contract costs	**71,389**	49,120
Accruals and other payables	**6,598**	8,960
Total trade and other payables	**137,559**	129,339

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

	At 30 June 2020 *MOP' 000* **(unaudited)**	At 31 December 2019 *MOP' 000* (audited)
1 – 30 days	**21,860**	33,206
31 – 60 days	**—**	602
Over 60 days	**2,776**	713
	24,636	34,521

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.

13. SHARE CAPITAL

	Number of shares *'000*	**Share capital** *MOP' 000*
Ordinary shares of HK$0.01 each		
Authorised:		
At 1 January 2019, 31 December 2019 and 30 June 2020	10,000,000	103,150
Issued and fully paid:		
At 1 January 2019, 31 December 2019 and 30 June 2020	600,000	6,189

14. PERFORMANCE GUARANTEES/BID BONDS

As at 30 June 2020, performance guarantees of MOP24,914,000 (31 December 2019: MOP46,765,000) were given by banks in favour of the Group's customers as security for the due performance and observance of the Group's obligations under the contracts entered into between the Group and its customers. If the Group fails to provide satisfactory performance to its customers to whom performance guarantees have been given, such customers may demand the banks to pay to them the sum or sum stipulated in such demand. The Group will become liable to compensate such banks accordingly. The performance guarantees will be released upon completion of the contract works. The performance guarantees were granted under the banking facilities of the Group which were secured by:

(i) a legal charge over the office premises of the Group; and

(ii) pledged bank deposits.

As at 30 June 2020, bid bonds of MOP23,641,000 (31 December 2019: MOP2,230,000), were given by banks for bidding the projects offered by the government of Macau.

In the opinion of the management of the Group, they do not consider it is probable that a claim will be made against the Group in respect of the above performance guarantees or bid bonds.

15. RELATED PARTY TRANSACTIONS

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:

	Six months ended 30 June	
	2020	2019
	MOP' 000	*MOP' 000*
	(unaudited)	(unaudited)
Fee	**371**	371
Salaries and other allowances	**3,361**	3,099
Retirement benefits scheme contributions	**3**	3
	3,735	3,473

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

16. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Contingent consideration adjustment classified as financial assets at fair value through profit or loss ("**FVTPL**") with the fair value as at 30 June 2020 of MOP2,564,000 (31 December 2019: MOP2,564,000) is categorised as Level 3 of fair value hierarchy. Discounted cash flow model with key inputs of discount rate of 12.0% (31 December 2019: 12.1%) and probability of securing contracts with a range from 8% to 10% (31 December 2019: 10% to 30%) are adopted. A significant increase in the discount rate and/or decrease in probability of securing contracts would result in a significant decrease in the fair value of the contingent consideration adjustment, and vice versa.

There were no transfers into or out of Level 3 during the period.

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

From the beginning of 2020, due to the outbreak of novel coronavirus ("**COVID-19**"), many on-going construction projects have been suspended and less biddings are available in the industry during the first half of 2020. Therefore, the Group's business performance has been severely affected unavoidably. For the six months ended 30 June 2020, the Group made a revenue of approximately MOP109.7million, which represented a decrease of approximately MOP69.2 million or approximately 38.7% over the corresponding period of last year. Accordingly, the Group recorded a significant net loss of MOP14.3 million in the first half of 2020, as compared with a net profit of MOP15.2million in the same period of 2019.

During the six months ended 30 June 2020, the Group has been awarded with 8 fitting-out works projects with an aggregate contract sum of approximately MOP99.0 million.

As at 30 June 2020, the Group had 33 on-going projects (either in progress or yet to commence), including 6 structural works projects and 27 fitting-out works projects.

Outlook and prospects

Due to the escalating China-US trade tension and the spread of COVID-19, the global economy is witnessing a recession, and Macau's economy also be adversely affected. The real GDP of Macau for the first half of 2020 has decreased by 67.8% year on year. With the above challenges, the construction industry in Macau and Hong Kong have been surrounded by negative investment environment in the first half of 2020, and lead to the delay of construction projects and less availability of projects in the market. The Group expect that the financial performance in 2020 will be negatively affected.

Though the global economy environment is still under the shadow of various challenges, it is expected that the economy in Macau will recover gradually and the postponed projects will be resumed progressively in the second half of 2020, with the effective control of COVID-19 in Macau and the Mainland China.

To cope with the challenges, the Board has adopted effective cost control measures such as salary adjustment and reduction on administrative expenses, so as to minimize the impact of the economic uncertainties. The Group has also been actively participating in the bidding of both government and private sector projects.

In addition, the Group's subsidiary, San Fong Seng Construction and Engineering Co., Limited, has obtained the Macao Construction and Related Engineering Consulting Enterprise Qualification Record Certification by the Hengqin New District of Zhuhai City recently. The qualification has further solidified the Group's position in the construction industry and allowed the Group to commence its construction business in Hengqin.

Looking ahead, the Group will continue to look for any opportunities arising from Guangdong-Hong Kong-Macau Greater Bay Area through merger and acquisition, partnership with reputable enterprises and tendering aggressively to expand the Group's business portfolio.

The Board strongly believes that the above measures can help the Group maintain a sustainable and healthy financial position and solidify its competitiveness in the construction market in Macau and Hong Kong. Looking ahead, the Board remain cautiously optimistic about the development of the construction industry, as well as the long-term growth of the Group.

FINANCIAL REVIEW

Revenue

The table below sets forth a breakdown of the Group's revenue by types of construction works for the six months ended 30 June 2020 and 2019:

	Six months ended 30 June			
	2020		2019	
	MOP' 000	*%*	*MOP' 000*	*%*
Types of construction works				
Fitting-out works	**62,831**	**57.3**	150,380	84.1
Structural works	**46,862**	**42.7**	28,473	15.9
Total	**109,693**	**100.0**	178,853	100.0

For the six months ended 30 June 2020, the Group's revenue decreased by approximately MOP69.2 million or 38.7% as compared with the corresponding period of the last year. Such decrease was mainly attributable to the decrease in revenue generated from fitting-out works projects of approximately MOP87.5 million or 58.2% as a result of the delay of the progress of certain on-going projects together with the continuing macro-economics pressure arising from the outbreak of COVID-19 and the China-US trade tension. This was partially offset by the increase in the revenue of structural works projects due to a substantial portion of works of a project, awarded in late 2019, was performed and certified during the six months ended 30 June 2020.

Gross (loss)/profit and gross (loss)/profit margin

The following table sets forth a breakdown of the Group's gross (loss)/profit and gross (loss)/profit margin by types of construction works for the six months ended 30 June 2020 and 2019:

	Six months ended 30 June			
	2020		2019	
	Gross (loss)/ profit	**Gross (loss)/ profit margin**	Gross profit	Gross profit margin
	MOP' 000	***%***	*MOP' 000*	*%*
Types of construction works				
Fitting-out works	**(3,424)**	**(5.4)**	21,147	14.1
Structural works	**3,072**	**6.6**	7,519	26.4
Total	**(352)**	**(0.3)**	28,666	16.0

For the six months ended 30 June 2020, the Group recorded a gross loss of approximately MOP0.4 million whereas for the six months ended 30 June 2019, the Group generated a gross profit of approximately MOP28.7 million.

For the six months ended 30 June 2020, there was a gross loss margin of fitting-out work projects of approximately 5.4% whereas for the six months ended 30 June 2019, there was a gross profit margin of approximately 14.1%. The change was mainly due to the delay in the progress of certain on-going projects as a result of the outbreak of COVID-19.

The gross profit margin of structural works projects was decreased by 19.8 percentage points from approximately 26.4% for the six months ended 30 June 2019 to 6.6% for the six months ended 30 June 2020. The reduction was a result of the increase in the revenue recognition from a project with lower margin due to the increasingly competitive environment of the construction industry.

Other income

For the six months ended 30 June 2020, the other income of approximately MOP2.0 million mainly consisted of the bank interest income and the subsidies from governments of both Macau SAR and HKSAR following the economic recession due to the outbreak of COVID-19. The other income of approximately MOP 2.1 million for the six months ended 30 June 2019 mainly consisted of the bank interest income.

Other losses

The other losses of approximately MOP23,000 for the six months ended 30 June 2020 mainly consisted of net exchange losses and donation. For the six months ended 30 June 2019, the other losses of approximately MOP42,000 mainly consisted of net exchange losses.

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 was increased by MOP0.5 million or 32.3% in view of the delay in collecting the settlement from customers following the outbreak of COVID-19.

Administrative expenses

Administrative expenses were increased by approximately MOP3.9 million from approximately MOP11.7 million for the six months ended 30 June 2019 to approximately MOP15.6 million for the six months ended 30 June 2020. The increase was mainly attributable to the expansion in Hong Kong market through the indirect acquisition of 60% equity interest in Lap Polly Engineering Company Limited since September, 2019.

Income tax credit/(expense)

The income tax credit for the six months ended 30 June 2020 was approximately MOP1.6 million as compared to the income tax expense of approximately MOP2.4 million for the six months ended 30 June 2019. Such change was mainly attributable to: (i) the Group generated a loss for the six months ended 30 June 2020; and (ii) the deferred tax impact arising from the amortization of intangible assets and tax losses.

(Loss)/Profit for the period

The loss for the six months ended 30 June 2020 was approximately MOP14.3 million as compared to the profit of approximately MOP15.2 million for the six months ended 30 June 2019. Such change was mainly due to the combined effect of the aforementioned items.

Dividend

No dividend was paid, declared or proposed during the six months ended 30 June 2020. The directors of the Company have not recommended the payment of an interim dividend for both interim periods.

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 20 of this interim results announcement.

The Group's capital expenditure and daily operations during the six months ended 30 June 2020 were mainly funded by cash generated from its operations.

The total cash and bank balances together with the pledged bank deposits as at 30 June 2020 was approximately MOP213.3 million, compared to approximately MOP185.8 million as at 31 December 2019. The increase of approximately MOP27.5 million was mainly related to tighten cost control as a result of the economic recession following the outbreak of COVID-19.

As at 30 June 2020, the Group had no outstanding borrowings and had unutilized banking facilities of approximately MOP192.8million (31 December 2019: MOP191.1 million).

The current ratio of our Group as at 30 June 2020 was 2.1 times as compared to that of 2.5 times as at 31 December 2019.

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. There has been no change in the capital structure of the Group during the six months ended 30 June 2020.

Future plans for material investments and capital assets

Save as disclosed in the prospectus of the Company dated 27 August 2018 and in this results announcement, the Group did not have other plans for material investments or capital assets.

Pledge of assets

As at 30 June 2020, the Group's office premise of approximately MOP41.4 million (31 December 2019: MOP42.2 million) and certain bank deposits of approximately MOP63.6 million (31 December 2019: MOP63.5 million) were pledged with banks to secure the banking facilities including performance guarantees and bid bonds issued by the banks.

Capital commitment

As at 30 June 2020, the Group did not have any significant capital commitments (31 December 2019: MOP1.1 million).

Significant investments, acquisition and disposals

The Group did not have any significant investment, acquisition and disposals during the six months ended 30 June 2020.

Exposure to exchange rate fluctuation

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

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

Employee and remuneration policies

As at 30 June 2020, the Group had 119 (31 December 2019: 115) full time employees. The increase in the number of employees was mainly due to the increase in the number of workers to catch up the delay in the progress of the previous postponed projects. 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 period ended 30 June 2020 were approximately MOP21.4 million (30 June 2019: MOP17.2 million).

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 six months ended 30 June 2020.

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;

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

— The worldwide economic recession due to the rapid and wide-spread of COVID-19 and the on-going China-US trade tension.

USE OF PROCEED

The Company has raised gross proceeds of approximately HK$100.5 million through the Global Offering upon the listing of the Company's securities on the Main Board of the Stock Exchange of Hong Kong Limited on 10 September 2018. After deducting the listing expenses, the net proceeds were approximately HK$61.2 million. According to the announcement of the Company on 27 August 2020, the Board of the Company has resolved to reallocate the unutilized net proceeds up to 30 June 2020 (the "**Reallocation**"). The table below sets out the details of the Reallocation. The Board is of the view that it is in the best interests of the Company and its shareholders as a whole.

As of 30 June 2020, the net proceeds from the Global Offering had been applied as follows:

	HKD million				
Intended use of net proceeds	**Planned use**	**Utilised up to 30 June 2020**	**Unutilised up to 30 June 2020**	**Revised allocation of unutilised net proceeds** *(Note 1)*	**Expected timeline for utilising the remaining net proceeds** *(Note 2)*
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	61.2	36.5	24.7	24.7	

Note 1 As at 30 June 2020, the unutilised net proceeds from Global Offering were deposited in the times deposit account of the bank of the Group.

Note 2 The expected timelines for utilizing 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 condition.

EVENTS AFTER THE REPORTING PERIOD

Except another wave of COVID-19 inflection has been spreading fast and wide in Hong Kong, the Board is not aware of any significant event requiring disclosure that has taken place subsequent to 30 June 2020 and up to the date of this announcement.

OTHER INFORMATION

CORPORATE GOVERNANCE

The Company has applied the principles and the code provisions set out in the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange as its own code of corporate governance. During the six months ended 30 June 2020, to the best knowledge of the Board, the Company has complied with all the applicable code provisions set out in the CG code.

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

During the six months ended 30 June 2020, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the "**Model Code**"), as its own code of conduct regarding securities transactions by the directors of the Company. Having made specific enquiries of all directors, all directors confirmed that they have complied with the required standards as set out in the Model Code throughout the six months ended 30 June 2020.

AUDIT COMMITTEE

The Company established an audit committee on 17 August 2018 in compliance with Rule 3.21 of the Listing Rules. Written terms of reference in compliance with paragraph C.3.3 of the CG Code has been adopted and are available on the websites of the Stock Exchange and the Company. The primary roles of the audit committee include, but are not limited to, (a) making recommendations to the Board on the appointment, reappointment and removal of the external auditor, and approving the remuneration and terms of engagement of the external auditor; (b) monitoring integrity of the financial statements and reviewing significant financial reporting judgements contained in them; and (c) reviewing financial controls, internal control and risk management systems. The audit committee consists of three independent non-executive directors, namely Mr. 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 unaudited condensed consolidated financial statements for the six months ended 30 June 2020 have been reviewed by the audit committee and the Group's auditor, Messrs. Deloitte Touche Tohmatsu.