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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)**

## **ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2022**

The board of directors (the “**Board**”) of AB Builders Group Limited (the “**Company**”) hereby announces the audited annual results of the Company and its subsidiaries for the year ended 31 December 2022. This announcement complies with the relevant requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited in relation to information to accompany preliminary announcements of annual results.

### **PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT**

This results announcement is available on the website of The Stock Exchange of Hong Kong Limited ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company’s website ([www.abbuildersgroup.com](http://www.abbuildersgroup.com)).

The Company’s 2022 annual report will be despatched to shareholders and published on the websites of the Company and The Stock Exchange of Hong Kong Limited in due course.

By order of the Board of  
**AB Builders Group Limited**  
**Lao Chio Seng**  
*Chairman and Executive Director*

Macau, 27 March 2023

*As at the date of this announcement, the Board comprises five executive directors, namely Mr. Lao Chio Seng, Ms. Lao Chao U, Mr. Roberto Gnanavelu, 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.*

## ANNUAL RESULTS

The board of directors (the “**Board**”) of AB Builders Group Limited (the “**Company**”) is pleased to announce the audited consolidated annual results of the Company and its subsidiaries (collectively the “**Group**”) for the year ended 31 December 2022, together with the comparative figures for the year ended 31 December 2021 as follows:

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*For the year ended 31 December 2022*

	NOTES	2022 MOP'000	2021 MOP'000
Revenue	4	155,013	353,133
Cost of sales		<u>(121,191)</u>	<u>(335,904)</u>
Gross profit		33,822	17,229
Other income	6	6,702	2,349
Other gains and losses		62	(1,053)
Impairment loss under expected credit loss model, net of reversal	7	(9,007)	(92)
Administrative expenses		(22,177)	(28,472)
Finance costs		<u>(2)</u>	<u>(27)</u>
Profit (loss) before taxation		9,400	(10,066)
Income tax credit	8	<u>394</u>	<u>65</u>
Profit (loss) and total comprehensive income (expense) for the year	9	<u><u>9,794</u></u>	<u><u>(10,001)</u></u>
Profit (loss) and total comprehensive income (expense) for the year attributable to:			
Owners of the Company		15,382	(6,642)
Non-controlling interests		<u>(5,588)</u>	<u>(3,359)</u>
		<u><u>9,794</u></u>	<u><u>(10,001)</u></u>
Earnings (loss) per share			
— Basic (MOP cents)	11	<u><u>2.56</u></u>	<u><u>(1.11)</u></u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2022

	NOTES	2022 MOP'000	2021 MOP'000
Non-current assets			
Property, plant and equipment		38,082	39,602
Financial asset at fair value through profit or loss		11,748	—
		<u>49,830</u>	<u>39,602</u>
Current assets			
Inventories		1,152	1,981
Trade and other receivables	12	29,291	78,874
Contract assets		34,878	66,150
Pledged bank deposits		67,097	66,233
Short-term bank deposits		103,171	—
Bank balances and cash		43,178	115,050
		<u>278,767</u>	<u>328,288</u>
Current liabilities			
Trade and other payables	13	126,130	158,255
Lease liabilities		—	148
Tax payable		382	776
Bank overdrafts		—	16,655
		<u>126,512</u>	<u>175,834</u>
Net current assets		<u>152,255</u>	<u>152,454</u>
Total assets less current liabilities		<u>202,085</u>	<u>192,056</u>
Net assets		<u><u>202,085</u></u>	<u><u>192,056</u></u>
Capital and reserves			
Share capital		6,189	6,189
Reserves		207,289	191,672
Equity attributable to owners of the Company		213,478	197,861
Non-controlling interests		(11,393)	(5,805)
Total equity		<u><u>202,085</u></u>	<u><u>192,056</u></u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands with limited liability on 23 February 2017 and its shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 10 September 2018. In the opinion of the directors, the ultimate controlling shareholders of the Company are Mr. Lao Chio Seng (“**Mr. Lao**”) and Ms. Wong Hio Mei, spouse of Mr. Lao, 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.

The Company acts as investment holding company and its subsidiaries are principally engaged in provision of construction services including fitting-out works and structural works, and sales of air purification unit/system.

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

## 2. APPLICATION OF AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (“**IFRSs**”)

### *Amendments to IFRSs that are mandatorily effective for the current year*

In the current year, the Group has applied the following amendments to IFRSs issued by the International Accounting Standards Board (“**IASB**”) for the first time, which are mandatorily effective for the Group’s annual periods beginning on or after 1 January 2022 for the preparation of the consolidated financial statements:

Amendments to IFRS 3	Reference to the Conceptual Framework
Amendment to IFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to IAS 16	Property, Plant and Equipment — Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts — Cost of Fulfilling a Contract
Amendments to IFRSs	Annual Improvements to IFRS Accounting Standards 2018–2020 Cycle

Except as described below, the application of the 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.

### *Impacts on application of Amendments to IFRS 3 Reference to the Conceptual Framework*

The Group has applied the amendments to business combinations for which the acquisition date was on or after 1 January 2022. The amendments update a reference in IFRS 3 Business Combinations so that it refers to the Conceptual Framework for Financial Reporting issued by International Accounting Standards Board in March 2018 (the “**Conceptual Framework**”) instead of the International Accounting Standards Committee’s Framework for the Preparation and Presentation of Financial Statements (replaced by the Conceptual Framework for Financial Reporting issued in September 2010), add a requirement that, for transactions and events within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies, an acquirer applies IAS 37 or IFRIC 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination and add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The application of the amendments in the current year has had no impact on the Group’s consolidated financial statements.

### *Impacts on application of Amendments to IAS 37 Onerous Contracts — Cost of Fulfilling a Contract*

The Group has applied the amendments for the first time in the current year. The amendments specify that, when an entity assesses whether a contract is onerous in accordance with IAS 37, the unavoidable costs under a contract should reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it. Costs of fulfilling the contract include incremental costs and an allocation of other costs that relate directly to fulfilling contracts (e.g. an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

In accordance with the transitional provisions, the amendments are applicable to contracts for which the Group has not yet fulfilled all its obligations as at the date of initial application, 1 January 2022. The application of the amendments in the current year has had no impact on the Group's financial positions and performance.

### **3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS**

The consolidated financial statements have been prepared in accordance with IFRSs issued by the IASB. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. 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 directors of the Company have, at the time of approving the consolidated financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the consolidated financial statements.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period.

### **4. REVENUE**

Revenue represents the aggregate of the amounts received and receivable for construction contracts of fitting-out works, structural works rendered for provision by the Group and sales of air purification unit/system to customers.

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

	<b>2022</b>	2021
	<i><b>MOP'000</b></i>	<i>MOP'000</i>
Recognised over time		
Contract revenue from provision of fitting-out works	<b>154,109</b>	344,097
Contract revenue from provision of structural works	<u>—</u>	<u>8,491</u>
	<b>154,109</b>	352,588
Recognised at a point in time		
Revenue from sales of air purification unit/system	<u><b>904</b></u>	<u>545</u>
	<u><b>155,013</b></u>	<u>353,133</u>

## 5. 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;
- (b) Structural works; and
- (c) Air purification business

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 results*

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

#### **For the year ended 31 December 2022**

	<b>Fitting-out works</b>	<b>Structural works</b>	<b>Air purification business</b>	<b>Total</b>
	<i>MOP’000</i>	<i>MOP’000</i>	<i>MOP’000</i>	<i>MOP’000</i>
Segment revenue — external	<u>154,109</u>	<u>—</u>	<u>904</u>	<u>155,013</u>
Segment results	<u>33,747</u>	<u>—</u>	<u>75</u>	33,822
Administrative expenses				(22,177)
Other income and other gains and losses				6,764
Impairment loss under expected credit loss model, net of reversal				(9,007)
Finance costs				(2)
Profit before taxation				<u>9,400</u>

**For the year ended 31 December 2021**

	Fitting-out works <i>MOP'000</i>	Structural works <i>MOP'000</i>	Air purification business <i>MOP'000</i>	Total <i>MOP'000</i>
Segment revenue — external	<u>344,097</u>	<u>8,491</u>	<u>545</u>	<u>353,133</u>
Segment results	<u>16,919</u>	<u>592</u>	<u>(282)</u>	17,229
Administrative expenses				(28,472)
Other income and other gains and losses				1,296
Impairment loss under expected credit loss model, net of reversal				(92)
Finance costs				<u>(27)</u>
Loss before taxation				<u>(10,066)</u>

**6. OTHER INCOME**

	<b>2022</b> <i>MOP'000</i>	2021 <i>MOP'000</i>
Bank interest income	<b>3,155</b>	1,802
Government grants ( <i>Note</i> )	<b>1,619</b>	200
Others	<b>1,928</b>	347
	<u><b>6,702</b></u>	<u>2,349</u>

*Note:* During the current year, the Group recognised government grant of MOP1,619,000 (2021: MOP200,000) in respect of COVID-19-related subsidies, of which MOP1,619,000 (2021: nil) relates to Employment Support Scheme provided by The Government of the Hong Kong Special Administrative Region.

**7. IMPAIRMENT LOSS UNDER EXPECTED CREDIT LOSS MODEL, NET OF REVERSAL**

	<b>2022</b> <i>MOP'000</i>	2021 <i>MOP'000</i>
Impairment loss recognised (reversed) on:		
Trade receivables	<b>2,471</b>	1,296
Other receivables	<b>2,406</b>	117
Contract assets	<b>4,130</b>	(1,321)
	<u><b>9,007</b></u>	<u>92</u>

## 8. INCOME TAX CREDIT

	2022 <i>MOP'000</i>	2021 <i>MOP'000</i>
Overprovision in prior years:		
Macau Complementary Tax	<u>394</u>	<u>65</u>

Macau Complementary Tax is calculated at 12% of the estimated assessable profits exceeding MOP600,000 for both years. No provision for Macau Complementary Tax has been made as the income tax for current year is absorbed by unused tax losses.

No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the relevant group entities incurred tax losses for both years.

## 9. PROFIT (LOSS) AND TOTAL COMPREHENSIVE INCOME (EXPENSE) FOR THE YEAR

	2022 <i>MOP'000</i>	2021 <i>MOP'000</i>
Profit (loss) and total comprehensive income (expense) for the year has been arrived at after charging (crediting):		
Contract costs recognised as expense ( <i>Note</i> )		
Provision of fitting-out works	120,362	327,178
Provision of structural works	—	7,899
	<u>120,362</u>	<u>335,077</u>
Cost of inventories recognised as expense (including write-down of inventories of MOP311,000 (2021: MOP503,000))	829	827
Staff costs		
Gross staff costs (including directors' emoluments below)	26,500	37,348
Less: Staff costs capitalised to contract costs incurred	<u>(13,333)</u>	<u>(19,401)</u>
	13,167	17,947
Directors' emoluments	4,101	5,624
Auditor's remuneration	547	516
Depreciation of property, plant and equipment	<u>1,522</u>	<u>1,494</u>

*Note:* Included in contract costs was provision of onerous contracts of MOP41,000 (2021: MOP705,000), recognised for provision of fitting-out works during the year ended 31 December 2022.

## 10. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during both years, nor has any dividend been proposed since the end of the reporting period.



## 11. EARNINGS (LOSS) PER SHARE

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

	<b>2022</b> <i>MOP'000</i>	2021 <i>MOP'000</i>
Profit (loss) and total comprehensive income (expense) for the year attributable to owners of the Company	<b><u>15,382</u></b>	<u>(6,642)</u>
	<b>2022</b> <i>'000</i>	2021 <i>'000</i>
Weighted average number of ordinary shares for the purpose of basic earnings (loss) per share	<b><u>600,000</u></b>	<u>600,000</u>

Diluted earnings (loss) per share is not presented as there were no dilutive potential ordinary shares in issue during both years.

## 12. TRADE AND OTHER RECEIVABLES

	<b>2022</b> <i>MOP'000</i>	2021 <i>MOP'000</i>
Trade receivables, net of loss allowance	<b>17,072</b>	55,526
Advances paid to subcontractors and suppliers	<b>8,674</b>	16,595
Other receivables, prepayments and deposits	<b>3,545</b>	6,753
Total trade and other receivables	<b><u>29,291</u></b>	<u>78,874</u>

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 2021, trade receivables, net of loss allowance, from contracts with customers amounted to MOP81,321,000.

The Group generally allows a credit period for 30 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.

	<b>2022</b> <i>MOP'000</i>	2021 <i>MOP'000</i>
1–30 days	<b>13,487</b>	34,536
31–60 days	<b>2,069</b>	12,224
61–90 days	<b>—</b>	471
Over 90 days	<b>1,516</b>	8,295
	<b><u>17,072</u></b>	<u>55,526</u>

### 13. TRADE AND OTHER PAYABLES

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

	2022 <i>MOP'000</i>	2021 <i>MOP'000</i>
Trade payables	15,175	25,737
Retention payables	41,984	51,244
Accrued contract costs	60,725	69,812
Provision of onerous contracts	724	3,995
Accruals	7,522	7,467
	<u>126,130</u>	<u>158,255</u>
Total trade and other payables	<u><u>126,130</u></u>	<u><u>158,255</u></u>

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

	2022 <i>MOP'000</i>	2021 <i>MOP'000</i>
1–30 days	13,795	24,395
31–60 days	4	152
Over 60 days	1,376	1,190
	<u>15,175</u>	<u>25,737</u>
	<u><u>15,175</u></u>	<u><u>25,737</u></u>

### 14. CONTINGENT LIABILITIES

On 20 February 2023, Lap Polly Engineering Company Limited (“Lap Polly”), a partially owned subsidiary, received a notice of arbitration regarding to an alleged claim by joint and several liquidators. The alleged claim arose from disputes prior to the acquisition of Lap Polly on 10 September 2019. As at 31 December 2022, taken into account the opinion of an independent legal advisor that the claim was still at the preliminary stage, the management of the Group was not in a position to suggest the possibility of the result of the claim.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

In 2022, with the ongoing crisis of novel coronavirus (“**COVID-19**”) and continuous geopolitical complications around the world, the global economy remained under pressure during the whole year. Amid the challenging environment, AB Builders Group Limited (the “**Company**” together with its subsidiaries, the “**Group**”) has been actively seeking for business opportunities and projects, so as to increase revenue and drive long-term development. Nevertheless, during the year ended 31 December 2022, the Group recorded a revenue of approximately MOP155.0 million, representing a decrease of approximately MOP198.1 million or approximately 56.1% over the corresponding period of 2021. Accordingly, the Group generated a gross profit of approximately MOP33.8 million for the year ended 31 December 2022, as compared with a gross profit of approximately MOP17.2 million last year.

For the year ended 31 December 2022, the Group completed 12 fitting-out works projects and a structural works project, and was awarded with 9 fitting-out works projects with an aggregate contract sum of approximately MOP66.1 million.

As at 31 December 2022, the Group had 24 on-going projects (either in progress or yet to commence), including 3 structural works projects and 21 fitting-out works projects.

### Outlook and prospects

Stepping into 2023, with the loosening of COVID-19 control measures and relaxation of travel restrictions around the world, the global market is expected to recover progressively, although accompanied with various challenges and volatilities due to the after-effects of pandemic and the complex political issues among several countries currently.

Amid the uncertainties in HK’s market and global economy, the Group remains cautiously optimistic to the industry. As one of the world’s largest gambling hub and a popular travel destination, the relaxation of travel restrictions is expected to boost Macau’s economy and more or less, attract certain investments in the suspended construction projects or new projects in the region.

As the Group’s major business sector, construction contributes a large portion of revenue to the Group. To maintain the sector’s strong and continuous performance and grab the opportunities during the market recovery, the Group will make great efforts to expand its business network and customer base by actively participating in the bidding of both government and private sector projects and exploring business opportunities in Macau, the PRC and other regions. In light of this, the Group will continue to explore and secure new projects in Macau in an active and prudent manner. Moreover, the Group is strategically expanding its construction business to the PRC, especially to the Guangdong-Hong Kong-Macau Greater Bay Area, and other regions. The Group strongly believes that the demand of the infrastructure in Greater Bay Area will increase in the coming years with government’s strong support on the region’s development.

In addition, the Group will also actively seek for new business opportunities through merger and acquisition, as well as partnership with reputable enterprises in the industry globally, so as to broaden its income resources and drive its long-term growth.

To minimise the after-effects of pandemic and uncertainties arisen from international tensions, the Group will continue to apply tight cost control measures for the Group’s sustainable development. The board of directors (the “**Board**”) believes that the above measures can help the Group maintain a healthy financial position and solidify its competitiveness to face the coming challenges.

## FINANCIAL REVIEW

### Revenue

The table below sets forth a breakdown of the Group’s revenue for the years ended 31 December 2022 and 2021:

	For the year ended 31 December			
	2022		2021	
	<i>MOP’000</i>	<i>%</i>	<i>MOP’000</i>	<i>%</i>
Types of construction works				
Fitting-out works	<b>154,109</b>	<b>99.4</b>	344,097	97.4
Structural works	—	—	8,491	2.4
Others	<b>904</b>	<b>0.6</b>	545	0.2
Total	<b><u>155,013</u></b>	<b><u>100.0</u></b>	<b><u>353,133</u></b>	<b><u>100.0</u></b>

For the year ended 31 December 2022, The Group’s revenue decreased by approximately MOP198.1 million or 56.1% as compared with the last year. Such decrease was mainly attributable to: (i) the decrease in revenue generated from fitting-out works projects of approximately MOP190.0 million or 55.2% due to less fitting-out works projects awarded in 2022; (ii) the decrease in revenue generated from structural works projects of approximately MOP8.5 million due to no structural works projects awarded in 2022.

The revenue of air purification business increased by approximately MOP0.4 million or 65.9% due to increase in demand in air-purification unit/system.

## 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 revenue for the years ended 31 December 2022 and 2021 respectively:

	For the year ended 31 December			
	2022	2021		
	Gross profit	Gross profit/	Gross profit/	
	margin	(Gross loss)	(Gross loss)	
	<i>MOP'000</i>	<i>MOP'000</i>	margin	
	%	%	%	
Types of construction works				
Fitting-out works	33,747	21.9	16,919	4.9
Structural works	—	n/a	592	7.0
Others	75	8.3	(282)	(51.7)
Total	<u>33,822</u>	<u>21.8</u>	<u>17,229</u>	<u>4.9</u>

For the year ended 31 December 2022, the Group's gross profit increased by approximately MOP16.6 million, or 96.3% to approximately MOP33.8 million when compared with the last year. The increase was mainly due to the increase in gross profit in the fitting-out works projects.

The gross profit margin of fitting-out works projects increased by 17 percentage points from approximately 4.9% for the year of 2021 to 21.9% for the year of 2022. The increase was mainly due to some variation orders of a project with higher margin were concluded in 2022.

The gross profit of structural works projects decreased by approximately MOP592,000 due to no structural works projects awarded in 2022.

Regarding the air purification business, the gross profit increased by approximately MOP357,000. The increase was mainly attributable to the increase in demand for air-purification unit/system and the decrease in the write-down of inventories.

## Other income

The Group's other income increased by approximately MOP4.3 million or 185.3% from approximately MOP2.4 million for the year ended 31 December 2021 to MOP6.7 million for the year ended 31 December 2022. The increase was mainly attributable to the increase in bank interest income and government grants.

## **Other gains and losses**

For the year ended 31 December 2022, it mainly consisted of the net exchange gain of approximately MOP67,000. For the year ended 31 December 2021, it mainly represented the net impact of the write-off of the financial asset at fair value through profit or loss, which in nature, was the profit guarantee arising from the acquisition of Lap Polly Engineering Company Limited (“**Lap Polly**”). The profit guarantee was not met since Lap Polly incurred losses for both the years ended 31 December 2021 and 2020.

## **Impairment losses**

It mainly consisted of impairment losses under expected credit loss model on trade and other receivables, contract assets and other receivables. The increase was mainly due to the increase of long-aged trade receivables.

## **Administrative expenses**

Administrative expenses decreased by approximately MOP6.3 million from approximately MOP28.5 million for the year ended 31 December 2021 to approximately MOP22.2 million for the year ended 31 December 2022. Administrative expenses consisted primarily of staff costs and Directors’ emoluments, depreciation and other administrative expenses. The decrease was mainly attributable to the tighten cost control as a result of the economic uncertainties.

## **Income tax credit**

Income tax credit increased by approximately MOP329,000 from approximately MOP65,000 for the year ended 31 December 2021 to approximately MOP394,000 for the year ended 31 December 2022. It consisted of overprovision of Macau complementary tax in prior years.

## **Profit (loss) and total comprehensive income (expense) for the year**

The Group’s profit and total comprehensive income for the year was increased by approximately MOP19.8 million when compared with the last year, mainly due to the combined effect of the aforementioned items.

## **Final dividend**

The Board did not recommend any payment of a final dividend for both years.

## **CORPORATE FINANCE AND RISK MANAGEMENT**

### **Liquidity and financial resources**

The Group’s capital expenditure and daily operations during the year ended 31 December 2022 were mainly funded by cash generated from its operations.

The total cash and bank balances together with the pledged bank deposits and short-term bank deposits as at 31 December 2022 was approximately MOP213.4 million, compared to approximately MOP181.3 million as at 31 December 2021.

The increase of approximately MOP32.1 million was mainly related to the operating cash inflow.

As at 31 December 2022, the Group had no outstanding borrowings thus it was not applicable to compute any gearing ratio.

Our gearing ratio (calculated as debt over total equity) as at 31 December 2021 was 8.7% which was mainly attributable to the increase in bank overdrafts by approximately MOP16.7 million. As at 31 December 2022, the Group had unutilised banking facilities of approximately MOP203.0 million (31 December 2021: MOP193.9 million).

The current ratio of the Group as at 31 December 2022 increased to 2.2 times (31 December 2021: 1.9 times).

### 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 2022, 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 result announcement, the Group did not have other plans for material investments or capital assets.

### Pledge of assets

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

	<b>2022</b> <i>MOP'000</i>	2021 <i>MOP'000</i>
Owned properties included in property, plant and equipment	<b>37,936</b>	39,341
Pledged bank deposits	<b>67,097</b>	66,233
	<b>105,033</b>	105,574

## Capital commitment

	Note	2022 MOP'000	2021 MOP'000
Contracted but not provided for:			
Acquisition of interest in a subsidiary	(i)	<u>57,590</u>	<u>—</u>
		<u>57,590</u>	<u>—</u>

### Note:

(i) On 1 November 2022, the Company made a disclosable and connected transaction announcement in relation to the proposed acquisition of entire equity interest of Jiangmen Jinying Construction and Engineering Company Limited (the “**Proposed Acquisition**”). The Proposed Acquisition was approved by independent shareholders by an Extraordinary General Meeting held on 19 December 2022. Accordingly, the Group has an obligation to settle an amount of RMB10,000,000 (equivalent to approximately MOP11,518,000) as the consideration of Proposed Acquisition and an amount of RMB40,000,000 (equivalent to approximately MOP46,072,000) as a capital contribution to the entity. Please refer to the announcements issued by the Company on 1 November 2022 and 19 December 2022 for further details of the Proposed Acquisition.

## Significant investments, acquisition and disposals

On 9 September 2022, San Fong Seng Construction & Engineering Company Limited, an indirect wholly-owned subsidiary of the Company entered into a limited partnership agreement with other two limited partners, Che Hao Song and Xu Huijuan, and a general partner, Leader Fund (Zhuhai) Equity Investment Management Co., Ltd.. The investment fund is a project specific fund and the investment target is Nature Home (China) Co., Ltd. For further details, please refer to the Company’s announcement dated 9 September 2022 and announcement dated 27 September 2022.

Besides, on 1 November 2022, the Group entered into a Sales and Purchase Agreement with New Kingdom Development Company Limited, a company incorporated in Macau with limited liability and 98% owned by Mr. Lao Chio Seng (“**Mr. Lao**”), the Chairman and executive Director of the Group, Ms. Wong Hio Mei (“**Mrs. Lao**”), spouse of Mr. Lao and 2% owned by Ms. Lao Ka U, the daughter of Mr. and Mrs. Lao and Jiangmen City Pengjiang District Jinying Property Development Company Limited which was 90% owned by Mr. Wu Yong Qin and 10% owned by Mr. Wu Wei Jian who were independent third parties to acquire 100% equity interest in Jiangmen Jinying Construction and Engineering Company Limited. Please refer to the announcements dated 1 November 2022 and 19 December 2022 for details.

Save as the above, during the year ended 31 December 2022, 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.

### **Employee and remuneration policies**

As at 31 December 2022, the Group had 56 (31 December 2021: 136) full time employees. The decrease in the number of employees was mainly due to the fact that the Group has implemented a tight cost control and adjusted 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 2022 were approximately MOP26.5 million (31 December 2021: MOP37.3 million).

### **Compliance with laws and regulations**

The Group mainly carries out its business in Macau, Hong Kong and China. To the best of the Directors' knowledge, the Group has complied with all relevant laws and regulations in Macau, Hong Kong and China 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;
- Our success significantly depends on the key management and our ability to attract and retain technical and management staff; and
- Our inventory level may be affected by the market demand for air purification unit/system which may not be accurately estimated.

## 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 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 31 December 2022, the net proceeds from the Global Offering had been applied as follows:

	HKD million						
	Planned use	Unutilised net proceeds as of 30 June 2020	Revised allocation of the unutilised net proceeds as of 27 August 2020	Utilised of revised allocation of the unutilised net proceed as of 27 August 2020 up to 31 December 2021	Net proceeds utilised during the year ended 31 December 2022	Unutilised net proceeds as of 31 December 2022 <sup>(Note 1)</sup>	Expected timeline for utilising the remaining net proceeds <sup>(Note 2)</sup>
Financing the Group's construction projects and strengthening the financial position	26.4	—	9.2	9.2	—	—	N/A
Purchasing suitable new machinery for forthcoming construction works	16.5	14.6	—	—	—	—	N/A
Potential merger and acquisition	6.1	6.1	6.1	—	—	6.1	Before the end of June 2023
Hire additional staff for the Group's business operation	6.1	2.8	8.2	7.3	0.9	—	N/A
General working capital	6.1	1.2	1.2	1.2	—	—	N/A
<b>Total</b>	<b>61.2</b>	<b>24.7</b>	<b>24.7</b>	<b>17.7</b>	<b>0.9</b>	<b>6.1</b>	

*Note 1* As at 31 December 2022, 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 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 condition.

## **CORPORATE GOVERNANCE**

For the year ended 31 December 2022 and up to the date of this announcement, the Company has applied the principles and code provisions in the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”). During the year ended 31 December 2022, to the best knowledge of the Board, the Company has complied with all the applicable code provisions set out in the CG Code.

## **DIRECTORS’ INTERESTS IN COMPETING INTERESTS**

For the year ended 31 December 2022, the Directors were not aware of any business or interest of each of the Directors, or the controlling shareholders of the Company and their respective close associates (as defined under the Listing Rules) that competes or may compete with the business of the Group and any other conflicts of interest which any such person has or may have within the Group.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

During the year ended 31 December 2022, 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 the 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 standard as set out in Model Code throughout the year ended 31 December 2022.

## **EVENT AFTER THE REPORTING PERIOD**

Subsequent to 31 December 2022, the Group obtained control over Jiangmen Jinying Construction & Engineering Company Limited and it became a subsidiary of the Group accordingly. The Company is still in the progress of preparing the initial accounting for the business combination up to the date of this announcement.

## **AUDIT COMMITTEE**

The Audit Committee comprises three independent non-executive Directors: Mr. O’Yang Wiley, Mr. Chu Yat Pang Terry and Mr. Choy Wai Shek, Raymond, *MH, JP*. Mr. O’Yang Wiley was appointed to serve as the chairman of the Audit Committee. The primary duties of the Audit Committee are to make recommendations to the Board on the appointment and dismissal of external auditor, review the financial statements and the information and provide advice in respect of financial reporting and oversee the internal control procedures of the Company.

The Company's consolidated financial statements for the year ended 31 December 2022 have been reviewed by the Audit Committee on 27 March 2023. The Audit Committee is of the opinion that the consolidated financial statements of the Company for the year ended 31 December 2022 comply with applicable accounting standards, the Listing Rules and that adequate disclosures have been made.

## **SCOPE OF WORK OF BAKER TILLY HONG KONG LIMITED**

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2022 as set out in the preliminary announcement have been agreed by the Group's auditor, Baker Tilly Hong Kong Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Baker Tilly Hong Kong Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Baker Tilly Hong Kong Limited on the preliminary announcement.

## **FINAL DIVIDEND**

The Board does not recommend the payment of any final dividend for the year ended 31 December 2022 (2021: nil).

## **ANNUAL GENERAL MEETING**

The forthcoming Annual General Meeting (the "AGM") of the Company will be held on Tuesday, 20 June 2023 at 3:00 p.m. A notice convening the AGM will be published and despatched to the shareholders of the Company in due course.

## **CLOSURE OF REGISTER OF MEMBERS**

### **For attending and voting at the AGM**

The register of members of the Company will be closed from Thursday, 15 June 2023 to Tuesday, 20 June 2023 (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 Wednesday 14 June 2023.