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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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2024

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 2024. 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 2024 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
AB Builders Group Limited
Lao Chio Seng
Chairman and Executive Director

Macau, 28 August 2024

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.

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

| | | Six months ended 30 June | |
|---------------------------------------------------------------------------------|--------------|---------------------------------|------------------------|
| | <i>Notes</i> | 2024 | 2023 |
| | | MOP'000 | MOP'000 |
| | | (unaudited) | (unaudited) |
| Revenue | 3 | 58,923 | 77,095 |
| Cost of sales | | <u>(47,072)</u> | <u>(76,535)</u> |
| Gross profit | | 11,851 | 560 |
| Other income | 5 | 6,665 | 4,081 |
| Other gains and losses | | (1,000) | 301 |
| Impairment losses under expected credit loss model, net of reversal | 13 | (1,243) | (2,500) |
| Administrative expenses | | (13,456) | (12,575) |
| Finance costs | | <u>(397)</u> | <u>(125)</u> |
| Profit (loss) before taxation | | 2,420 | (10,258) |
| Income tax credit (expense) | 6 | 62 | (83) |
| Profit (loss) for the period | 7 | 2,482 | (10,341) |
| Other comprehensive expense for the period | | | |
| <i>Item that may be reclassified subsequently to profit or loss:</i> | | | |
| Exchange differences arising on translation of foreign operations | | <u>(382)</u> | <u>(570)</u> |
| Total comprehensive income (expense) for the period | | <u>2,100</u> | <u>(10,911)</u> |
| Profit (loss) for the period attributable to: | | | |
| Owners of the Company | | 3,827 | (7,140) |
| Non-controlling interests | | <u>(1,345)</u> | <u>(3,201)</u> |
| | | <u>2,482</u> | <u>(10,341)</u> |
| Total comprehensive income (expense) for the period attributable to: | | | |
| Owners of the Company | | 3,445 | (7,710) |
| Non-controlling interests | | <u>(1,345)</u> | <u>(3,201)</u> |
| | | <u>2,100</u> | <u>(10,911)</u> |
| | | <i>MOP cents</i> | <i>MOP cents</i> |
| Earnings (loss) per share | 9 | | |
| – Basic | | <u>0.64</u> | <u>(1.19)</u> |
| – Diluted | | <u>0.64</u> | <u>N/A</u> |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | | As at 30 June 2024 <i>MOP'000</i> (unaudited) | As at 31 December 2023 <i>MOP'000</i> (audited) |
|--------------------------------------------------------------------|-----------|-----------------------------------------------------------|-------------------------------------------------------------|
| Non-current assets | | | |
| Property, plant and equipment | <i>10</i> | 36,161 | 36,928 |
| Right-of-use assets | <i>10</i> | 1,915 | — |
| Intangible assets | <i>10</i> | 2,666 | 3,167 |
| Financial assets at fair value through profit or loss ("FVTPL") | | 11,420 | 12,280 |
| Other financial assets | <i>15</i> | 32,158 | 32,142 |
| | | 84,320 | 84,517 |
| Current assets | | | |
| Inventories | | 267 | 477 |
| Trade and other receivables | <i>11</i> | 30,408 | 30,103 |
| Contract assets | <i>12</i> | 34,175 | 35,634 |
| Other financial assets | <i>15</i> | — | 32,763 |
| Pledged/restricted bank deposits | | 70,261 | 71,165 |
| Short-term bank deposits | | — | 20,630 |
| Bank balances and cash | | 54,784 | 38,008 |
| | | 189,895 | 228,780 |
| Current liabilities | | | |
| Trade and other payables | <i>14</i> | 79,738 | 99,001 |
| Contract liabilities | <i>12</i> | 2,030 | — |
| Tax payable | | 382 | 382 |
| Lease liabilities | | 585 | — |
| Bank borrowings | | — | 25,827 |
| | | 82,735 | 125,210 |
| Net current assets | | 107,160 | 103,570 |
| Total assets less current liabilities | | 191,480 | 188,087 |
| Non-current liabilities | | | |
| Lease liabilities | | 1,374 | — |
| Deferred tax liabilities | | 751 | 849 |
| | | 2,125 | 849 |
| Net assets | | 189,355 | 187,238 |

| | | As at 30 June 2024 <i>MOP'000</i> (unaudited) | As at 31 December 2023 <i>MOP'000</i> (audited) |
|----------------------------------------------|-----------|--------------------------------------------------------------------------|-------------------------------------------------------------|
| Capital and reserves | | | |
| Share capital | <i>16</i> | 6,189 | 6,189 |
| Reserves | | 199,859 | 196,397 |
| | | <hr/> | <hr/> |
| Equity attributable to owners of the Company | | 206,048 | 202,586 |
| Non-controlling interests | | (16,693) | (15,348) |
| | | <hr/> | <hr/> |
| Total equity | | 189,355 | 187,238 |
| | | <hr/> <hr/> | <hr/> <hr/> |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

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, and sales of air purification unit/system. 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 the Rules Governing the Listing of Securities on the Stock Exchange.

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

2 PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments, which are measured at fair values, as appropriate.

Other than changes in accounting policies resulting from application of amendments to International Financial Reporting Standards (“**IFRSs**”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2024 are the same as those presented in the Group’s annual financial statements for the year ended 31 December 2023.

Application of amendments to IFRSs

In the current interim period, the Group has applied the following amendments to IFRSs issued by the IASB, for the first time, which are mandatorily effective for the Group’s annual period beginning on 1 January 2024 for the preparation of the Group’s condensed consolidated financial statements:

| | |
|--------------------------------|----------------------------------------------------------------|
| Amendments to IFRS 16 | <i>Lease Liability in a Sale and Leaseback</i> |
| Amendments to IAS 1 | <i>Classification of Liabilities as Current or Non-current</i> |
| Amendments to IAS 1 | <i>Non-current Liabilities with Covenants</i> |
| Amendments to IAS 7 and IFRS 7 | <i>Supplier Finance Arrangements</i> |

The application of the amendments to IFRSs in the current interim period has had no material impact on the Group’s financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

3 REVENUE

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

An analysis of the Group's revenue from contracts with customers is as follow:

| | Six months ended 30 June | |
|------------------------------------------------------|---------------------------------|----------------------|
| | 2024 | 2023 |
| | <i>MOP'000</i> | <i>MOP'000</i> |
| | (unaudited) | (unaudited) |
| Recognised over time | | |
| Contract revenue from provision of fitting-out works | 58,923 | 43,282 |
| Contract revenue from provision of structural works | <u>—</u> | <u>33,783</u> |
| | 58,923 | 77,065 |
| Recognised at a point in time: | | |
| Revenue from sales of air purification unit/system | <u>—</u> | <u>30</u> |
| Total | <u>58,923</u> | <u>77,095</u> |

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 (six months ended 30 June 2023: from 1 to 2 years).

The Group's disaggregation of revenue from contracts with customers by geographical location is same as the geographical information of revenue from external customers as disclosed in note 4.

Transaction price allocated to the remaining performance obligations

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

| | As at | As at |
|--------------------------------|-----------------------|------------------|
| | 30 June 2024 | 31 December 2023 |
| | <i>MOP'000</i> | <i>MOP'000</i> |
| | (unaudited) | (audited) |
| Provision of fitting-out works | <u>90,998</u> | <u>61,513</u> |

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 2024 will be recognised as revenue during the years ending 31 December 2024 and 2025 in respect of provision of fitting-out works and structural works (31 December 2023: during the year ending 31 December 2024 in respect of provision of fitting-out works).

For sales of air purification unit/system, the Group applies the practical expedient that information regarding the transaction prices allocated to the remaining performance obligation for contracts with customer is not disclosed as the original expected duration of the contracts are less than one year.

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 the 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 period ended 30 June 2024 (unaudited)

| | Fitting-out works <i>MOP’000</i> (unaudited) | Structural works <i>MOP’000</i> (unaudited) | Air purification business <i>MOP’000</i> (unaudited) | Total <i>MOP’000</i> (unaudited) |
|---------------------------------------------------------------------|------------------------------------------------------------------|-----------------------------------------------------------------|------------------------------------------------------------------------------------|------------------------------------------------------|
| Segment revenue — external | 58,923 | — | — | 58,923 |
| Segment results | 12,061 | — | (210) | 11,851 |
| Other income and other gains and losses | | | | 5,665 |
| Impairment losses under expected credit loss model, net of reversal | | | | (1,243) |
| Administrative expenses | | | | (13,456) |
| Finance costs | | | | (397) |
| Profit before taxation | | | | 2,420 |

For the period ended 30 June 2023 (unaudited)

| | Fitting-out works <i>MOP'000</i> (unaudited) | Structural works <i>MOP'000</i> (unaudited) | Air purification business <i>MOP'000</i> (unaudited) | Total <i>MOP'000</i> (unaudited) |
|---------------------------------------------------------------------|----------------------------------------------------|---------------------------------------------------|---------------------------------------------------------------|----------------------------------------|
| Segment revenue — external | <u>43,282</u> | <u>33,783</u> | <u>30</u> | <u>77,095</u> |
| Segment results | <u>302</u> | <u>243</u> | <u>15</u> | 560 |
| Other income and other gains and losses | | | | 4,382 |
| Impairment losses under expected credit loss model, net of reversal | | | | (2,500) |
| Administrative expenses | | | | (12,575) |
| Finance costs | | | | <u>(125)</u> |
| Loss before taxation | | | | <u>(10,258)</u> |

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

Geographical information

Information about the Group's revenue from external customers is presented based on the location of the operation. Information about the Group's non-current assets (excluding financial assets at FVTPL and other financial assets) is presented based on the geographical location of those assets.

| | Revenue from external customers | | Non-current assets | |
|-----------------------------------------------|----------------------------------------|----------------|---------------------------|-----------------------|
| | Six months ended 30 June | | At 30 June | At 31 December |
| | 2024 | 2023 | 2024 | 2023 |
| | <i>MOP'000</i> | <i>MOP'000</i> | <i>MOP'000</i> | <i>MOP'000</i> |
| Macau | 33,563 | 39,598 | 35,836 | 36,564 |
| Hong Kong | 25,360 | 3,714 | 1,918 | 4 |
| The People's Republic of China (the "PRC") | <u>—</u> | <u>33,783</u> | <u>2,988</u> | <u>3,527</u> |
| | <u>58,923</u> | <u>77,095</u> | <u>40,742</u> | <u>40,095</u> |

5 OTHER INCOME

| | Six months ended 30 June | |
|-------------------------------------|--------------------------------|--------------------------------|
| | 2024 MOP'000 (unaudited) | 2023 MOP'000 (unaudited) |
| Bank interest income | 3,973 | 3,515 |
| Compensation income (<i>Note</i>) | 2,271 | — |
| Others | 421 | 566 |
| | <u>6,665</u> | <u>4,081</u> |

Note: During the period ended 30 June 2024, the Group recognised compensation income of MOP2,271,000 (six months ended 30 June 2023: nil) from insurance claim in relation to a construction project.

6 INCOME TAX CREDIT (EXPENSE)

| | Six months ended 30 June | |
|-----------------------------|--------------------------------|--------------------------------|
| | 2024 MOP'000 (unaudited) | 2023 MOP'000 (unaudited) |
| Current tax | | |
| PRC Enterprise Income Tax | (36) | (188) |
| Deferred tax credit | 98 | 105 |
| Income tax credit (expense) | <u>62</u> | <u>(83)</u> |

7 PROFIT (LOSS) FOR THE PERIOD

| | Six months ended 30 June | |
|----------------------------------------------------------------------------------------------------------------------------------|--------------------------------|--------------------------------|
| | 2024 MOP'000 (unaudited) | 2023 MOP'000 (unaudited) |
| Profit (loss) for the period has been arrived at after charging: | | |
| Contract costs recognised as expense | | |
| Fitting-out works | 46,862 | 42,980 |
| Structural works | — | 33,540 |
| | <u>46,862</u> | <u>76,520</u> |
| Cost of inventories recognised as expense (including write-down of inventory of MOP210,000 (six months ended 30 June 2023: nil)) | 210 | 15 |
| Depreciation of property, plant and equipment | 760 | 785 |
| Depreciation of right-of-use assets | 34 | — |
| Amortisation of intangible assets | 393 | 421 |
| Expenses related to short-term leases | <u>750</u> | <u>368</u> |

8 DIVIDENDS

No dividend was paid, declared or proposed during both interim periods, nor has any dividend been proposed since the end of each reporting period.

9 EARNINGS (LOSS) PER SHARE

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

| | Six months ended 30 June | |
|---------------------------------------------------------------------------------------------------------------------------------------|---------------------------------|--------------------|
| | 2024 | 2023 |
| | MOP'000 | MOP'000 |
| | (unaudited) | (unaudited) |
| Profit (loss) for the purpose of basic and diluted earnings (loss) per share for the period attributable to the owners of the Company | 3,827 | (7,140) |
| | 600,000 | 600,000 |
| Effect of dilutive potential ordinary shares: | | |
| Share options | 143 | — |
| Weighted average number of ordinary shares for the purpose of diluted earnings (loss) per share | 600,143 | 600,000 |

The computation of diluted earnings per share does not assume the exercise of certain (2023: all) Company's share options because the exercise price of those share options was higher than the average market price of shares for the six months ended 30 June 2024. Save as share options mentioned above, there were no other dilutive potential ordinary shares in existence during the six months ended 30 June 2024 and 2023.

10 PROPERTY, PLANT AND EQUIPMENT, RIGHT-OF-USE ASSETS AND INTANGIBLE ASSETS

During the six months ended 30 June 2024, the Group made additions to furniture, fixtures and equipment of MOP2,000 (six months ended 30 June 2023: furniture, fixtures and equipment and motor vehicles of MOP246,000, including MOP225,000 acquired through business combination).

During the six months ended 30 June 2024, the Group entered into a new lease agreement with lease term of 3 years. On date of lease commencement, the Group recognised right-of-use asset of MOP1,949,000 (six months ended 30 June 2023: nil) and lease liabilities of MOP1,949,000 (six months ended 30 June 2023: nil).

During the six months ended 30 June 2023, construction licenses acquired through business combination with fair value of MOP4,215,000 (six months ended 30 June 2024: nil) are recognised as intangible assets and amortised using the straight-line method over their estimated useful life of 5 years.

11 TRADE AND OTHER RECEIVABLES

| | At 30 June 2024 MOP'000 (unaudited) | At 31 December 2023 MOP'000 (audited) |
|------------------------------------------------------------|----------------------------------------------|------------------------------------------------|
| Trade receivables, net of loss allowance | 9,201 | 12,564 |
| Advances paid to subcontractors and suppliers | 8,717 | 5,716 |
| Other receivables, prepayment and deposits (<i>Note</i>) | 12,490 | 11,823 |
| | <u>30,408</u> | <u>30,103</u> |

Note: As at 30 June 2024, included in other receivables, prepayments and deposits, an amount of Renminbi (“RMB”) 3,890,000 (equivalent to approximately MOP4,287,000) (31 December 2023: RMB4,840,000 (equivalent to approximately MOP5,477,000)) is secured by an account receivable with principal amount of RMB38,687,000 (equivalent to approximately MOP42,587,000) (31 December 2023: RMB38,687,000 (equivalent to approximately MOP43,778,000)) held by the former shareholders of Jiangmen Jinying Construction and Engineering Company Limited (“Jinying”). The amount is interest free and repayable on demand.

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 generally allows a credit period for 30 days (31 December 2023: 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.

| | At 30 June 2024 MOP'000 (unaudited) | At 31 December 2023 MOP'000 (audited) |
|--------------|----------------------------------------------|------------------------------------------------|
| 1 – 30 days | 6,310 | 8,073 |
| 31 – 60 days | 396 | 1,478 |
| Over 90 days | 2,495 | 3,013 |
| | <u>9,201</u> | <u>12,564</u> |

12 CONTRACT ASSET (LIABILITIES)

| | At 30 June 2024 MOP'000 (unaudited) | At 31 December 2023 MOP'000 (audited) |
|---------------------------------------------------------------------------------|----------------------------------------------|------------------------------------------------|
| Analysed for reporting purposes, on a net basis of each respective contract as: | | |
| Contract assets | 34,175 | 35,634 |
| Contract liabilities | (2,030) | — |
| | <u>32,145</u> | <u>35,634</u> |

As at 30 June 2024, contract assets and liabilities include retention receivables held by customers for contract works amounting to MOP15,422,000 (31 December 2023: MOP16,883,000).

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 2024, contract liabilities include advances received from customers amounting to MOP2,030,000 (31 December 2023: N/A). It will be recognised as revenue during the years ending 31 December 2024 (31 December 2023: N/A).

The changes in contract assets 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.

13 IMPAIRMENT ASSESSMENT ON FINANCIAL ASSETS AND OTHER ITEMS UNDER EXPECTED CREDIT LOSS MODEL

| | Six months ended 30 June | |
|-------------------------------------------|-----------------------------------------------------|----------------------------------------------|
| | 2024 <i>MOP'000</i> (unaudited) | 2023 <i>MOP'000</i> (unaudited) |
| Impairment loss recognised (reversed) on: | | |
| Trade receivables | 1,335 | 633 |
| Other receivables | — | (2,442) |
| Contract assets | 13 | 4,309 |
| Other financial assets | (105) | — |
| | <hr/> | <hr/> |
| Total | <u>1,243</u> | <u>2,500</u> |

The basis of determining the inputs and assumptions and the estimation techniques used in the condensed consolidated financial statements for the six months ended 30 June 2024 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2023.

During the current interim period, the Group provided impairment allowance of MOP1,694,000 (six months ended 30 June 2023: MOP6,529,000), in particular, MOP54,000 (six months ended 30 June 2023: nil) has been made on credit-impaired debtors.

During the current interim period, the Group reversed the impairment allowance of MOP451,000 (six months ended 30 June 2023: MOP4,029,000), no specific reversal (six months ended 30 June 2023: MOP3,661,000) has been made to individual debtors.

14 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 (31 December 2023: 7 to 60 days).

| | At 30 June 2024 MOP'000 (unaudited) | At 31 December 2023 MOP'000 (audited) |
|--------------------------------|--------------------------------------------------------|------------------------------------------------|
| Trade payables | 7,797 | 6,659 |
| Retention payables | 32,422 | 36,245 |
| Accrued contract costs | 32,041 | 46,906 |
| Provision of onerous contracts | 2,302 | 2,302 |
| Accruals and other payables | 5,176 | 6,889 |
| | <hr/> | <hr/> |
| Total trade and other payables | 79,738 | 99,001 |
| | <hr/> <hr/> | <hr/> <hr/> |

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

| | At 30 June 2024 MOP'000 (unaudited) | At 31 December 2023 MOP'000 (audited) |
|--------------|--------------------------------------------------------|------------------------------------------------|
| 1 – 30 days | 4,260 | 3,477 |
| Over 60 days | 3,537 | 3,182 |
| | <hr/> | <hr/> |
| | 7,797 | 6,659 |
| | <hr/> <hr/> | <hr/> <hr/> |

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.

15 OTHER FINANCIAL ASSETS

| | At 30 June 2024 MOP'000 (unaudited) | At 31 December 2023 MOP'000 (audited) |
|----------------------------------------|--------------------------------------------------------|------------------------------------------------|
| Certificate of deposit (<i>Note</i>) | — | 32,763 |
| Capital bonds | <u>32,158</u> | <u>32,142</u> |
| | <u>32,158</u> | <u>64,905</u> |
| Analysed for reporting purposes as: | | |
| Non-current assets | <u>32,158</u> | 32,142 |
| Current assets | <u>—</u> | <u>32,763</u> |
| | <u>32,158</u> | <u>64,905</u> |

Note: During the six months ended 30 June 2024, the certificate of deposit was matured on 26 May 2024 and released on the next day.

16 SHARE CAPITAL

| | Number of shares '000 | Share capital MOP'000 |
|----------------------------------------------------------------------|----------------------------------|----------------------------------|
| Ordinary shares of Hong Kong Dollars 0.01 each | | |
| Authorised: | | |
| At 1 January 2023, 31 December 2023, 1 January 2024 and 30 June 2024 | <u>10,000,000</u> | <u>103,150</u> |
| Issued and fully paid: | | |
| At 1 January 2023, 31 December 2023, 1 January 2024 and 30 June 2024 | <u>600,000</u> | <u>6,189</u> |

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In the first half of 2024, the pace of economic expansion remains low due to the after-effects of COVID-19 pandemic and the intensifying geo-economic fragmentation and geo-political tensions among several countries, which have brought uncertainties to global economy. Despite the challenging circumstances, AB Builders Group Limited (the “**Company**”) together with its subsidiaries (the “**Group**”) had a moderate operation and financial performance. With the Group’s effective cost control measures and efforts of seeking business opportunities and projects, the Group has driven a long-term development and sustainable growth. For the six months ended 30 June 2024 (the “**Review Period**”), the Group made a revenue of approximately MOP58.9 million, which represented a decrease of approximately MOP18.2 million or approximately 23.6% over the corresponding period of last year. Despite the decrease in total revenue, the Group recorded a gross profit of approximately MOP11.9 million in the first half of 2024, as compared with a gross profit of approximately MOP0.6 million in the corresponding period of 2023. The increase in gross profit is mainly attribute to the conclusion of fitting out projects and variation orders with higher margin during the six months ended 30 June 2024 compared to the corresponding period of 2023. During the Review Period, the Group has been awarded with 8 fitting-out works projects with an aggregate contract sum of approximately MOP32.0 million. As at 30 June 2024, the Group had 25 ongoing projects (either in progress or yet to commence or substantially completed but pending finalisation or agreement of the final accounts), including 1 structural works project and 24 fitting out works projects.

Outlook and prospects

The Macau government’s policy regarding the management of COVID-19 pandemic and general travel restrictions has been relaxed gradually since late December 2022. The relaxation of travel restrictions has benefited tourism, integrated resorts and operations as well as gambling industry, and hence improved Macau’s economy in general. The Macau government announced total visitation from mainland China to Macau increased by approximately 52.9% during the six months ended 30 June 2024, as compared to the same period in 2023. Gross gaming revenue in Macau increased by 41.9% to HK\$110.4 billion for the six months ended 30 June 2024 over the comparable period in 2023. However, as compared with the pre-pandemic comparable period in 2019, total visitor arrivals into Macau and Macau gross gaming revenue for the six months ended 30 June 2024 were 17.6% and 23.9% lower, respectively. The overall economy in the region is still facing challenges and difficulties.

Meanwhile, we also find opportunities for the region’s recovery and growth. The enhancements in infrastructure in Macau and the Greater Bay area can facilitate more convenient travel to Macau. For instance, the increasing usage of the Hong Kong-Zhuhai-Macau Bridge; the development of the fourth Macao-Taipa bridge; the ongoing expansion of the Macau Light Rapid Transit System; the ongoing expansion of the China High Speed Rail routes to Zhuhai border gate from key cities in mainland China; the launch of additional direct flights between Macau and international destinations. We anticipate the above favorable measures by the Chinese government will improve consumer market economy. Investors and capital would be attracted into local investment opportunities, and construction projects may be stimulated in the coming years. The construction segment, being the Group’s major business sector, will continue to contribute a large portion of revenue to the Group.

Stepping into the second half of 2024, the global market is expected to recover gradually, but the macroenvironment remains volatile due to the divergences between countries have continued to increase. Amid the challenges, the Group remains cautiously optimistic towards the Group's future business performance leveraging by investing its resources in expanding its business network and customer base and exploring business opportunities in Macau, Hong Kong, the People's Republic of China (the "PRC") and other regions.

As aforementioned, while continuously developing the market in construction business, the Group will actively pursue new business opportunities in other industries, which include, inter alia, financial services industry. On 14 March 2024, the Group has announced to enter into a sale and purchase agreement to acquire a company incorporated in Hong Kong with limited liability which possesses the Securities and Futures Commission of Hong Kong ("SFC") Type 4 (advising on securities) & Type 9 (asset management) licenses, which is expected to help the Group to further diversify and expand its business portfolio. By venturing into the financial services industry of Hong Kong, the Group will tap into new revenue streams. The management is keen on utilising its business relations and resources into new commercial strategies. Looking ahead, the Group will continue to seek for business opportunities through merger and acquisition, as well as partnership with reputable enterprises globally, with an aim at expanding its income resources and drive its long-term growth.

FINANCIAL REVIEW

Revenue

The table below sets forth a breakdown of the Group's revenue for the six months ended 30 June 2024 and 2023:

| | Six months ended 30 June | | | |
|-----------------------------|--------------------------|-------------------|----------------------|---------------------|
| | 2024 | | 2023 | |
| | <i>MOP'000</i> | <i>%</i> | <i>MOP'000</i> | <i>%</i> |
| Types of construction works | | | | |
| Fitting-out works | 58,923 | 100 | 43,282 | 56.1 |
| Structural works | — | — | 33,783 | 43.8 |
| Others | — | — | 30 | 0.1 |
| Total | <u>58,923</u> | <u>100</u> | <u>77,095</u> | <u>100.0</u> |

During the Review Period, the Group's revenue decreased by approximately MOP18.2 million or 23.6% as compared with the corresponding period of the last year. Such decrease was mainly attributable to the decrease in revenue generated from structural works projects of approximately MOP33.8 million or 100% due to most of the works were completed in 2023; but which was partially offset by the increase in revenue generated from fitting-out works projects of approximately MOP15.6 million or 36.1% due to the expansion of Hong Kong Market.

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 six months ended 30 June 2024 and 2023:

| | Six months ended 30 June | | | |
|-----------------------------|--------------------------|---------------|----------------|---------------|
| | 2024 | | 2023 | |
| | Gross profit | Gross profit | Gross profit | Gross profit |
| | <i>MOP'000</i> | <i>margin</i> | <i>MOP'000</i> | <i>margin</i> |
| | | <i>%</i> | | <i>%</i> |
| Types of construction works | | | | |
| Fitting-out works | 12,061 | 20.5 | 302 | 0.7 |
| Structural works | — | — | 243 | 0.7 |
| Others | (210) | — | 15 | 50.0 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Total | 11,851 | 20.1 | 560 | 0.7 |

During the Review Period, the Group's gross profit increased by approximately MOP11.3 million when compared with the corresponding period of the last year.

The gross profit margin increased by 19.4 percentage point from approximately 0.7% for the six months ended 30 June 2023 to 20.1% for the six months ended 30 June 2024. The increase was mainly due to: (i) the newly awarded fitting-out works projects which amounted to approximately MOP5.0 million; and (ii) the recognition of workdone fitting-out works projects which amounted to approximately MOP6.7 million.

Other income

For the six months ended 30 June 2024, the other income of approximately MOP6.7 million mainly consisted of the bank interest income and insurance claim which amounted to approximately MOP6.2 million. For the six months ended 30 June 2023, the other income of approximately MOP4.1 million mainly consisted of the bank interest income. The increase was mainly attributable the increase in bank interest income as a result of the increase in the interest rates and the increase in insurance claim from fitting out works projects.

Other gains and losses

For the six months ended 30 June 2024, the other losses of approximately MOP1.0 million mainly consisted of net exchange losses and the losses from the fair value change of the financial asset at FVTPL. For the six months ended 30 June 2023, the other gain of approximately MOP301,000 mainly consisted of net exchange gains and the gain from the fair value change of the financial asset at FVTPL.

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 decreased by approximately MOP1.3 million or 50.3% in view of the settlement of some long-aged receivables during the Review Period.

Administrative expenses

Administrative expenses were increased by approximately MOP881,000 from approximately MOP12.6 million for the six months ended 30 June 2023 to approximately MOP13.5 million for the six months ended 30 June 2024. The increase was mainly attributable to the expansion of the Hong Kong and PRC market.

Profit (loss) for the period

The profit for the six months ended 30 June 2024 was approximately MOP2.5 million as compared to the loss of approximately MOP10.3 million for the six months ended 30 June 2023. 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 2024. 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

The Group's capital expenditure and daily operations during the six months ended 30 June 2024 were mainly funded by cash generated from its operations and release of short-term bank deposits and certificate of deposit.

The total cash and bank balances together with the pledged bank deposits and short-term bank deposits as at 30 June 2024 was approximately MOP125.0 million, compared to approximately MOP129.8 million as at 31 December 2023. The decrease of approximately MOP4.8 million was mainly related to the operating cash outflow.

Our gearing ratio (calculated as debt over total equity) as at 30 June 2024 was 0% (31 December 2023: 13.8%) which was mainly attributable to the decrease in bank borrowings by approximately MOP25.8 million.

As at 30 June 2024, the Group had unutilised banking facilities of approximately MOP230.4 million (31 December 2023: MOP230.5 million).

The current ratio of our Group as at 30 June 2024 was 2.3 times (31 December 2023: 1.8 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, share-based payments reserve, exchange 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 2024.

Future plans for material investments and capital assets

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

Pledge of assets

As at 30 June 2024, the Group's office premise of approximately MOP35.8 million (31 December 2023: MOP36.5 million) and certain bank deposits of approximately MOP69.6 million (31 December 2023: MOP69.4 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 2024, the Group has an obligation to settle an amount of Renminbi (“RMB”) 40.0 million (equivalent to approximately MOP44.1 million) as a capital contribution to Jiangmen Jinying Construction and Engineering Company Limited (31 December 2023: RMB40.0 million (equivalent to approximately MOP45.2 million)).

Significant investments, acquisition and disposals

On 14 March 2024, the Group has announced to enter into a sale and purchase agreement to acquire a company incorporated in Hong Kong with limited liability which possesses the SFC Type 4 (advising on securities) & Type 9 (asset management) licenses, which is expected to help the Group to further diversify and expand its business portfolio. By venturing into the financial services industry of Hong Kong, the Group will tap into new revenue streams.

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, sale proceeds received from its customers, and investments in other financial assets 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, Renminbi and United States dollars. The Group currently does not have a foreign currency hedging policy. However, the management regularly monitors the relevant foreign currency exposure and will consider taking appropriate measures to control the risk arising from significant exchange fluctuations.

Employee and remuneration policies

As at 30 June 2024, the Group had 59 (31 December 2023: 49) full time employees. The increase in the number of employees was mainly due to the increasing needs of resources to support the newly awarded fitting out works projects in the Macau market. The Group 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 period ended 30 June 2024 were approximately MOP8.8 million (30 June 2023: MOP9.3 million).

Compliance with laws and regulations

The Group mainly carries out its business in Macau, Hong Kong and the PRC. To the best of the Directors' knowledge, the Group has complied with all relevant laws and regulations in Macau, Hong Kong and the PRC during the six months ended 30 June 2024.

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;
- The uncertainties on the worldwide economy due to the tension between the PRC, US and the European Union; and
- Our inventory level may be affected by the market demand for air purification unit/system which may not be accurately estimated.

EVENTS AFTER THE REPORTING PERIOD

The Board is not aware of any significant event regarding the disclosure that has taken place subsequent to 30 June 2024 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 C1 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 2024, 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 2024, 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 C3 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 2024.

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 D.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 2024 have been reviewed by the audit committee and the Group’s auditor, Baker Tilly Hong Kong Limited.