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 2021

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 2021. 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 2021 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 2021

As at the date of this announcement, the Board comprises six executive directors, namely Mr. Lao Chio Seng, Ms. Lao Chao U, Mr. Lee Siu Cheung, 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	
		2021	2020
	NOTES	***MOP' 000***	*MOP' 000*
		(unaudited)	(unaudited)
Revenue	*3*	**130,154**	109,693
Cost of sales		**(127,466)**	(110,045)
Gross profit/(loss)		**2,688**	(352)
Other income		**998**	2,035
Other gains and losses		**390**	(23)
Impairment losses under expected credit loss model, net of reversal		**(2,725)**	(1,953)
Administrative expenses		**(14,793)**	(15,578)
Interest expense on lease liability		**(10)**	(3)
Loss before taxation		**(13,452)**	(15,874)
Income tax credit	*5*	**—**	1,571
Loss and total comprehensive expense for the period	*6*	**(13,452)**	(14,303)
Loss and total comprehensive expense for the period attributable to:			
Owners of the Company		**(11,813)**	(12,403)
Non-controlling interests		**(1,639)**	(1,900)
		(13,452)	(14,303)
Loss per share			
– Basic (MOP)	*8*	**(0.02)**	(0.02)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	NOTES	**As at 30 June 2021**	As at 31 December 2020
		MOP' 000	*MOP' 000*
		(unaudited)	(audited)
Non-current assets			
Property, plant and equipment	*9*	**40,350**	40,803
Right-of-use asset	*9*	**—**	—
Goodwill	*10*	**—**	—
Financial asset at fair value through profit or loss ("FVTPL")	*17*	**—**	4,596
		40,350	45,399
Current assets			
Inventories		**2,724**	2,832
Trade and other receivables	*11*	**98,494**	118,263
Contract assets	*12*	**54,030**	42,758
Financial asset at FVTPL	*17*	**4,996**	—
Pledged bank deposits		**65,162**	65,072
Bank balances and cash		**71,424**	83,343
		296,830	312,268
Current liabilities			
Trade and other payables	*13*	**136,256**	124,744
Contract liabilities	*12*	**7,550**	25,928
Amount due to a non-controlling shareholder of a subsidiary		**3,607**	3,610
Lease liability		**321**	342
Tax payable		**841**	841
		148,575	155,465
Net current assets		**148,255**	156,803
Total assets less current liabilities		**188,605**	202,202

	NOTE	As at 30 June 2021 MOP' 000 (unaudited)	As at 31 December 2020 MOP' 000 (audited)
Non-current liability			
Lease liability		—	148
		—	148
Net assets		**188,605**	202,054
Capital and reserves			
Share capital	*14*	**6,189**	6,189
Reserves		**186,501**	198,314
Equity attributable to owners of the Company		**192,690**	204,503
Non-controlling interests		**(4,085)**	(2,449)
Total equity		**188,605**	202,054

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

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 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").

2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2021 are the same as those presented in the Group's annual financial statements for the year ended 31 December 2020.

Application of amendments to International Financial Reporting Standards ("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 annual periods beginning on or after 1 January 2021 for the preparation of the Group's condensed consolidated financial statements:

Amendment to IFRS 16	Covid-19-Related Rent Concessions
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform — Phase 2

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 of fitting-out works and structural works and sales of air purification unit/system by the Group to its customers.

	Six months ended 30 June	
	2021	2020
	MOP'000	*MOP'000*
	(unaudited)	(unaudited)
Recognised over time		
Contract revenue from provision of fitting-out works	**123,798**	62,831
Contract revenue from provision of structural works	**6,164**	46,862
	129,962	109,693
Recognised at a point in time:		
Revenue from sales of air purification unit/system	**192**	—
	130,154	109,693

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 (2020: 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.

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	At 31 December
	2021	2020
	MOP'000	*MOP'000*
	(unaudited)	(audited)
Provision of fitting-out works	**293,912**	246,500
Provision of structural works	**1,869**	7,439
	295,781	253,939

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 2021 will be recognised as revenue during the years ending 31 December 2021 to 2022 (31 December 2020: during the year ending 31 December 2021) in respect of provision of fitting-out works and structural works, respectively.

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 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 2021 (unaudited)

	Fitting-out works *MOP' 000*	**Structural works** *MOP' 000*	**Air purification business** *MOP' 000*	**Total** *MOP' 000*
Segment revenue – external	**123,798**	**6,164**	**192**	**130,154**
Segment results	**1,840**	**756**	**92**	**2,688**
Other income and other gains and losses				**1,388**
Impairment losses under expected credit loss model, net of reversal				**(2,725)**
Administrative expenses				**(14,793)**
Interest expense on lease liability				**(10)**
Loss before taxation				**(13,452)**

For the period ended 30 June 2020 (unaudited)

	Fitting-out works *MOP' 000*	Structural works *MOP' 000*	Air purification business *MOP' 000*	Total *MOP' 000*
Segment revenue – external	62,831	46,862	—	109,693
Segment results	(3,424)	3,072	—	(352)
Other income and other gains and losses				2,012
Impairment losses under expected credit loss model, net of reversal				(1,953)
Administrative expenses				(15,578)
Interest expense on lease liability				(3)
Loss before taxation				(15,874)

Segment results represent the 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 interest expense on lease liability. 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) is presented based on the geographical location of the assets.

	Revenue from external customers		**Non-current assets**	
	1.1.2021 to 30.6.2021 ***MOP' 000***	1.1.2020 to 30.6.2020 *MOP' 000*	**30.6.2021** ***MOP' 000***	31.12.2020 *MOP' 000*
Macau	**96,219**	98,533	**40,290**	40,747
Hong Kong	**33,935**	11,160	**60**	56
	130,154	109,693	**40,350**	40,803

5. INCOME TAX CREDIT

	Six months ended 30 June	
	2021 ***MOP' 000*** **(unaudited)**	2020 *MOP' 000* (unaudited)
Deferred tax	**—**	1,571
	—	1,571

6. LOSS AND TOTAL COMPREHENSIVE EXPENSE FOR THE PERIOD

	Six months ended 30 June	
	2021	2020
	MOP' 000	*MOP' 000*
	(unaudited)	(unaudited)
Loss and total comprehensive expense for the period has been arrived at after charging:		
Contract costs recognised as expense		
Fitting-out works	**121,958**	66,255
Structural works	**5,408**	43,790
	127,366	110,045
Cost of inventories recognised as expense	**100**	—
Depreciation of property, plant and equipment	**735**	1,447
Depreciation of right-of-use asset	**—**	29
Expenses related to short-term leases for warehouses	**215**	156
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 reporting periods.

8. LOSS PER SHARE

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

	Six months ended 30 June	
	2021	2020
	MOP' 000	*MOP' 000*
	(unaudited)	(unaudited)
Loss		
Loss and total comprehensive expense for the period attributable to the owners of the Company	**(11,813)**	(12,403)

	Six months ended 30 June	
	2021	2020
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	**600,000**	600,000

Diluted loss 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 2021, the Group made additions to furniture, fixtures and equipment of MOP282,000 (six months ended 30 June 2020: MOP1,964,000).

The right-of-use asset was fully depreciated and impaired at 30 June 2021 and 31 December 2020.

10. GOODWILL

The goodwill arising on acquisition of Equally Tycoon Limited at cost of MOP1,510,000 was fully impaired at 30 June 2021 and 31 December 2020.

11. TRADE AND OTHER RECEIVABLES

	At 30 June 2021	At 31 December 2020
	MOP' 000	*MOP' 000*
	(unaudited)	(audited)
Trade receivables, net of loss allowance	**63,189**	81,321
Advances paid to subcontractors and suppliers	**26,565**	28,570
Other receivables, prepayment and deposits	**8,740**	8,372
Total trade and other receivables	**98,494**	118,263

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 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 2021	At 31 December 2020
	MOP' 000	*MOP' 000*
	(unaudited)	(audited)
1 – 30 days	**44,839**	40,564
31 – 60 days	**3,796**	17,814
61 – 90 days	**2**	2,893
Over 90 days	**14,552**	20,050
	63,189	81,321

12. CONTRACT ASSETS (LIABILITIES)

	At 30 June 2021 *MOP' 000* **(unaudited)**	At 31 December 2020 *MOP' 000* (audited)
Analysed for reporting purposes, on a net basis of each receptive contract as:		
Contract assets	**54,030**	42,758
Contract liabilities	**(7,550)**	(25,928)
	46,480	16,830

As at 30 June 2021, contract assets and liabilities include retention receivables held by customers for contract works amounting to MOP38,770,000 (31 December 2020: MOP35,864,000).

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 2021, contract assets and liabilities include advances received from customers amounting to MOP14,763,000 (31 December 2020: MOP27,259,000).

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 2021 to 2022 (31 December 2020: year ending 31 December 2021).

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 7 to 60 days.

	At 30 June 2021 *MOP' 000* **(unaudited)**	At 31 December 2020 *MOP' 000* (audited)
Trade payables	**26,002**	21,147
Retention payables	**30,912**	35,767
Accrued contract costs	**66,994**	55,932
Provision of onerous contracts	**5,699**	4,593
Accruals and other payables	**6,649**	7,305
Total trade and other payables	**136,256**	124,744

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 2021 *MOP'000* **(unaudited)**	At 31 December 2020 *MOP'000* (audited)
1 – 30 days	**19,531**	19,661
31 – 60 days	**—**	595
Over 60 days	**6,471**	891
	26,002	21,147

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.

14. SHARE CAPITAL

	Number of shares *'000*	**Share capital** *MOP'000*
Ordinary shares of HK$0.01 each		
Authorised:		
At 1 January 2020, 31 December 2020 and 30 June 2021	10,000,000	103,150
Issued and fully paid:		
At 1 January 2020, 31 December 2020 and 30 June 2021	600,000	6,189

15. PERFORMANCE GUARANTEES/BID BONDS

As at 30 June 2021, performance guarantees of MOP51,852,000 (31 December 2020: MOP34,419,000) 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 2021, bid bonds of MOP1,556,000 (31 December 2020: MOP11,518,000), 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.

16. 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 period is as follows:

	Six months ended 30 June	
	2021	2020
	MOP' 000	*MOP' 000*
	(unaudited)	(unaudited)
Fee	**371**	371
Salaries and other allowances	**3,165**	3,361
Retirement benefits scheme contributions	**15**	3
	3,551	3,735

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

17. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

The financial asset at FVTPL with the fair value as at 30 June 2021 of MOP4,996,000 (31 December 2020: MOP4,596,000) arising from a contingent consideration adjustment from acquisition of a business in previous years is categorised as Level 3 of fair value hierarchy. Discounted cash flow model with key inputs of discount rate of 13.1% (31 December 2020: 14.1%) and probability of securing contracts with a range from 0% to 70% (31 December 2020: 0%) 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. The contingent consideration adjustment is expected to be settled in April 2022, and therefore is classified as a current asset as at 30 June 2021.

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

With the effective control of Novel Coronavirus ("**COVID-19**") and prompt actions of government, the economy in Macau has been recovered gradually and the negative impact of the pandemic has been reduced. Amid the market recovery, the delayed projects of the Group started to resume progressively and contributed revenue to the Group during the first half of 2021. Therefore, the Group's business performance has recorded great enhancement for the six months ended 30 June 2021 ("**Review Period**"). For the Review Period, the Group made a revenue of approximately MOP130.2 million, which represented an increase of approximately MOP20.5 million or approximately 18.7% over the corresponding period of last year. Accordingly, the Group recorded a gross profit of MOP2.7 million in the first half of 2021, as compared with a gross loss of MOP0.4 million in the same period of 2020.

During the six months ended 30 June 2021, the Group has been awarded with 5 fitting-out works projects with an aggregate contract sum of approximately MOP152.8 million. As at 30 June 2021, the Group had 30 on-going projects (either in progress or yet to commence), including 5 structural works projects and 25 fitting-out works projects.

Outlook and prospects

Although the COVID-19 virus has no signs to be eliminated completely and confirmed case number has rebounded slightly in the Mainland China and Macau in recent days, the Group believes the government can control the situation effectively by the tight pandemic restriction policies. With the effective control of the pandemic and recovery measures implemented by the government, the Group is cautiously optimistic to the industry and believes the economy in Macau will stabilise and improve progressively in the second half of 2021.

Regarding construction as its major business sector, the Group has dedicated into the industry for many years and maintained a stable performance by capturing a large fraction of revenue. To maintain its competitiveness, the Group will keep developing its business network and customer base by actively joining the bidding of both government and private sector projects, and exploring the business opportunities in Macau, Hong Kong and the Mainland China. For the Macau market, although the government has achieved outstanding results in epidemic control, the recent rebounded COVID-19 cases in the region will more or less disrupt the pace of the recovery of gaming industry in Macau. In view of this, the Group will cautiously explore and secure new projects in Macau. In view of the Mainland China market, its economy has largely rebounded from the COVID-19 pandemic, which has recorded a 12.7% increase of Gross Domestic Product in the first six months of 2021. The Group is strategically expanding its construction business to Guangdong-Hong Kong-Macau Greater Bay Area ("**Greater Bay Area**"). The Group's subsidiary, San Fong Seng Construction and Engineering Company Limited, has attained the Macao Construction and Related Engineering Consulting Enterprise Qualification Record Certification by the Hengqin New District of Zhuhai City, which further strengthen the position of the Group in the industry.

Further, the Group will aggressively seek for new business opportunities arising from Greater Bay Area through merger and acquisition, partnership with reputable enterprises and tendering aggressively to expand the Group's business portfolio.

Meanwhile, the Group will strategically explore the air purification market through its acquisition of Hong Kong company, ActivPro Limited ("**ActivPro**"), to adopt its technology in construction work.

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 remains 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 for the six months ended 30 June 2021 and 2020:

	Six months ended 30 June			
	2021		2020	
	MOP' 000	*%*	*MOP' 000*	*%*
Types of construction works				
Fitting-out works	**123,798**	**95.2**	62,831	57.3
Structural works	**6,164**	**4.7**	46,862	42.7
Air purification business	**192**	**0.1**	—	—
Total	**130,154**	**100**	109,693	100.0

For the six months ended 30 June 2021, the Group's revenue increased by approximately MOP20.5 million or 18.7% as compared with the corresponding period of the last year. Such increase was mainly attributable to the increase in revenue generated from fitting-out works projects of approximately MOP61.0 million or 97.0% as a result of the progress of certain projects which delayed in 2020 resumed to normal in the first half of 2021. This was partially offset by the decrease in the revenue of structural works projects due to no structural works projects awarded in 2020 and 2021.

Air purification business represented the sales of air purification units/system for the period ended 30 June 2021 since the acquisition of ActivPro in September 2020.

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

The following table sets forth a breakdown of the Group's gross profit/(loss) and gross profit/(loss) margin by types of revenue for the six months ended 30 June 2021 and 2020:

	Six months ended 30 June			
	2021		2020	
	Gross profit *MOP' 000*	**Gross profit margin** *%*	Gross (loss)/ profit *MOP' 000*	Gross (loss)/ profit margin *%*
Types of construction works				
Fitting-out works	**1,840**	**1.5**	(3,424)	(5.4)
Structural works	**756**	**12.3**	3,072	6.6
Air purification business	**92**	**47.9**	—	—
Total	**2,688**	**2.1**	(352)	(0.3)

For the six months ended 30 June 2021, the Group generated a gross profit of approximately MOP2.7 million whereas for the six months ended 30 June 2020, the Group recorded a gross loss of approximately MOP0.4 million.

For the six months ended 30 June 2021, there was a gross profit margin of fitting-out work projects of approximately 1.5% whereas for the six months ended 30 June 2020, there was a gross loss margin of approximately 5.4%. The change was mainly due to the progress of certain projects which delayed in 2020 resumed to normal in the first half of 2021.

The gross profit margin of structural works projects was increased by 5.7 percentage points from approximately 6.6% for the six months ended 30 June 2020 to 12.3% for the six months ended 30 June 2021. Such change was due to some variation orders were concluded at the final account stage but it was partially offset by a loss contract.

Other income

For the six months ended 30 June 2021, the other income of approximately MOP1.0 million mainly consisted of the bank interest income. The other income of approximately MOP2.0 million for the six months ended 30 June 2020 mainly consisted of the bank interest income and the subsidies from governments of both Macau Special Administrative Region ("**SAR**") and HKSAR following the economic recession due to the outbreak of COVID-19.

Other gains and losses

For the six months ended 30 June 2021, it mainly represented the gain from the fair value change of the financial asset at FVTPL. For the six months ended 30 June 2020, the other losses of approximately MOP23,000 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 MOP0.8 million or 39.5% in view of the delay in collecting the settlement from customers following the outbreak of COVID-19.

Administrative expenses

Administrative expenses were decreased by approximately MOP0.8 million from approximately MOP15.6 million for the six months ended 30 June 2020 to approximately MOP14.8 million for the six months ended 30 June 2021. The decrease was mainly attributable to tighten cost control as a result of the economic recession.

Income tax credit

The income tax credit for the six months ended 30 June 2021 was nil as compared to the income tax credit of approximately MOP1.6 million for the six months ended 30 June 2020. Such change was mainly attributable to no deferred tax impact arising from the tax loss and the amortisation of intangible assets for the six months ended 30 June 2021.

Loss for the period

The loss for the six months ended 30 June 2021 was approximately MOP13.5 million as compared to the loss of approximately MOP14.3 million for the six months ended 30 June 2020. 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 2021. 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 2021 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 2021 was approximately MOP136.6 million, compared to approximately MOP148.4 million as at 31 December 2020. The decrease of approximately MOP11.8 million was mainly related to the operating cash outflow.

As at 30 June 2021, the Group had no outstanding borrowings and had unutilised banking facilities of approximately MOP192.5 million (31 December 2020: MOP207.0 million).

The current ratio of our Group as at 30 June 2021 was 2.0 times (31 December 2020: 2.0 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. There has been no change in the capital structure of the Group during the six months ended 30 June 2021.

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 2021, the Group's office premise of approximately MOP40.0 million (31 December 2020: MOP40.7 million) and certain bank deposits of approximately MOP65.2 million (31 December 2020: MOP65.1 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 2021, the Group did not have any significant capital commitments (31 December 2020: nil).

Significant investments, acquisition and disposals

The Group did not have any significant investment, acquisition and disposals during the six months ended 30 June 2021.

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 entities.

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 2021, the Group had 135 (31 December 2020: 146) full time employees. The decrease in the number of employees was mainly due to the tighten cost control. 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 2021 were approximately MOP18.0 million (30 June 2020: MOP21.4 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 2021.

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 prolonged COVID-19 pandemic and the tension between China, 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.

For other risks and uncertainties of the Group, please refer to the section headed "Risk Factors" in the prospectus.

USE OF PROCEED

The Company has raised gross proceeds of approximately HK$100.5 million through the Global Offering upon the listing 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 has resolved to reallocate the unutilised 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 2021, 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 up to 30 June 2021**	**Unutilised net proceeds as of 30 June 2021** *(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	—	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	On or before December 2021
Hire additional staff for the Group's business operation	6.1	2.8	8.2	2.7	5.5	On or before December 2022
General working capital	6.1	1.2	1.2	1.2	—	N/A
Total	61.2	24.7	24.7	13.1	11.6	

Note 1 As at 30 June 2021, 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.

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 2021 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 2021, 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 2021, 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 2021.

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 2021 have been reviewed by the audit committee and the Group's auditor, Messrs. Deloitte Touche Tohmatsu.