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## **Unity Enterprise Holdings Limited**

**盈滙企業控股有限公司**

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

**(Stock Code: 2195)**

### **INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2022**

#### **INTERIM RESULTS HIGHLIGHTS**

- Revenue decreased by approximately 29.5% to approximately HK\$68.9 million for the six months ended 30 June 2022 (six months ended 30 June 2021: approximately HK\$97.7 million).
- Gross profit decreased by approximately 25.7% to approximately HK\$12.9 million for the six months ended 30 June 2022 (six months ended 30 June 2021: approximately HK\$17.3 million).
- The Group recorded a profit attributable to equity holders of the Company of approximately HK\$6.8 million for the six months ended 30 June 2022 (six months ended 30 June 2021: approximately HK\$10.6 million).
- Basic earnings per share was approximately HK0.68 cents for the six months ended 30 June 2022 (six months ended 30 June 2021: approximately HK1.21 cents).
- The Board has resolved not to recommend the declaration of an interim dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: HK\$288,000 per ordinary share).

#### **INTERIM RESULTS**

The board (the “**Board**”) of directors (the “**Directors**”) of Unity Enterprise Holdings Limited (the “**Company**”) is pleased to present the unaudited condensed consolidated interim financial statements of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2022, together with the comparative unaudited figures for the corresponding period in 2021.

**UNAUDITED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS  
AND OTHER COMPREHENSIVE INCOME**

*For the six months ended 30 June 2022*

	<i>Note</i>	<b>Six months ended 30 June</b>	
		<b>2022</b> <i>HK\$'000</i> <b>(Unaudited)</b>	<b>2021</b> <i>HK\$'000</i> <b>(Unaudited)</b>
Revenue	6	<b>68,899</b>	97,694
Cost of services		<b>(56,028)</b>	(80,379)
Gross profit		<b>12,871</b>	17,315
Other incomes and gain	7	<b>495</b>	817
Administrative expenses		<b>(5,162)</b>	(4,101)
(Loss allowances)/reversal of loss allowances on trade receivables and contract assets		<b>(318)</b>	1,326
Listing expenses		<b>–</b>	(2,186)
Finance costs	8	<b>(7)</b>	(192)
Profit before income tax	9	<b>7,879</b>	12,979
Income tax expense	10	<b>(1,114)</b>	(2,398)
Profit and total comprehensive income for the period		<b>6,765</b>	10,581
Profit attributable to equity holders of the Company		<b>6,765</b>	10,581
Earnings per share attributable to equity holders of the Company			
Basic and diluted	12	<b>HK0.68 cents</b>	HK1.21 cents

**UNAUDITED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION**

*As at 30 June 2022*

	<i>Note</i>	<b>30 June 2022 HK\$'000 (Unaudited)</b>	31 December 2021 HK\$'000 (Audited)
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment	<i>13</i>	<b>1,319</b>	1,302
Deferred tax assets		<b>1,302</b>	1,129
<b>Total non-current assets</b>		<b>2,621</b>	2,431
<b>Current assets</b>			
Trade receivables	<i>14</i>	<b>169,549</b>	165,517
Contract assets	<i>15</i>	<b>33,688</b>	30,719
Deposits, prepayments and other receivables	<i>16</i>	<b>4,068</b>	4,109
Tax recoverable		<b>3,900</b>	2,250
Time deposit		<b>40,000</b>	50,000
Cash and bank balances		<b>25,881</b>	23,420
<b>Total current assets</b>		<b>277,086</b>	276,015
<b>Current liabilities</b>			
Trade payables	<i>17</i>	<b>64,260</b>	59,885
Accrued liabilities and other payables	<i>18</i>	<b>20,333</b>	31,713
Lease liabilities		<b>352</b>	139
Tax payable		<b>25,295</b>	24,007
<b>Total current liabilities</b>		<b>110,240</b>	115,744
<b>Net current assets</b>		<b>166,846</b>	160,271
<b>NET ASSETS</b>		<b>169,467</b>	162,702
<b>EQUITY</b>			
Equity attributable to equity holders of the Company			
Share capital		<b>10,000</b>	10,000
Reserves		<b>159,467</b>	152,702
<b>TOTAL EQUITY</b>		<b>169,467</b>	162,702

## NOTES TO FINANCIAL STATEMENTS

*For the six months ended 30 June 2022*

### 1. GENERAL

Unity Enterprise Holdings Limited (the “**Company**”) is a limited liability company incorporated in the Cayman Islands on 13 March 2019 under the Companies Act (as revised) of the Cayman Islands. The address of the Company’s registered office is 71 Fort Street, PO Box 500, George Town, Grand Cayman KY1-1106, Cayman Islands, and its principal place of business is Unit 1103, 11th Floor, 9 Chong Yip Street, Kwun Tong, Kowloon, Hong Kong.

The shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 31 March 2021.

The principal activity of the Company is investment holding while its subsidiaries are principally engaged in provision of repair, maintenance, alteration and addition (“**RMAA**”) works services in Hong Kong.

In the opinion of the directors, the holding company and the ultimate holding company of the Company is Harvest Land Company Limited (“**Harvest Land**”), which is incorporated in the British Virgin Islands (“**BVI**”).

### 2. BASIS OF PREPARATION

These unaudited condensed consolidated interim financial statements (the “**unaudited interim financial statements**”) are prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34 Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) and the disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on the Stock Exchange and the Hong Kong Companies Ordinance. These unaudited interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2021.

The accounting policies and the basis of preparation adopted in the preparation of this unaudited interim financial statements are consistent with those adopted in the Group’s annual financial statements for the year ended 31 December 2021, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) (which also include HKASs and Interpretations) issued by the HKICPA and accounting principles generally accepted in Hong Kong and the disclosures requirements of the Hong Kong Companies Ordinance, except for the adoption of the amendments to HKFRSs as disclosed in note 3 below.

These unaudited condensed consolidated interim financial statements are presented in Hong Kong dollars (“**HK\$**”) and all values are rounded to the nearest thousand (“**HK\$’000**”) except when otherwise indicated. These unaudited condensed consolidated interim financial statements have not been audited or reviewed by the Company’s external auditors, but have been reviewed by the Company’s audit committee.

### 3. ADOPTION OF HKFRSs

The accounting policies adopted in the preparation of the unaudited interim financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2021, except for the adoption of amendments to HKFRSs effective as of 1 January 2022. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

For the current period, the Group has applied all the new and revised HKFRSs as well as amendments to and interpretation of HKFRSs that are relevant to its operations and effective for the financial periods beginning on or after 1 January 2022. These applications do not have a material impact on the unaudited condensed consolidated interim financial statements of the Group.

### 4. ISSUED BUT NOT YET EFFECTIVE HKFRSs

The Group has not applied the new and revised HKFRSs that have been issued but are not yet effective, in these unaudited condensed consolidated interim financial statements.

HKFRS 17	Insurance Contracts and related amendments <sup>1</sup>
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) <sup>1</sup>
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies <sup>1</sup>
Amendments to HKAS 8	Definition of Accounting Estimates <sup>1</sup>
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction <sup>1</sup>
Amendments to HKFRS 17	Amendments to HKFRS 17 <sup>1</sup>
Hong Kong interpretations 5	Presentation of financial statements-classification by the borrower of a term loan that contains a repayment on demand clause (2020) <sup>1</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2023

<sup>2</sup> Effective date not yet determined

The directors of the Company anticipate that the above new and amended HKFRSs will be adopted in the Group's accounting policy for the first period beginning on or after the effective date of such standards. The Group is in the process of making an assessment of the impact of these new and amended HKFRSs upon initial application. Currently it has been considered that the adoption of them is unlikely to have a material impact on the Group's results of operations and financial position.

## 5. OPERATING SEGMENT INFORMATION

### Geographical Information

The Group's revenue is solely generated from, and non-current assets are located in, Hong Kong, based on the location of the relevant entities' operation.

### Information about Major Customers

During the reporting period, revenue from major customers who contributed over 10% of the total revenue of the Group is as follows:

	<b>Six months ended 30 June</b>	
	<b>2022</b>	<b>2021</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Customer A	<b>16,461</b>	26,556
Customer B	<b>16,111</b>	23,735
Customer C	<b>12,969</b>	18,834
Customer D ( <i>note</i> )	<b>12,224</b>	N/A

*Note:* The customer did not contribute over 10% of the total revenue of the Group for the six months ended 30 June 2021.

## 6. REVENUE

Revenue represents the fair value of amounts received and receivable for the provision of RMAA works provided by the Group to customers.

### Disaggregation of Revenue

	Six months ended 30 June	
	2022 <i>HK\$'000</i> (Unaudited)	2021 <i>HK\$'000</i> (Unaudited)
Type of contract nature		
Project-based		
— Subcontractor	50,699	69,436
— Main contractor	18,200	11,442
Term-contract based	—	16,816
	<u>68,899</u>	<u>97,694</u>
Type of developments		
Residential	47,827	60,269
Commercial and industrial	21,072	37,425
	<u>68,899</u>	<u>97,694</u>

Revenue from contract with customers arose from provision of RMAA works rendered in Hong Kong under long term contracts and was recognised over time during the reporting period. All the Group's provision of RMAA works is made directly with the customers. Contracts with the Group's customers are mainly fixed-price contracts.

## 7. OTHER INCOMES AND GAIN

The Group's other incomes and gain recognised are as follows:

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Gain on disposal of property, plant and equipment	–	435
Government subsidies ( <i>note 1</i> )	328	–
Reimbursement of litigation costs and disbursement ( <i>note 2</i> )	–	380
Bank interest income	167	2
	<u>495</u>	<u>817</u>

*Notes:*

1. The government subsidies are mainly related to wage subsidies from the Government of Hong Kong Special Administrative Region under the Employment Support Scheme (“ESS”). Under the terms of the ESS, the Group is required to undertake and warrant that they will not implement redundancies during the subsidy period and spend all the wages subsidies on paying salaries to their employees.
2. Hong Dau Construction Company Limited (“HDC”) had been joined as a third party in District Court Civil Action 2744 of 2017. Subsequent to the settlement of the main action between the plaintiff and the defendants, the defendants paid HDC a total sum of HK\$380,000 being agreed costs and disbursements and discontinued the third party proceeding against HDC.

## 8. FINANCE COSTS

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest on bank borrowings	–	186
Interest on lease liabilities	7	6
	<u>7</u>	<u>192</u>

## 9. PROFIT BEFORE INCOME TAX

The Group's profit before income tax is arrived at after charging:

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Employee benefit expenses (including directors' remuneration):		
— Directors' fee	240	120
— Salaries, allowances and other benefits	4,795	3,806
— Contributions to retirement benefits schemes	161	134
	<hr/>	<hr/>
Total employee benefit expenses	5,196	4,060
	<hr/>	<hr/>
Depreciation of property, plant and equipment	406	214
	<hr/>	<hr/>

The employee benefit expenses included in cost of services were approximately HK\$2,502,000 (six months ended 30 June 2021: approximately HK\$2,055,000) for the six months ended 30 June 2022.

## 10. INCOME TAX EXPENSE

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands (the "BVI"), the Group is not subject to any income tax in the Cayman Islands and the BVI.

Under the two-tiered profits tax rates regime, Hong Kong Profits Tax of a qualified entity in the Group was provided at 8.25% on the first HK\$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK\$2 million. The profits of the other Hong Kong subsidiary will be taxed at a flat rate of 16.5%.

During the year ended 31 December 2019, the Hong Kong Inland Revenue Department ("IRD") has issued an enquiry letter to HDC requesting breakdowns and details of cost of construction work executed by HDC for the year of assessment 2012/13. An additional assessment was issued by IRD demanding additional profits tax of HK\$1,320,000 for the year of assessment 2012/13. The Group has filed an objection to IRD in respect of the aforesaid additional assessment. A tax reserve certificate of HK\$1,320,000 for condition holdover order of objection against the additional assessment was purchased by the Group.

During the year ended 31 December 2020, the IRD issued an additional assessment demanding additional profits tax of HK\$1,320,000 for the year of assessment 2013/14 to HDC. The Group filed an objection to IRD in respect of the aforesaid assessment and an unconditional holdover of an amount of HK\$720,000 was granted by IRD.

During the year ended 31 December 2021, the IRD issued additional assessments demanding additional profits tax of HK\$1,650,000 for the years of assessment 2014/15 and 2015/16 to HDC, HK\$165,000 for the year of assessment 2014/15 to Hong Dau Construction & Engineering Co. Limited ("HDE") and HK\$82,500 for the year of assessment 2015/16 to HDE, respectively. The Group filed objections to the IRD in respect of the aforesaid assessments for HDC and HDE. In relation to HDE, an unconditional holdover of HK\$165,000 and HK\$82,500 were granted by the IRD. In relation to HDC, as no part of the tax has been held over by the IRD, the Group has made payments of HK\$3,300,000 to the IRD in respect of the additional assessment for HDC.

According to the deed of indemnity dated 18 March 2021 (the “**Deed of Indemnity**”), the Controlling Shareholders have undertaken in favour of the Group to indemnify all outstanding taxes incurred prior to the Listing and all reasonable costs, expenses or other liabilities which any member of the Group may incur in connection with the investigation, assessment, settlement or contesting of any taxation claim. For further information in relation to the Deed of Indemnity, please refer to the paragraph headed “E. Other information — 1. Tax and other indemnities” in the Appendix V to the Prospectus.

## 11. DIVIDENDS

The Board has resolved not to recommend the declaration of an interim dividend for the six months ended 30 June 2022.

During the period from 1 January 2021 to 29 March 2021 which was prior to the Listing, the Company declared interim dividends of HK\$288,000 per ordinary share amounting to HK\$28,800,000 to its shareholder which were settled through the current account with a director.

## 12. EARNINGS PER SHARE

The calculation of basic earnings per share for the six months ended 30 June 2022 and 2021 is based on the profit for the period attributable to ordinary equity holders of the Company of approximately HK\$6,765,000 (six months ended 30 June 2021: approximately HK\$10,581,000), and the weighted average number of ordinary shares of 1,000,000,000 (six months ended 30 June 2021: 876,389,000) in issue during the six months ended 30 June 2022.

## 13. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2022, the Group incurred capital expenditure of approximately HK\$0.4 million (six months ended 30 June 2021: approximately HK\$1.8 million) to purchase office equipment and renew the tenancy agreement. Item of a motor vehicle with zero net book value was disposed of during the six months ended 30 June 2021, resulting in a gain on disposal of approximately HK\$0.4 million.

## 14. TRADE RECEIVABLES

	<b>30 June 2022</b>	31 December 2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(Unaudited)</b>	(Audited)
Trade receivables, gross	<b>176,909</b>	172,641
Less: Loss allowances recognised	<b>(7,360)</b>	(7,124)
	<b><u>169,549</u></b>	<u>165,517</u>

The credit terms of the trade receivables are ranged from 30 to 45 days from the date of invoice.

The ageing analysis of trade receivables net of loss allowances at the end of reporting period/year based on invoice date is as follows:

	<b>30 June 2022 HK\$'000 (Unaudited)</b>	31 December 2021 HK\$'000 (Audited)
Within one month	<b>12,887</b>	35,739
One to three months	<b>10,821</b>	30,991
More than three months but within one year	<b>116,776</b>	65,165
More than one year	<b>29,065</b>	33,622
	<b><u>169,549</u></b>	<u>165,517</u>

## 15. CONTRACT ASSETS

The following table provides information about contract assets from contracts with customers:

	<b>30 June 2022 HK\$'000 (Unaudited)</b>	31 December 2021 HK\$'000 (Audited)
Contract assets		
Retention receivables	<b>34,905</b>	31,854
Less: Loss allowances recognised	<b>(1,217)</b>	(1,135)
	<b><u>33,688</u></b>	<u>30,719</u>

As at 30 June 2022, the amounts of contract assets that are expected to be recovered after one year are approximately HK\$30,981,000 (31 December 2021: approximately HK\$30,066,000).

## 16. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	<b>30 June 2022 HK\$'000 (Unaudited)</b>	31 December 2021 HK\$'000 (Audited)
Rental, utilities and sundry deposits	<b>2,496</b>	2,508
Tax reserve certificate	<b>1,320</b>	1,320
Other prepayments and receivables	<b>252</b>	281
	<b><u>4,068</u></b>	<u>4,109</u>

None of the above deposits and other receivables is either past due or impaired.

## 17. TRADE PAYABLES

	<b>30 June 2022</b>	31 December 2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(Unaudited)</b>	<b>(Audited)</b>
Trade payables	<u><b>64,260</b></u>	<u>59,885</u>

The credit term of the trade payables is 30 days from the date of invoice. The ageing analysis of trade payables based on the invoice date as of the end of the reporting period/year is as follows:

	<b>30 June 2022</b>	31 December 2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(Unaudited)</b>	<b>(Audited)</b>
Within one month	<b>5,954</b>	13,459
One to three months	<b>8,427</b>	10,486
More than three months	<u><b>49,879</b></u>	<u>35,940</u>
	<u><b>64,260</b></u>	<u>59,885</u>

## 18. ACCRUED LIABILITIES AND OTHER PAYABLES

	<b>30 June 2022</b>	31 December 2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(Unaudited)</b>	<b>(Audited)</b>
Retention payables	<b>17,385</b>	17,045
Other payables and accruals	<b>146</b>	1,275
Accrued contract costs	<u><b>2,802</b></u>	<u>13,393</u>
	<u><b>20,333</b></u>	<u>31,713</u>

As at 30 June 2022, the retention payables that are expected to be settled after one year are approximately HK\$15,902,000 (31 December 2021: approximately HK\$16,395,000).

## **BUSINESS REVIEW**

The Group is a contractor specialising in repair, maintenance, alteration and addition (“**RMAA**”) works in Hong Kong. The Group undertook repair and maintenance services, involving the upkeep, restoration and improvement of existing buildings and facilities, including the services of re-roofing, external and internal walls refurbishment, floor screeding and retiling, spalling repair, scaffolding, repairing and replacement of windows and door, plastering, painting, improvement of fire services system, plumbing and drainage works and the Group also provided additional ancillary services, such as alteration and addition works of building layout and structural works, design of new structural works and checking of structural adequacy of existing constructions and interior decoration works to the existing premises.

Hong Kong has been experiencing the fifth wave of outbreak of COVID-19 since early 2022. The scale and impact of the fifth wave of outbreak has been much more severe than the previous waves. The existing projects’ progress of the Company has been slowed down by the pandemic because:

- (1) a significant number of construction workers had contracted COVID-19 or were required to be quarantined, which resulted in considerable disruptions in labour supply in the construction industry; and
- (2) there have been disruptions in both local and cross-border transportation and logistics as well as disruptions and reduction in the supply of construction materials in Hong Kong.

As a result of abovesaid, the revenue decreased by approximately 29.5% to approximately HK\$68.9 million (six months ended 30 June 2021: approximately HK\$97.7 million) during the six months ended 30 June 2022.

The impact of the fifth wave of outbreak of COVID-19 have also resulted in slowdowns in the Group’s cashflow cycle and increasing pressures on the working capital needs of the Group. Given the current economic climate during this unprecedented time, the Directors considered that it is not a suitable and appropriate time for deploying the substantial start-up cost for adopting metal scaffolding system. In the best interest of the Company, the Directors changed the use of net proceeds from share offering of approximately HK\$47.9 million from the provision of metal scaffolding system to meet working capital requirement and pay certain upfront costs and expenses. The Directors believe that it is in the interest of the Company to strengthen the Group’s liquidity and financial resources and retain sufficient cash and bank balances to satisfy some of the working capital requirements of tender invitation.

As at 30 June 2022, the Group has 9 projects (31 December 2021: 15 projects) on hand with an aggregate original contract sum of approximately HK\$533.7 million (31 December 2021: approximately HK\$636.2 million). The Group was invited to submit tenders and/or quotations for a number of relatively sizable projects during the six months ended 30 June 2022.

## **Prospects**

Looking ahead, the Group will continue to focus on tendering RMAA works projects with high potential and high profitability, increasing market share of RMAA industry, capturing the growth in RMAA industry, maintaining the relationships with existing customers and developing relationships with new customers.

## **FINANCIAL REVIEW**

### **Revenue**

For the six months ended 30 June 2022, the Group's unaudited consolidated revenue amounted to approximately HK\$68.9 million (six months ended 30 June 2021: approximately HK\$97.7 million). The decrease in revenue of approximately 29.5% was mainly attributable to the fifth wave of outbreak of COVID-19 in Hong Kong and the recent outbreaks of COVID-19 in the Mainland China, resulting in disruptions in the logistics and supply of construction materials and labours as well as disruptions and delays in the work progress of existing projects and the tender process for potential new projects.

### **Gross Profit and Gross Profit Margin**

For the six months ended 30 June 2022, the gross profit amounted to approximately HK\$12.9 million (six months ended 30 June 2021: approximately HK\$17.3 million), while the gross profit margin was approximately 18.7% (six months ended 30 June 2021: approximately 17.7%). The decrease in gross profit of approximately 25.7% was primarily attributable to the decrease in revenue as discussed above.

The slight increase in the gross profit margin was mainly driven by the projects on hand with relatively higher gross profit margin undertaken during the six months ended 30 June 2022. The Directors consider that, the gross profit margin has been maintained at a stable level during the six months ended 30 June 2022.

### **Other Incomes and Gain**

For the six months ended 30 June 2022, the other incomes and gain amounted to approximately HK\$0.5 million, which included the anti-epidemic fund of approximately HK\$0.3 million from the Government under the Employment Support Scheme and the bank interest income of approximately HK\$0.2 million from time deposits.

For the six months ended 30 June 2021, the other incomes and gain amounted to approximately HK\$0.8 million, which was contributed by the disposal of a motor vehicle with a gain of approximately HK\$0.4 million and the reimbursement of litigation costs and disbursements of approximately HK\$0.4 million.

### **Administrative Expenses**

Administrative expenses primarily comprise staff costs, depreciation, office expenses, audit fee and professional fees. The administrative expenses increased from approximately HK\$4.1 million for the six months ended 30 June 2021 to approximately HK\$5.2 million for the six months ended 30 June 2022, representing an increase of approximately HK\$1.1 million or 25.9%. Such increase was mainly attributable to the increase in legal and professional fee, including the post-listing expenses and the increase in staff cost.

### **Finance Costs**

The Group's finance costs decreased from approximately HK\$0.2 million for the six months ended 30 June 2021 to approximately HK\$7,000 for the six months ended 30 June 2022, which was driven by the decrease in interest on bank borrowings.

### **Income Tax Expense**

The income tax expense decreased from approximately HK\$2.4 million for the six months ended 30 June 2021 to approximately HK\$1.1 million for the six months ended 30 June 2022, representing a decrease of approximately 53.5%. Such decrease was mainly attributable to the decrease in profit before tax as a result of the aforesaid for the six months ended 30 June 2022.

### **Profit and Total Comprehensive Income for the Period**

Profit and total comprehensive income for the period decreased by approximately 36.1% from approximately HK\$10.6 million for the six months ended 30 June 2021 to approximately HK\$6.8 million for the six months ended 30 June 2022. Such decrease was mainly contributed by the decrease in revenue and the increase in administrative expenses as well as the recognition of loss allowances on trade receivables and contract assets of approximately HK\$0.3 million during the six months ended 30 June 2022 (six months ended 30 June 2021: reversal of loss allowances of approximately HK\$1.3 million).

## **LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE**

The liquidity requirements are primarily attributable to the working capital for the business operations. The principal sources of liquidity are cash generated from the operations and the proceeds from the Listing. As at 30 June 2022, the Group maintained a healthy liquidity position with net current assets balance, a time deposit and cash and bank balances of approximately HK\$166.8 million (31 December 2021: approximately HK\$160.3 million), HK\$40 million (31 December 2021: HK\$50 million) and approximately HK\$25.9 million (31 December 2021: approximately HK\$23.4 million), respectively. The time deposit and cash and bank balances were denominated in Hong Kong dollars. The Shares of the Company were listed on Main Board of the Stock Exchange on 31 March 2021. There has been no change in the capital structure of the Company since then. As at the date of this announcement, the capital structure of the Company comprised mainly issued share capital and reserves.

### **Bank Borrowings**

The gearing ratio is calculated as bank borrowings divided by the total equity. As at 30 June 2022 and 31 December 2021, the Group had no outstanding bank borrowings.

### **Gearing Ratio**

As at 30 June 2022 and 31 December 2021, the Group's gearing ratio was nil.

### **Net Debt to Equity Ratio**

The net debt to equity ratio recorded net cash position as at 30 June 2022 and 31 December 2021.

### **Treasury Policy**

The Group has adopted a prudent financial management approach towards its treasury policy. The Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities, and other commitments can meet its funding requirements all the time.

### **Capital Expenditures**

For the six months ended 30 June 2022, the Group incurred capital expenditures of approximately HK\$0.4 million (six months ended 30 June 2021: approximately HK\$1.8 million) to purchase of office equipments and renew the tenancy agreement.

## CONTINGENT LIABILITIES

In the ordinary course of the Group's business, the Group has been subject to a number of claims of personal injuries suffered by employees of the Group or of the Group's subcontractors in accidents arising out of and in the course of their employment. The Directors are of the opinion that such claims are substantially covered by insurance and would not result in material adverse impact on the financial position or results and operations of the Group.

At the end of each reporting period, the Group had outstanding performance bonds as follows:

	<b>30 June 2022 HK\$'000 (Unaudited)</b>	31 December 2021 HK\$'000 (Audited)
Performance bonds for guarantee of completion of projects issued by insurance companies	<u><b>6,613</b></u>	<u>6,613</u>

## FOREIGN EXCHANGE EXPOSURE

The Group has a minimal exposure to foreign currency risk as most of the business transactions and assets and liabilities of the Group are principally denominated in Hong Kong Dollar. As such, the Directors consider the Group's risk in foreign exchange is insignificant and no foreign exchange hedging was conducted by the Group during the six months ended 30 June 2022.

## SUBSEQUENT EVENTS AND EFFECT OF COVID-19

Since the outbreak of the COVID-19 pandemic in Hong Kong, the management of the Group have closely monitored the development of the outbreak of COVID-19 pandemic and kept regular communications with its customers and subcontractors to understand whether there would be any significant impacts on the status or progress of the Group's ongoing projects and availability of subcontractors in the local market.

Based on the currently available information, the progress of certain projects of the Group has recently been affected by the fifth wave of COVID-19 infection. Given the inherent unpredictable nature and rapid development relating to COVID-19 pandemic, the Group's business might be affected should the situations in Hong Kong deteriorates and the management of the Group will continue to closely monitor in this regard.

Save as disclosed above, there was no significant event relevant to the business or financial performance of the Group that came to the attention of the Directors after the six months ended 30 June 2022 and up to the date of this announcement.

## **SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS**

For the six months ended 30 June 2022, the Group did not have any significant investments, acquisitions or disposals.

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 30 June 2022, the Group had 34 employees (31 December 2021: 27 employees) who were directly employed by the Group and based in Hong Kong. The Group offers remuneration package to the employees which includes salary and bonuses. Generally, the Group considers employees' salaries based on each of their qualifications, position and seniority. The Company has an annual review system to appraise the performance of the employees, which constitutes the grounds of our decision as to the salary raises, bonuses and promotions. The remuneration of the Directors is decided by the Board upon the recommendation from the remuneration committee of the Company having regard to the Group's operating results, individual performance and comparable market statistics.

## **DIVIDEND**

The Board has resolved not to recommend the declaration of an interim dividend for the six months ended 30 June 2022.

During the period from 1 January 2021 to 29 March 2021, which was prior to the Listing, the Company declared interim dividends of HK\$288,000 per ordinary share amounting to HK\$28.8 million to its shareholder which were settled through the current account with a director.

## **USE OF PROCEEDS**

The amount of gross proceeds from the Share Offer is HK\$140 million and the amount of net proceeds from the Share Offering is approximately HK\$90.7 million after deducting underwriting commissions and the finalised expenses relating to the Share Offer (the "**Net Proceeds**").

The Net Proceeds from the Share Offering have been and will be used in the manner consistent with that mentioned in the section headed “Future Plans and Use of Proceeds” of the Prospectus and the announcement of the Company headed “Change in Use of Proceeds” dated 29 April 2022, details of which are outlined below:

<b>Purposes</b>	<b>Original intended use of Net Proceeds</b> <i>HK\$ million</i>	<b>Revised intended use of Net Proceeds</b> <i>HK\$ million</i>	<b>Utilised amount as at 30 June 2022</b> <i>HK\$ million</i>	<b>Unutilised amount as at 30 June 2022</b> <i>HK\$ million</i>	<b>Expected timeline for utilising the unutilised Net Proceeds</b>
Upgrading the construction equipment and enhancing the safety measures through the provision of metal scaffolding system (“Plan 1”)	57.5	9.6	–	9.6	By December 2023
Meeting working capital requirement and paying certain upfront costs and expenses (“Plan 2”)	25.7	73.6	51.1	22.5	By December 2022
Further strengthening our manpower (“Plan 3”)	7.5	7.5	2.7	4.8	By December 2023
<b>Total</b>	<u>90.7</u>	<u>90.7</u>	<u>53.8</u>	<u>36.9</u>	

As at 30 June 2022, the Group changed the use of Plan 1 and Plan 2. Details and reasons for the change are set out in the announcement of the Company headed “Change in Use of Proceeds” dated 29 April 2022. The actual use of Plan 3 was delayed due to the extension of tender process of new potential projects.

As at the date of this announcement, there was no further change for the intended use of Net Proceeds as disclosed in the announcement of the Company headed “Change in Use of Proceeds” dated 29 April 2022.

## **FUTURE PLAN FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS**

Save as disclosed in the section headed “Future Plans and Use of Proceeds” of the Company’s prospectus dated 19 March 2021 (the “**Prospectus**”) and the announcement of the Company headed “Change in Use of Proceeds” dated 29 April 2022, as at the date of this announcement, the Group did not have other plans for material investments and capital assets.

## **CORPORATE GOVERNANCE CODE**

The Group is committed to ensuring high standards of corporate governance and business practices. The Company’s corporate governance practices are based on the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 14 of the Listing Rules. During the six months ended 30 June 2022, the Company has complied with the applicable code provisions of the CG Code.

## **MODEL CODE FOR SECURITIES TRANSACTIONS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules as the required standard for securities transactions by Directors. All Directors, after specific enquiries by the Company, confirmed that they have complied with the required standard set out in the Model Code during the six months ended 30 June 2022.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES**

No purchase, sale or redemption of the Company’s listed securities was made by the Company or any of its subsidiaries during the six months ended 30 June 2022.

## **COMPETING INTERESTS**

The controlling shareholders, namely Harvest Land and Mr. Yeung (collectively, the “**Controlling Shareholder(s)**”) had entered into the deed of non-competition in favour of the Company on 18 March 2021 (the “**Non-competition Undertaking**”). Each of the Controlling Shareholders has confirmed that he/it had complied with the Non-Competition Undertaking since the Listing Date and up to the date of this announcement. The independent non-executive Directors have reviewed that state of compliance of each of the Controlling Shareholder with the Non-competition Undertaking and as far as the independent non-executive Directors can ascertain, there has been no breach of the undertakings given in the Non-competition Undertaking by the Controlling Shareholders since the Listing Date and up to the date of this announcement.

## **REVIEW OF INTERIM FINANCIAL RESULTS BY AUDIT COMMITTEE**

The unaudited interim consolidated financial information of the Group for the six months ended 30 June 2022 and the accounting information given in this interim result announcement has not been audited by the Company's external auditor but has been reviewed by the audit committee of the Company, which was of the opinion that the preparation of such accounting information complied with the applicable accounting standards and requirements as well as the Listing Rules and that adequate disclosures have been made.

## **PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT**

This interim results announcement is published on the Company's website at [www.hongdau.com.hk](http://www.hongdau.com.hk) and the Stock Exchange's website at [www.hkexnews.hk](http://www.hkexnews.hk). The interim report of the Company for the six months ended 30 June 2022 will be despatched to its shareholders and will also be published on the websites of both the Stock Exchange and the Company in due course in the manner as required by the Listing Rules.

## **APPRECIATION**

The Board would like to express its sincere gratitude to the management of the Group and all the staff for their hard work and dedication, as well as its shareholders, business associates and other professional parties for their support throughout the period.

On behalf of the Board  
**Yeung Wing Sun**  
*Chairman and Executive Director*

Hong Kong, 30 August 2022

*As at the date of this announcement, the Board comprises Mr. Yeung Wing Sun (Chairman) and Mr. Chan Leung (Chief Executive Officer) as executive Directors; Mr. Li Fat Chung as non-executive Director; and Ms. Chan Mei Wah, Mr. Mak Alexander and Mr. Wu Hak Ping as independent non-executive Directors.*