

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

## **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)**

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

#### **ANNUAL RESULTS HIGHLIGHTS**

- Revenue decreased by approximately 57.5% to approximately HK\$106.2 million for the year ended 31 December 2022 (2021: approximately HK\$249.6 million).
- Gross profit decreased by approximately 78.1% to approximately HK\$9.8 million for the year ended 31 December 2022 (2021: approximately HK\$44.8 million).
- The Group recorded a loss attributable to owners of the Company of approximately HK\$7.4 million for the year ended 31 December 2022 (2021: a profit of approximately HK\$26.3 million).
- Basic loss per share was approximately HK0.74 cents for the year ended 31 December 2022 (2021: basic earnings per share of approximately HK2.80 cents).
- No dividend has been paid or declared for the year ended 31 December 2022. The Board recommended not to declare a final dividend for the year ended 31 December 2022.

## ANNUAL RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of Unity Enterprise Holdings Limited (the “**Company**”) is pleased to present the consolidated financial statements of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2022, together with the comparative figures for the year ended 31 December 2021.

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

*Year ended 31 December 2022*

	<i>Notes</i>	<b>2022</b> <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Revenue	5	<b>106,187</b>	249,625
Cost of services		<b>(96,354)</b>	(204,784)
Gross profit		<b>9,833</b>	44,841
Other income and gain	6	<b>4,161</b>	996
Administrative expenses		<b>(11,980)</b>	(9,826)
Impairment losses on trade receivables and contract assets		<b>(4,930)</b>	(2,025)
Listing expenses		<b>–</b>	(2,186)
Finance costs	7	<b>(14)</b>	(199)
(Loss)/profit before income tax	8	<b>(2,930)</b>	31,601
Income tax expense	9	<b>(4,479)</b>	(5,319)
(Loss)/profit and total comprehensive (expense) income for the year		<b>(7,409)</b>	26,282
(Loss)/profit attributable to owners of the Company		<b>(7,409)</b>	26,282
(Loss)/earnings per share attributable to owners of the Company			
Basic and diluted	11	<b>(HK0.74 cents)</b>	HK2.80 cents

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 31 December 2022*

	<i>Notes</i>	<b>2022</b> <i>HK\$'000</i>	2021 <i>HK\$'000</i>
<b>ASSETS AND LIABILITIES</b>			
Non-current assets			
Property, plant and equipment	<i>12</i>	<b>943</b>	1,302
Deferred tax assets		–	1,129
		<hr/>	<hr/>
Total non-current assets		<b>943</b>	2,431
Current assets			
Trade receivables	<i>13</i>	<b>158,522</b>	165,517
Contract assets	<i>14</i>	<b>29,927</b>	30,719
Deposits, prepayments and other receivables	<i>15</i>	<b>12,391</b>	4,109
Amount due from a controlling shareholder		<b>3,157</b>	–
Tax recoverable		–	2,250
Time deposit		<b>25,000</b>	50,000
Cash and bank balances		<b>24,540</b>	23,420
		<hr/>	<hr/>
Total current assets		<b>253,537</b>	276,015
Current liabilities			
Trade payables	<i>16</i>	<b>57,999</b>	59,885
Accrued liabilities and other payables	<i>17</i>	<b>18,907</b>	31,713
Lease liabilities		<b>143</b>	139
Tax payable		<b>22,083</b>	24,007
		<hr/>	<hr/>
Total current liabilities		<b>99,132</b>	115,744
Net current assets		<b>154,405</b>	160,271
		<hr/>	<hr/>
Total assets less current liabilities		<b>155,348</b>	162,702
Non-current liabilities			
Deferred tax liabilities		<b>55</b>	–
		<hr/>	<hr/>
<b>NET ASSETS</b>		<b>155,293</b>	162,702
		<hr/> <hr/>	<hr/> <hr/>
<b>EQUITY</b>			
Equity attributable to owners of the Company			
Share capital		<b>10,000</b>	10,000
Reserves		<b>145,293</b>	152,702
		<hr/>	<hr/>
<b>TOTAL EQUITY</b>		<b>155,293</b>	162,702
		<hr/> <hr/>	<hr/> <hr/>

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 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. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“**HKFRSs**”)

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

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) for the first time, which are mandatorily effective for the Group’s annual period beginning on 1 January 2022 for the preparation of the consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021*
Amendments to HKAS 16	Property, Plant and Equipment — Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract
Amendments to HKFRSs	Amendments to HKFRSs

The application of the amendments to HKFRSs in the current year had no material impact on the Group’s financial positions and performance for the current year and/or on the disclosures set out in these consolidated financial statements.

## **New and amendments to HKFRSs in issue but not yet effective**

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts <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>
Amendment to HKFRS 16	Lease Liability in a Sale and Leaseback <sup>3</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>

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

<sup>2</sup> Effective for annual years beginning on or after a date to be determined.

<sup>3</sup> Effective for annual years beginning on or after 1 January 2024.

The directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

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

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“**Listing Rules**”) and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis at the end of each reporting period.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

#### 4. OPERATING SEGMENT

##### 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 year, revenue from major customers who contributed over 10% of the total revenue of the Group is as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Customer A	23,982	61,554
Customer B	14,780	54,913
Customer C	33,426	45,998
Customer D	19,622	*

\* The corresponding revenue did not contribute over 10% of total revenue of the Group.

#### 5. REVENUE

Revenue represents transaction price received and receivable for the provision of RMAA works provided by the Group to customers.

##### Disaggregation of revenue from contracts with customers

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
<b>Type of contract nature</b>		
Project-based		
— Subcontractor	67,130	187,348
— Main contractor	39,057	32,288
Term-contract based	—	29,989
	<u>106,187</u>	<u>249,625</u>
<b>Type of developments</b>		
Residential	67,910	158,542
Commercial and industrial	38,277	81,083
Institutional organisation	—	10,000
	<u>106,187</u>	<u>249,625</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 year. 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.

## 6. OTHER INCOME AND GAIN

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Gain on disposal of property, plant and equipment	–	435
Government subsidies ( <i>note 1</i> )	492	–
Reimbursement of litigation costs and disbursement ( <i>note 2</i> )	–	380
Tax indemnity ( <i>note 3</i> )	3,295	–
Bank interest income	345	181
Sundry income	29	–
	<u>4,161</u>	<u>996</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 during year ended 31 December 2021.
3. Upon the final assessment issued by IRD, the final tax amount to be paid by the Group for the years of assessment 2012/13 to 2015/16 amounted to HK\$3,295,000. These tax expenses are indemnified by the controlling shareholder of the Company in accordance with the Deed of Indemnity signed by between the Company and the controlling shareholder.

## 7. FINANCE COSTS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Interest on bank borrowings	–	186
Interest on lease liabilities	14	13
	<u>14</u>	<u>199</u>

## 8. (LOSS)/PROFIT BEFORE INCOME TAX

The Group's (loss)/profit before income tax is arrived at after charging:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Employee benefit expenses (including directors' remuneration):		
— Directors' fees	480	360
— Salaries, allowances and other benefits	12,685	8,355
— Contributions to retirement benefits schemes	331	275
	<u>13,496</u>	<u>8,990</u>
Total employee benefit expenses		
	<u>13,496</u>	<u>8,990</u>
Auditor's remuneration	520	700
Depreciation of property, plant and equipment	783	648
	<u>783</u>	<u>648</u>

The employee benefit expenses included in cost of services were approximately HK\$6,390,000 (2021: approximately HK\$4,434,000) for the year.

## 9. INCOME TAX EXPENSE

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Current tax — Hong Kong Profits Tax		
— Charge for the year	—	5,800
— Underprovision in prior years	3,295	—
Deferred tax		
— Credit for the year	(34)	(481)
— Deferred tax asset impairment	1,218	—
	<u>4,479</u>	<u>5,319</u>

Pursuant to the rules and regulations of the Cayman Islands and 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 for the years ended 31 December 2021 and 2022. The profits of the other Hong Kong subsidiary were taxed at a flat rate of 16.5%.



## 10. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during 2022, nor has any dividend been proposed since the end of the reporting period.

## 11. (LOSS)/EARNINGS PER SHARE

The calculation of basic loss per share (2021: earnings per share) is based on the loss for the year attributable to owners of the Company of approximately HK\$7,409,000 (2021: profit of approximately HK\$26,282,000), and the weighted average number of ordinary shares of 1,000,000,000 (2021: 939,041,096) in issue during the year.

## 12. PROPERTY, PLANT AND EQUIPMENT

During the year ended 31 December 2022, the Group renewed the lease of an office and therefore, an addition of right-of-use assets amounting to approximately HK\$0.4 million was recorded.

During the year ended 31 December 2021, the Group acquired items of plant and equipment with a cost of approximately HK\$1.8 million.

## 13. TRADE RECEIVABLES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade receivables, gross	170,559	172,641
Less: allowances for credit losses	<u>(12,037)</u>	<u>(7,124)</u>
	<u>158,522</u>	<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 allowances for credit losses at the end of reporting period based on invoice date is as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Within one month	8,479	35,739
One to three months	5,006	30,991
More than three months but within one year	50,573	65,165
More than one year	<u>94,464</u>	<u>33,622</u>
	<u>158,522</u>	<u>165,517</u>

#### 14. CONTRACT ASSETS

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Contract assets		
— Retention receivables	31,079	31,854
Less: allowances for credit losses	<u>(1,152)</u>	<u>(1,135)</u>
	<u>29,927</u>	<u>30,719</u>

As at 31 December 2022, the amounts of contract assets that are expected to be recovered after one year are approximately HK\$26,749,000 (2021: approximately HK\$30,066,000).

#### 15. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Rental, utilities and sundry deposits	2,512	2,508
Tax reserve certificate	–	1,320
Other prepayments	9,833	216
Other receivables	<u>46</u>	<u>65</u>
	<u>12,391</u>	<u>4,109</u>

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

#### 16. TRADE PAYABLES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade payables	<u>57,999</u>	<u>59,885</u>

The average 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 is as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Within one month	2,030	13,459
One to three months	1,925	10,486
More than three months	<u>54,044</u>	<u>35,940</u>
	<u>57,999</u>	<u>59,885</u>

## 17. ACCRUED LIABILITIES AND OTHER PAYABLES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Retention payables	<b>16,928</b>	17,045
Other payables and accruals	<b>1,062</b>	1,275
Accrued contract costs	<b>917</b>	13,393
	<u><b>18,907</b></u>	<u>31,713</u>

As at 31 December 2022, the retention payables that are expected to be settled after one year are approximately HK\$14,000,000 (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. The ordinary shares of the Company (the “**Share(s)**”) were successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 31 March 2021 (“**Listing**”).

During the year ended 31 December 2022, the Group has been experiencing a challenging year. The Group recorded a total revenue of approximately HK\$106.2 million, representing a decrease of approximately 57.5% as compared to approximately HK\$249.6 million for the year ended 31 December 2021. The Group recorded a net loss of approximately HK\$7.4 million for the year ended 31 December 2022, representing a decrease of approximately 128.2% as compared to a profit of approximately HK\$26.3 million for the year ended 31 December 2021. Such decrease was primarily due to

- (i) the decrease in newly awarded construction projects for the year ended 31 December 2022 due to the keen competition. The competitors of the Group offered more attractive prices and accepted lower profit margins of some tenders which caused the Group to lose some potential projects;
- (ii) the progress of existing projects has been slowed down by the fifth wave of outbreak of COVID-19 since early 2022;
- (iii) the increase in rectification works requested by the customers for the year ended 31 December 2022 leading to an increase in overall construction costs; and
- (iv) the increase in administrative expenses as a result of the increase in staff costs during the year ended 31 December 2022.

As at 31 December 2022, the Group has 6 projects (31 December 2021: 15 projects) on hand with an aggregate original contract sum of approximately HK\$519.2 million (31 December 2021: approximately HK\$636.2 million).

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 the Listing 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.

## **PROSPECTS**

The Directors are of the view that the prospects of the construction industry remain challenging in the coming year. Although the economy of Hong Kong has gradually recovered from the ease of the COVID-19 restrictions, it takes time for the public to restore confidence in the market, especially RMAA industry which is high consumption service. Since that, the Group adopted a more prudent strategy in order to mitigate the revenue pressures and the operational costs will be prudently managed to ensure sufficient funds for working capital. The management of the Group will continue to make efforts to enhance construction quality, maintain safe construction sites and implement safety management system to the existing construction sites.

## **FINANCIAL REVIEW**

### **Revenue**

For the year ended 31 December 2022, the Group's revenue amounted to approximately HK\$106.2 million (2021: approximately HK\$249.6 million). The decrease in revenue of approximately 57.5% was mainly attributable to some sizeable projects were at their final stage which contributed less revenue for the year ended 31 December 2022 and the decrease in newly awarded projects during the year ended 31 December 2022 due to the keen competition from the competitors. The Group lost the potential tenders as the competitors offered more attractive prices and accepted lower profit margins of some tenders.

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

For the year ended 31 December 2022, the gross profit amounted to approximately HK\$9.8 million (2021: approximately HK\$44.8 million), while the gross profit margin was approximately 9.3% (2021: approximately 18.0%). The decrease in gross profit of approximately 78.1% was primarily attributable to the decrease in revenue as discussed above and the decrease in gross profit margin. The drop in the gross profit margin was mainly driven by the completion of certain projects on hand in 2021 which had a relatively higher gross profit margin and the increase in rectification works requested by the customers during the year ended 31 December 2022.

## **Other Income and Gain**

For the year ended 31 December 2022, the other income and gain amounted to approximately HK\$4.2 million, which mainly comprised the tax indemnity of approximately HK\$3.3 million relating to the additional tax on the final assessment for the years of assessment 2012/13 to 2015/16 issued by IRD, the anti-epidemic fund of approximately HK\$0.5 million received from the Hong Kong Government under the Employment Support Scheme and the interest income of approximately HK\$0.3 million from time deposit.

According to the deed of indemnity dated 18 March 2021 (the “**Deed of Indemnity**”), the controlling shareholders, namely Harvest Land Company Limited and Mr. Yeung Wing Sun (“**Mr. Yeung**”) (collectively, the “**Controlling Shareholder(s)**”) 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 Company’s prospectus dated 19 March 2021 (the “**Prospectus**”).

For the year ended 31 December 2021, the other income and gain amounted to approximately HK\$1.0 million, which was contributed by the disposal of a motor vehicle with a gain of approximately HK\$0.4 million, the reimbursement of litigation costs and disbursements of approximately HK\$0.4 million, and the interest income derived from the time deposits of approximately HK\$0.2 million placed during the year ended 31 December 2021.

## **Administrative Expenses**

Administrative expenses primarily comprise staff costs, depreciation, office expenses, audit fee and professional fees. The administrative expenses increased from approximately HK\$9.8 million for the year ended 31 December 2021 to approximately HK\$12.0 million for the year ended 31 December 2022, representing an increase of approximately HK\$2.2 million or 21.9%. Such increase was mainly attributable to the increase in staff costs.

## **Finance Costs**

The Group's finance costs decreased from approximately HK\$0.2 million for the year ended 31 December 2021 to approximately HK\$14,000 for the year ended 31 December 2022 because the Group settled all bank borrowings during the year ended 31 December 2022.

## **Income Tax Expense**

The income tax expense decreased from approximately HK\$5.3 million for the year ended 31 December 2021 to approximately HK\$4.5 million for the year ended 31 December 2022, representing a decrease of approximately 15.8%. Such decrease was mainly contributed to the decrease in profit before tax as a result of the abovesaid reasons for the year ended 31 December 2022, partially offset the additional tax expenses relating to the final assessments for the years of assessment 2012/2013 to 2015/2016 issued by the IRD.

## **(Loss)/profit and Total Comprehensive (Expense)/Income for the Year**

The loss and total comprehensive expense for the year amounted to approximately HK\$7.4 million for the year ended 31 December 2022, representing a decrease of approximately 128.2% as compared to the profit and total comprehensive income for the year of approximately HK\$26.3 million for the year ended 31 December 2021. Such decrease was mainly contributed by the decrease in revenue, the increase in administrative expenses and the increase in impairment losses on trade receivables and contract assets. The net profit margin was approximately 10.5% for the year ended 31 December 2021 while there was a net loss for the year ended 31 December 2022.

## **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 31 December 2022, the Group maintained a healthy liquidity position with net current assets balance, a time deposit and cash and bank balances of approximately HK\$154.4 million (31 December 2021: approximately HK\$160.3 million), HK\$25 million (31 December 2021: HK\$50 million) and approximately HK\$24.5 million (31 December 2021: approximately HK\$23.4 million) respectively. The time deposit and cash and bank balances were denominated in Hong Kong dollars. There has been no change in the capital structure of the Company since the Listing. As at the date of this announcement, the capital structure of the Company comprised mainly net debt, which includes cash and bank balances and equity attributable to owners of the Company, comprising issued share capital and reserves.

### **Bank Borrowings**

As at 31 December 2022 and 31 December 2021, the Group had no outstanding bank borrowings.

### **Gearing Ratio**

The Group's gearing ratio is calculated as bank borrowings divided by the total equity. As at 31 December 2022 and 31 December 2021, the Group's gearing ratio was nil.

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

The Group recorded net cash position as at 31 December 2022 and 31 December 2021.

### **Treasury Policy**

The Group has adopted a prudent financial management approach towards its treasury policy with an aim of preserving the assets of the Group. No investment assets were held by the Group other than a time deposit, cash and bank deposits as at 31 December 2022. 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 Commitments**

As at 31 December 2022, the Group had no material capital commitments.



## Pledge of Assets

As at 31 December 2022 and 31 December 2021 and the date of this announcement, there is no personal guarantees and securities for the Group's bank borrowings.

## Capital Expenditures

For the year ended 31 December 2022, the Group incurred capital expenditures of approximately HK\$0.4 million, primarily due to the renewal of 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 the reporting period, the Group had outstanding performance bonds as follows:

	<b>2022</b>	2021
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Performance bonds for guarantee of completion of projects issued by insurance companies	<b><u>6,613</u></b>	<u>6,613</u>

Save as disclosed above, the Group had no other material contingent liabilities as at 31 December 2022.

## 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 dollars. As such, the Directors consider the Group's risk in foreign exchange is insignificant and no foreign exchange hedging was conducted by the Group or no hedging instrument transaction was entered into during the year ended 31 December 2022.

## **SIGNIFICANT INVESTMENT HELD**

During the year ended 31 December 2022 and up to the date of this announcement, the Group did not hold any significant investments.

## **ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES**

During the year ended 31 December 2022 and up to the date of this announcement, the Group did not have any material acquisitions nor disposals of subsidiaries and associated companies.

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 31 December 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, bonuses and options which may be granted under the share option scheme adopted by the Company. Generally, the Group considers employees' salaries based on each of their performance, qualifications, position and seniority. The Company has an annual review system to appraise the performance of the employees, which constitutes the grounds of its decision as to the salary raises, bonuses and promotions. The Group also arranges induction training for newly joined employees and continuous trainings to existing employees regularly. The remuneration of the Directors and members of the senior management 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**

No dividend was paid or proposed for ordinary shareholders of the Company (the "**Shareholders**") during the year ended 31 December 2022, nor has any dividend been proposed since the end of the year ended 31 December 2022.

## **USE OF PROCEEDS**

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

The Net Proceeds have been and will be used in the manner consistent with the disclosure in the section headed “Future Plans and Use of Proceeds” of the Prospectus and the announcement of the Company dated 29 April 2022 (the “**Announcement**”), details of which are outlined below:

Purposes	Original intended use of Net Proceeds <i>HK\$ million</i>	Revised intended use of net proceeds <i>HK\$ million</i>	Utilised amount as at 31 December 2022 <i>HK\$ million</i>	Unutilised amount as at 31 December 2022 <i>HK\$ million</i>	Expected timeline for utilising the unutilised Net Proceeds
Upgrading the construction equipment and enhancing the safety measures through the provision of metal scaffolding system (“ <b>Plan 1</b> ”)	57.5	9.6	–	9.6	By December 2023
Meeting working capital requirement and paying certain upfront costs and expenses (“ <b>Plan 2</b> ”)	25.7	73.6	73.6	–	Fully utilised by December 2022
Further strengthening our manpower (“ <b>Plan 3</b> ”)	7.5	7.5	3.0	4.5	By December 2023
	_____	_____	_____	_____	
Total	<u>90.7</u>	<u>90.7</u>	<u>76.6</u>	<u>14.1</u>	

As at 31 December 2022, the Group changed the use of proceeds for Plan 1 and Plan 2. Details and reasons for the change are set out in the Announcement. The actual use of proceeds for Plan 3 was delayed due to the decrease in newly awarded construction 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.

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

Save as disclosed above, 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 had adopted the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 14 of the Listing Rules as its own corporate governance code. Mr. Chan Leung will perform both of the roles as the chairman and the chief executive officer of the Company. This deviates from code provision C.2.1 of the CG Code, which requires that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. However, the Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Company. The Board currently comprises an executive Director and three independent non-executive Directors and therefore has a fairly strong independence in its composition, and they meet regularly to discuss issues relating to the operation of the Company in order to provide adequate safeguards to protect the interests of the Company and its Shareholders. In addition, after taking into account the past experience of Mr. Chan Leung, the Board is of the opinion that vesting the roles of the chairman and the chief executive officer of the Company in Mr. Chan Leung helps to facilitate the execution of the Group’s business strategies and enhance the effectiveness of its operation. Hence, the aforesaid deviation is appropriate and in the best interest of the Company at the present stage.

## **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 of the Listing Rules as the required standards for securities transactions by the Directors. All Directors, after specific enquiries being made by the Company, confirmed that they have complied with the required standards set out in the Model Code for the year ended 31 December 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 for the year ended 31 December 2022.

## **SHARE OPTION SCHEME**

Written resolutions were passed on 15 March 2021 to adopt the share option scheme (the “**Scheme**”). The principal terms of the Scheme are summarised in the paragraph headed “D. Share Option Scheme” in Appendix V of the Prospectus. No share options have been granted, exercised, cancelled or lapsed under the Scheme since its adoption date and up to the date of this announcement. The Scheme will remain in force for a period of 10 years after the date of adoption.

## **AUDIT COMMITTEE**

As at the date of this announcement, the audit committee of the Company (the “**Audit Committee**”) comprises three independent non-executive Directors, namely Ms. Chan Mei Wah, Mr. Mak Alexander and Mr. Wu Hak Ping. Ms. Chan Mei Wah is the chairperson of the Audit Committee. The Audit Committee had reviewed the Group’s annual results for the financial year ended 31 December 2022 and confirmed that they were prepared in accordance with applicable accounting standards and the Listing Rules and that adequate disclosures have been made.

## **COMPETING INTERESTS**

The Controlling Shareholders 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 during the year ended 31 December 2022 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 during the year ended 31 December 2022 and up to the date of this announcement.

## **SCOPE OF WORK OF THE COMPANY’S AUDITOR**

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

## **COMPLIANCE ADVISER’S INTERESTS**

The Company has terminated the compliance adviser’s agreement entered into between the Company and Grande Capital Limited (“**Grande**”), with effect from 3 February 2023 due to the inability to reach an agreement on the adjustment of fees payable by the Company to Grande.

The Company has appointed FDB Financial Group Limited (“**FDB**”) as the new compliance adviser to the Company as required pursuant to Rule 3A.27 of the Listing Rules with effect from 3 February 2023 until the date, pursuant to Rule 3A.19 of the Listing Rules, on which the Company complies with Rule 13.46 of the Listing Rules in respect of the financial results of the Company to be published for the first full financial year commencing after the date of its initial listing (being the financial year ended 31 December 2022), or until the compliance adviser’s agreement entered into between the Company and FDB is terminated in accordance with its terms, whichever is earlier. Pursuant to the compliance adviser agreement entered into between FDB and the Company, FDB will receive fees for acting as the Company’s compliance adviser.

As informed by the Company’s compliance adviser, FDB, as at 31 December 2022, except for the compliance adviser agreement entered into between the Company and FDB dated 3 February 2023, neither FDB nor its directors, employees or close associates had any interests in relation to the Company, which is required to be notified to the Company pursuant to the Listing Rules.

As informed by Grande, except for the compliance adviser agreement entered into between the Company and Grande, neither Grande nor its directors, employees or close associates had any interests in relation to the Company, which is required to be notified to the Company pursuant to the Listing Rules.

## **SUBSEQUENT EVENTS**

Except the disclosure on the announcement of the Company date 12 January 2023 headed “(I) Inside information announcement; (II) Resignation of chairman and executive director; (III) Change of chairman of the board; (IV) Change of authorised representative; and (V) Resumption of trading”, 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 year ended 31 December 2022 and up to the date of this announcement.

## **SUFFICIENCY OF PUBLIC FLOAT**

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Directors confirmed that the Company has maintained a sufficient level of public float for its shares as required under the Listing Rules during the year ended 31 December 2022 and up to the date of this announcement.

## **ANNUAL GENERAL MEETING**

The forthcoming Annual General Meeting (“**2023 AGM**”) of the Company will be held on 21 June 2023 and the notice of the 2023 AGM will be published and despatched to the Shareholders in the manner as required by the Listing Rules in due course.

## **CLOSURE OF REGISTER OF MEMBERS**

To ascertain the identity of the Shareholders who will be entitled to attend and vote at the 2023 AGM, the register of members of the Company will be closed from Friday, 16 June 2023 to Wednesday, 21 June 2023, both dates inclusive, the period during which no transfer of Shares will be effected. In order to be eligible to attend and vote at the 2023 AGM, all completed share transfer documents accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at its office at Shops 1712–1716 17/F, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Thursday, 15 June 2023.

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

This annual 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 annual report of the Company for the year ended 31 December 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 in April 2023.

On behalf of the Board  
**Chan Leung**

*Chairman and Executive Director*

Hong Kong, 29 March 2023

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