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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 2023**

#### **INTERIM RESULTS HIGHLIGHTS**

- Revenue decreased by approximately 41.1% to approximately HK\$40.6 million for the six months ended 30 June 2023 (six months ended 30 June 2022: approximately HK\$68.9 million).
- Gross profit decreased by approximately HK\$18.4 million to gross loss of approximately HK\$5.6 million for the six months ended 30 June 2023 (six months ended 30 June 2022: gross profit of approximately HK\$12.9 million).
- The Group recorded a loss attributable to equity holders of the Company of approximately HK\$6.5 million for the six months ended 30 June 2023 (six months ended 30 June 2022: a profit of approximately HK\$6.8 million).
- Basic loss per share was approximately HK0.65 cents for the six months ended 30 June 2023 (six months ended 30 June 2022: basic earnings per share of approximately HK0.68 cents).
- The Board has resolved not to recommend the declaration of an interim dividend for the six months ended 30 June 2023 (six months ended 30 June 2022: Nil).

#### **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 2023, together with the comparative unaudited figures for the corresponding period in 2022.

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

*For the six months ended 30 June 2023*

	<i>Note</i>	<b>Six months ended 30 June</b>	
		<b>2023</b> <i>HK\$'000</i> <b>(Unaudited)</b>	<b>2022</b> <i>HK\$'000</i> <b>(Unaudited)</b>
Revenue	6	<b>40,557</b>	68,899
Cost of services		<b>(46,123)</b>	(56,028)
Gross (loss)/profit		<b>(5,566)</b>	12,871
Other incomes	7	<b>2,795</b>	495
Administrative expenses		<b>(4,579)</b>	(5,162)
Reversal of loss allowances/(loss allowances) on trade receivables and contract assets		<b>2,445</b>	(318)
Finance costs	8	<b>(4)</b>	(7)
(Loss)/profit before income tax	9	<b>(4,909)</b>	7,879
Income tax expense	10	<b>(1,551)</b>	(1,114)
(Loss)/profit and total comprehensive (expense)/income for the period		<b>(6,460)</b>	6,765
(Loss)/profit attributable to equity holders of the Company		<b>(6,460)</b>	6,765
(Loss)/earnings per share attributable to equity holders of the Company			
Basic and diluted	12	<b>(HK0.65 cents)</b>	HK0.68 cents

**UNAUDITED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION**

*As at 30 June 2023*

		<b>30 June 2023</b>	31 December 2022
	<i>Note</i>	<b>HK\$'000</b> <b>(Unaudited)</b>	<b>HK\$'000</b> <b>(Audited)</b>
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment	<i>13</i>	<u>890</u>	<u>943</u>
<b>Total non-current assets</b>		<u>890</u>	<u>943</u>
<b>Current assets</b>			
Trade receivables	<i>14</i>	<b>102,586</b>	158,522
Contract assets	<i>15</i>	<b>25,894</b>	29,927
Deposits, prepayments and other receivables	<i>16</i>	<b>44,962</b>	12,391
Amount due from a controlling shareholder		<b>3,101</b>	3,157
Time deposit		–	25,000
Cash and bank balances		<u>12,767</u>	<u>24,540</u>
<b>Total current assets</b>		<u>189,310</u>	<u>253,537</u>
<b>Current liabilities</b>			
Trade payables	<i>17</i>	<b>30,611</b>	57,999
Accrued liabilities and other payables	<i>18</i>	<b>10,429</b>	18,907
Lease liabilities		<b>143</b>	143
Tax payable		–	<u>22,083</u>
<b>Total current liabilities</b>		<u>41,183</u>	<u>99,132</u>
<b>Net current assets</b>		<u>148,127</u>	<u>154,405</u>
<b>Total assets less current liabilities</b>		<u>149,017</u>	<u>155,348</u>

	<b>30 June</b>	31 December
	<b>2023</b>	2022
<i>Note</i>	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
	<b>(Unaudited)</b>	(Audited)
<b>Non-current liabilities</b>		
Lease liabilities	<b>123</b>	–
Deferred tax liabilities	<b>61</b>	55
	<hr/>	<hr/>
Total non-current liabilities	<b>184</b>	55
	<hr/>	<hr/>
<b>NET ASSETS</b>	<b>148,833</b>	155,293
	<hr/> <hr/>	<hr/> <hr/>
<b>EQUITY</b>		
Equity attributable to equity holders of the Company		
Share capital	<b>10,000</b>	10,000
Reserves	<b>138,833</b>	145,293
	<hr/>	<hr/>
<b>TOTAL EQUITY</b>	<b>148,833</b>	155,293
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## NOTES TO FINANCIAL STATEMENTS

*For the six months ended 30 June 2023*

### 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 1002, 10/F, Billion Trade Centre, 31 Hung To Road, 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 2022.

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 2022, 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

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards (“**HKFRSs**”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2023 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2022.

#### **Application of new and amendments of HKFRSs**

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2023 for the preparation of the Group’s condensed consolidated financial statements:

HKFRS 17	Insurance Contracts and related amendments
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform — Pillar Two Model Rules

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

#### 4. ISSUED BUT NOT YET EFFECTIVE HKFRSs

The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 <sup>1</sup>
Amendments to HKAS 1	Non-current Liabilities with Covenants <sup>1</sup>
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements <sup>1</sup>
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback <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 2024

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

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's condensed consolidated financial statements.

#### 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:

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Customer A	19,221	16,111
Customer B	9,153	16,461
Customer C	6,000	N/A*
Customer D	N/A*	12,969
Customer E	N/A*	12,224

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

## 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	
	2023 <i>HK\$'000</i> (Unaudited)	2022 <i>HK\$'000</i> (Unaudited)
Type of contract nature		
Project-based		
— Main contractor	21,203	18,200
— Subcontractor	19,354	50,699
	<u>40,557</u>	<u>68,899</u>
Type of developments		
Residential	29,916	47,827
Commercial and industrial	4,641	21,072
Institutional	6,000	—
	<u>40,557</u>	<u>68,899</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

The Group's other incomes recognised are as follows:

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Government subsidies ( <i>note 1</i> )	–	328
Tax indemnity ( <i>note 2</i> )	2,520	–
Bank interest income	275	167
	<u>2,795</u>	<u>495</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. The amount represented the tax expenses indemnified by the controlling Shareholder of the Company in accordance with the Deed of Indemnity signed by the Company and the Controlling Shareholder.

## 8. FINANCE COSTS

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest on lease liabilities	<u>4</u>	<u>7</u>

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

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

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Employee benefit expenses (including directors' remuneration):		
— Directors' fee	180	240
— Salaries, allowances and other benefits	4,318	4,795
— Contributions to retirement benefits schemes	138	161
	<hr/>	<hr/>
Total employee benefit expenses	4,636	5,196
	<hr/>	<hr/>
Depreciation of property, plant and equipment	349	406
	<hr/>	<hr/>

The employee benefit expenses included in cost of services were approximately HK\$2,165,000 (six months ended 30 June 2022: approximately HK\$2,502,000) for the six months ended 30 June 2023.

## 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%.

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 2023 and 2022.

## 12. (LOSS)/EARNINGS PER SHARE

The calculation of basic loss per share for the six months ended 30 June 2023 is based on the loss for the period attributable to ordinary equity holders of the Company of approximately HK\$6,460,000 (six months ended 30 June 2022: profit of approximately HK\$6,765,000), and the weighted average number of ordinary shares of 1,000,000,000 (six months ended 30 June 2022: 1,000,000,000) in issue during the six months ended 30 June 2023.

## 13. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2023, the Group incurred capital expenditure of approximately HK\$0.3 million (six months ended 30 June 2022: approximately HK\$0.4 million) to purchase office equipment and renew the tenancy agreement.

## 14. TRADE RECEIVABLES

	<b>30 June 2023</b> <i>HK\$'000</i> (Unaudited)	31 December 2022 <i>HK\$'000</i> (Audited)
Trade receivables, gross	<b>111,761</b>	170,559
Less: Loss allowances recognised	<b>(9,175)</b>	(12,037)
	<b><u>102,586</u></b>	<u>158,522</u>

The credit terms of the trade receivables are ranged from 30 days 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 2023</b> <i>HK\$'000</i> (Unaudited)	31 December 2022 <i>HK\$'000</i> (Audited)
Within one month	<b>14,640</b>	8,479
One to three months	<b>4,333</b>	5,006
More than three months but within one year	<b>15,018</b>	50,573
More than one year	<b>68,595</b>	94,464
	<b><u>102,586</u></b>	<u>158,522</u>

## 15. CONTRACT ASSETS

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

	<b>30 June 2023</b>	31 December 2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(Unaudited)</b>	(Audited)
Contract assets	<b>27,463</b>	31,079
Less: Loss allowances recognised	<b>(1,569)</b>	(1,152)
	<b><u>25,894</u></b>	<u>29,927</u>

As at 30 June 2023, the amounts of contract assets that are expected to be recovered after one year are approximately HK\$20,801,000 (31 December 2022: approximately HK\$26,749,000).

## 16. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	<b>30 June 2023</b>	31 December 2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(Unaudited)</b>	(Audited)
Rental, utilities and sundry deposits	<b>2,428</b>	2,512
Prepayment of construction costs	<b>42,534</b>	9,572
Other prepayments	–	261
Other receivables	–	46
	<b><u>44,962</u></b>	<u>12,391</u>

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

## 17. TRADE PAYABLES

	<b>30 June 2023</b>	31 December 2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(Unaudited)</b>	(Audited)
Trade payables	<b>30,611</b>	57,999

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 2023</b>	31 December 2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(Unaudited)</b>	(Audited)
Within one month	–	2,030
One to three months	<b>3,662</b>	1,925
More than three months	<b>26,949</b>	54,044
	<b>30,611</b>	57,999

## 18. ACCRUED LIABILITIES AND OTHER PAYABLES

	<b>30 June 2023</b>	31 December 2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(Unaudited)</b>	(Audited)
Retention payables	<b>7,028</b>	16,928
Other payables and accruals	<b>190</b>	1,062
Accrued contract costs	<b>3,211</b>	917
	<b>10,429</b>	18,907

As at 30 June 2023, the retention payables that are expected to be settled after one year are approximately HK\$7,028,000 (31 December 2022: approximately HK\$14,000,000).

## 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 Group recorded a total revenue of approximately HK\$40.6 million, representing a decrease of approximately 41.1% as compared to approximately HK\$68.9 million for the six months ended 30 June 2022. The Group recorded a net loss of approximately HK\$6.5 million for the six months ended 30 June 2023, representing a decrease of approximately HK\$13.2 million as compared to a profit of approximately HK\$6.8 million for the six months ended 30 June 2022. Such decrease was primarily due to:

- (1) the decrease in newly awarded projects. The Group did not award large-scale construction projects for the six months ended 30 June 2023. As a result, there were no newly awarded projects contributed significant revenue for the Group;
- (2) the delay in residential projects in Happy Valley and in Kowloon Bay decreased the contributed revenue and incurred additional costs for the six months ended 30 June 2023; and
- (3) the deterioration in gross profit margin as there was an increase in rectification works of several construction projects for the six months ended 30 June 2023 leading to an increase in overall construction costs.

Despite the negative impact of underperforming construction projects on the Group’s financial results, the Group implemented stringent cost control measures during the six months ended 30 June 2023. These measures aimed to minimize unnecessary expenses and ultimately led to a reduction in administrative expenses. Specifically, administrative expenses decreased from approximately HK\$5.2 million for the six months ended 30 June 2022 to approximately HK\$4.6 million for the six months ended 30 June 2023.

As at 30 June 2023, the Group has 6 projects (31 December 2022: 6 projects) on hand.

## **Prospects**

Given the uncertain economic situation in Hong Kong, the Group is determined to safeguard the stability of the Group's financial position in the upcoming year. To achieve this, the Group has devised a strategic plan to allocate additional resources towards comprehensive project cost assessments. The Group aims to mitigate the detrimental financial consequences resulting from cost overrun. This prudent approach will enable the Group to maintain a solid financial position despite the challenging economic conditions in Hong Kong.

## **FINANCIAL REVIEW**

### **Revenue**

For the six months ended 30 June 2023, the Group's unaudited consolidated revenue amounted to approximately HK\$40.6 million (six months ended 30 June 2022: approximately HK\$68.9 million). The decrease in revenue of approximately 41.1% was mainly attributable to the decrease in newly awarded projects and the postponement of the existing construction projects. During the six months ended 30 June 2023, the Group did not award large-scale construction projects. Consequently, there were no newly awarded projects that contributed significant revenue for the Group. Additionally, the delay in residential projects in Happy Valley and Kowloon Bay further reduced the revenue contributions.

### **Gross (Loss)/Profit and Gross (Loss)/Profit Margin**

For the six months ended 30 June 2023, the gross loss amounted to approximately HK\$5.6 million (six months ended 30 June 2022: gross profit of approximately HK\$12.9 million) and the gross loss margin was approximately 13.7% (six months ended 30 June 2022: gross profit margin of approximately 18.7%). The change of gross profit to gross loss was caused by the postponement of existing construction projects and the increase in rectification works of several projects.

## **Other Incomes**

For the six months ended 30 June 2023, the other incomes amounted to approximately HK\$2.8 million, which was contributed by the tax indemnity from the controlling shareholders of the Company of approximately HK\$2.5 million and the bank interest income of approximately HK\$0.3 million from time deposits.

For the six months ended 30 June 2022, the other incomes 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.

## **Administrative Expenses**

Administrative expenses primarily comprise staff costs, depreciation, office expenses, audit fee and professional fees. The administrative expenses decreased from approximately HK\$5.2 million for the six months ended 30 June 2022 to approximately HK\$4.6 million for the six months ended 30 June 2023, representing a decrease of approximately HK\$0.6 million or 11.3%. Such decrease was mainly attributed to the stringent cost control measures taken by the Group and minimized the unnecessary administrative expenses.

## **Finance Costs**

The Group's finance costs amounted to approximately HK\$4,000 (six months ended 2022: approximately HK\$7,000) for the six months ended 30 June 2023.

## **Income Tax Expense**

The income tax expense increased from approximately HK\$1.1 million for the six months ended 30 June 2022 to approximately HK\$1.6 million for the six months ended 30 June 2023, representing an increase of approximately 39.2%. The increase in income tax expenses for the six months ended 30 June 2023 was mainly contributed by 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 Period**

The loss and total comprehensive expense for the period amounted to approximately HK\$6.5 million for the six months ended 30 June 2023, representing a decrease of approximately HK\$13.2 million as compared to the profit and total comprehensive income for the period of 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 deterioration in gross profit margin. The net profit margin was approximately 9.8% for the six months ended 30 June 2022 while there was a net loss margin of approximately 15.9% for the six months ended 30 June 2023.



## **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 of the ordinary shares of the Company (the “**Share(s)**”). As at 30 June 2023, the Group maintained a healthy liquidity position with net current assets balance, a time deposit and cash and bank balances of approximately HK\$148.1 million (31 December 2022: approximately HK\$154.4 million), nil (31 December 2022: HK\$25 million) and approximately HK\$12.8 million (31 December 2022: approximately HK\$24.5 million), respectively. The time deposit and cash and bank balances were denominated in Hong Kong dollars. The Shares were listed on Main Board of the Stock Exchange on 31 March 2021 (the “**Listing**”). 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**

As at 30 June 2023 and 31 December 2022, the Group had no outstanding bank borrowings.

### **Gearing Ratio**

The gearing ratio is calculated as bank borrowings divided by the total equity. As at 30 June 2023 and 31 December 2022, 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 2023 and 31 December 2022.

### **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 2023, the Group incurred capital expenditures of approximately HK\$0.3 million (six months ended 30 June 2022: approximately HK\$0.4 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 2023 HK\$'000 (Unaudited)</b>	31 December 2022 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 2023.

## SUBSEQUENT EVENTS

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 2023 and up to the date of this announcement.

## SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS

For the six months ended 30 June 2023, the Group did not have any significant investments, acquisitions or disposals.

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 30 June 2023, the Group had 24 employees (31 December 2022: 34 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 2023 and 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 and the announcement of the Company headed "Further Change in Use of Proceeds" dated 6 June 2023, as at the date of this announcement, the Group did not have other plans for material investments and capital assets.

## **USE OF PROCEEDS**

The amount of gross proceeds from the Listing is HK\$140 million and the amount of net proceeds from the Listing was 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 that mentioned in the section headed “Future Plans and Use of Proceeds” of the Prospectus, the announcement of the Company headed “Change in Use of Proceeds” dated 29 April 2022 and the announcement of the Company headed “Further Change in Use of Proceeds” dated 6 June 2023, details of which are outlined below:

Purposes	Original	Revised	Revised	Utilised	Unutilised	Expected
	intended	intended	intended			
	use of	use of Net	use of Net	amount as at	amount as at	timeline
	Net Proceeds	Proceeds as at	Proceeds as at	30 June 2023	30 June 2023	for utilising
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	the unutilised
		29 April 2022	6 June 2023			Net Proceeds
Upgrading the construction equipment and enhancing the safety measures through the provision of metal scaffolding system (“Plan 1”)	57.5	9.6	–	–	–	N/A
Meeting working capital requirement and paying certain upfront costs and expenses (“Plan 2”)	25.7	73.6	83.2	79.3	3.9	By December 2023
Further strengthening our manpower (“Plan 3”)	7.5	7.5	7.5	3.5	4.0	By December 2023
Total	<u>90.7</u>	<u>90.7</u>	<u>90.7</u>	<u>82.8</u>	<u>7.9</u>	

During the six months ended 30 June 2023, the Group further 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 and the announcement of the Company headed “Further Change in Use of Proceeds” dated 6 June 2023. The actual use of Plan 3 was delayed as the Group did not awarded new project with significant contract sum.

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 “Further Change in Use of Proceeds” dated 6 June 2023.

## **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 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 2023.

## **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 2023.

## 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 during the six months ended 30 June 2023 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 six months ended 30 June 2023 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 2023 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 2023 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

**Chan Leung**

*Chairman and Executive Director*

Hong Kong, 25 August 2023

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