

# 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

# 2023

## ANNUAL REPORT



# CONTENTS

Corporate Information	2
Chairman's Statement	3
Management Discussion and Analysis	5
Biography of Directors and Senior Management	9
Corporate Governance Report	13
Report of the Directors	25
Environmental, Social and Governance Report	35
Independent Auditor's Report	56
Consolidated Statement of Profit or Loss and Other Comprehensive Income	60
Consolidated Statement of Financial Position	61
Consolidated Statement of Changes in Equity	63
Consolidated Statement of Cash Flows	64
Notes to the Consolidated Financial Statements	65
Summary of Financial Information	110

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Executive Directors

Mr. Chan Leung (*Chairman and Chief Executive Officer*)  
Mr. Yeung Wing Sun (resigned on 12 January 2023)

### Non-executive Director

Mr. Li Fat Chung (resigned on 1 January 2023)

### Independent non-executive Directors

Mr. Mak Alexander  
Ms. Chan Mei Wah  
Mr. Wu Hak Ping

## AUDIT COMMITTEE

Ms. Chan Mei Wah (*Chairperson*)  
Mr. Mak Alexander  
Mr. Wu Hak Ping  
Mr. Li Fat Chung (resigned on 1 January 2023)

## REMUNERATION COMMITTEE

Mr. Mak Alexander (*Chairperson*)  
Ms. Chan Mei Wah  
Mr. Wu Hak Ping  
Mr. Li Fat Chung (resigned on 1 January 2023)

## NOMINATION COMMITTEE

Mr. Wu Hak Ping (*Chairperson*)  
Ms. Chan Mei Wah  
Mr. Mak Alexander  
Mr. Li Fat Chung (resigned on 1 January 2023)

## COMPANY SECRETARY

Ms. Leung Sau Fong  
(member of Hong Kong Institute of Chartered Secretaries)

## AUTHORISED REPRESENTATIVES

Mr. Chan Leung  
Mr. Mak Alexander

## AUDITOR

CWK CPA Limited  
*Certified Public Accountants*  
*Registered Public Interest Entity Auditor*  
21/F, Cosco Tower  
No. 183 Queen's Road Central  
Hong Kong

## PRINCIPAL BANKER

Nanyang Commercial Bank Limited  
151 Des Voeux Road Central  
Hong Kong

## REGISTERED OFFICE IN THE CAYMAN ISLANDS

71 Fort Street  
PO Box 500  
George Town  
Grand Cayman KY1-1106  
Cayman Islands

## HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 1002, 10/F,  
Billion Trade Centre,  
31 Hung To Road,  
Kwun Tong  
Kowloon  
Hong Kong

## CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Appleby Global Services (Cayman) Limited  
71 Fort Street  
PO Box 500  
George Town  
Grand Cayman KY1-1106  
Cayman Islands

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited  
Shops 1712–1716  
17th Floor  
Hopewell Centre  
183 Queen's Road East  
Wan Chai  
Hong Kong

## COMPANY'S WEBSITE

[www.hongdau.com.hk](http://www.hongdau.com.hk)

## INVESTOR RELATIONS CONTACT

E-mail: [info@hongdau.com.hk](mailto:info@hongdau.com.hk)

## STOCK CODE

2195

# CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board (the "Board") of directors (the "Directors") of Unity Enterprise Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group"), I wish to present to our shareholders the annual report of the Group for the year ended 31 December 2023.

## 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").

For the year ended 31 December 2023, the Group faced challenging economic environment. Factors such as economic downturn and intense market competition significantly affected the Group's business. Despite these difficulties, the Group made efforts in tendering projects and implementing a series of proactive measures to navigate through tough times.

During the year, the Group underestimated customers' expectations regarding the quality and standard required. As a result, the Group inaccurately budgeted the necessary resources, resulting in a cost overrun for rectification works. Recognizing the significance of this oversight, immediate remedial actions have been taken to rectify the situation and prevent recurrence. The Group focused on conducting more comprehensive research during the tendering process to gain a thorough understanding of customer requirements, project complexities, and market trends.

Despite the difficulties faced, the Group achieved some encouraging results in the year ended 31 December 2023. The Group successfully won projects related to the Siu Lam Integrated Rehabilitation Services Complex, with a contract sum of HK\$55 million, as well as a residential project in Pok Fu Lam, with a contract sum of HK\$150 million. These achievements demonstrate the Group's ability to compete and win contracts in a competitive market environment.

As at 31 December 2023, the Group has 7 projects (31 December 2022: 6 projects) on hand with an aggregate original contract sum of approximately HK\$545.4 million (31 December 2022: approximately HK\$519.2 million).

# CHAIRMAN'S STATEMENT

## PROSPECTS

The Group will remain committed to pursue excellent repair and maintenance services in Hong Kong, deliver quality services to customers, and actively contribute to the industry's development. In order to enhance the Group's capabilities in performing RMAA works, improve overall competitiveness, diversify its source of income and benefit from the potential cross-selling synergies, the Group entered into the Sale and Purchase Agreement for the acquisition of a company, the operating subsidiaries of which are principally engaged in (i) provision of contracting service for RMAA works in Hong Kong; and (ii) distributorship of building materials in Hong Kong.

Learning from past experience, the Group will devote more resources to market research and analysis in order to understand the current industry trends and quality requirement of different customers. This will help the Group to seize market opportunities, adjust business strategies, and offer solutions that meet customer expectations. Being responsive to market changes and promptly adjusting business strategies to meet customer needs are essential for the Group to improve and enhance its performance.

On behalf of the Board, I would like to express my appreciation for the diligence and commitment of the management and staff. I would like to also extend our sincerest gratitude to shareholders, customers and business partners for your continued support.

**Unity Enterprise Holdings Limited**

**Chan Leung**

*Chairman and Executive Director*

26 March 2024

# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW

### Revenue

For the year ended 31 December 2023, the Group's revenue amounted to approximately HK\$110.0 million (2022: approximately HK\$106.2 million). The Revenue was mainly contributed to (i) projects related to the Siu Lam Integrated Rehabilitation Services Complex, (ii) a residential project in Kowloon Bay and (iii) a residential project in Wong Chuk Hang.

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

For the year ended 31 December 2023, the gross loss amounted to approximately HK\$16.6 million (2022: a gross profit of approximately HK\$9.8 million). The recorded gross loss was mainly contributed to the increase in rectification works requested by the customers for the year ended 31 December 2023, resulting in an increase in overall construction costs.

The gross loss margin was 15.1% for the year ended 31 December 2023 while there is a gross profit margin of 9.3% for the year ended 31 December 2022.

### Other Income and Gain, Net

For the year ended 31 December 2023, the net other income and gain amounted to approximately HK\$2.9 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.

For the year ended 31 December 2022, the net other income 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 Inland Revenue Department, 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.

### Administrative Expenses

Administrative expenses primarily comprise staff costs, depreciation, office expenses, audit fee and professional fees. The administrative expenses decreased from approximately HK\$12.0 million for the year ended 31 December 2022 to approximately HK\$9.3 million for the year ended 31 December 2023, representing a decrease of approximately HK\$2.7 million or 22.4%. Such decrease was mainly attributable to the decrease in staff costs.

### Finance Costs

The Group's finance costs increased from approximately HK\$14,000 for the year ended 31 December 2022 to approximately HK\$53,000 for the year ended 31 December 2023 because the Group obtained a bank borrowing of HK\$4.0 million during the year ended 31 December 2023.

### Income Tax Expense

The income tax expense decreased from approximately HK\$4.5 million for the year ended 31 December 2022 to approximately HK\$1.6 million for the year ended 31 December 2023. The tax expenses represented the additional tax expenses and tax penalty relating to the final assessments for the years of assessment 2012/2013 to 2015/16.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Loss and Total Comprehensive Expense for the Year

The loss and total comprehensive expenses for the year amounted to approximately HK\$29.4 million (2022: approximately HK\$7.4 million) for the year ended 31 December 2023. Such increase in loss was mainly caused by the increase in rectification works requested by the customers for the year ended 31 December 2023 leading to an increase in overall construction costs.

The net loss margin was approximately 26.7% (2022: approximately 7.0%) for the year ended 31 December 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. As at 31 December 2023, the Group maintained a healthy liquidity position with net current assets balance, time deposit and cash and bank balances of approximately HK\$125.3 million (31 December 2022: approximately HK\$154.4 million), nil (31 December 2022: HK\$25 million) and approximately HK\$10.1 million (31 December 2022: approximately HK\$24.5 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 report, the capital structure of the Company comprised mainly net debt, which includes cash and bank balances, bank borrowings and equity attributable to owners of the Company, comprising issued share capital and reserves.

## Bank Borrowings

During the year ended 31 December 2023, the Group obtained a bank borrowing of HK\$4.0 million. Such loan was denominated in Hong Kong dollars and bear interest at floating rate.

As at 31 December 2022, 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 2023, the Group's gearing ratio was 2.7%. As at 31 December 2022, the Group's gearing ratio was nil.

## Net Debt to Equity Ratio

The Group recorded net cash position as at 31 December 2023 and 31 December 2022.

## 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 cash and bank deposits as at 31 December 2023. 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 2023, the Group had no material capital commitments.

## Pledge of Assets

The bank borrowings was guaranteed by HKMC Insurance Limited and the controlling shareholder (2022: nil).

## Capital Expenditures

For the year ended 31 December 2023, the Group incurred capital expenditures of approximately HK\$0.3 million (2022: approximately HK\$0.4 million), primarily due to the renewal of the tenancy agreement.

# MANAGEMENT DISCUSSION AND ANALYSIS

## 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:

	2023 HK\$'000	2022 HK\$'000
Performance bonds for guarantee of completion of projects issued by insurance companies	6,613	6,613

Save as disclosed above, the Group had no other material contingent liabilities as at 31 December 2023.

## 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 2023.

## SIGNIFICANT INVESTMENT HELD

During the year ended 31 December 2023 and up to the date of this report, the Group did not hold any significant investments.

## ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

During the year ended 31 December 2023 and up to the date of this report, save as the acquisition transaction disclosed in the announcement of the Company headed "Discloseable Transaction in Relation to Acquisition of 100% Equity Interests in the Target Company Involving the Issue of Consideration Shares under General Mandate" dated 22 March 2024, the Group did not have other material acquisitions nor disposals of subsidiaries and associated companies.

## EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2023, the Group had 25 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, 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 2023, nor has any dividend been proposed since the end of the year ended 31 December 2023.



# MANAGEMENT DISCUSSION AND ANALYSIS

## 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, 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 timeline for utilising the unutilised Net Proceeds
	intended use of Net Proceeds HK\$ million	intended use of Net Proceeds as at 29 April 2022 HK\$ million	intended use of Net Proceeds as at 6 June 2023 HK\$ million	amount as at 31 December 2023 HK\$ million	amount as at 31 December 2023 HK\$ million	
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	83.2	–	N/A
Further strengthening our manpower (“Plan 3”)	7.5	7.5	7.5	4.5	3.0	By December 2024
<b>Total</b>	<b>90.7</b>	<b>90.7</b>	<b>90.7</b>	<b>87.7</b>	<b>3.0</b>	

As at 31 December 2023, 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 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 proceeds for Plan 3 was delayed as the number of projects with significant contract sum decreased.

As at the date of this report, there was no further change for the intended use of Net Proceeds.

## FUTURE PLAN FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as the acquisition transaction disclosed in the announcement of the Company headed “Discloseable Transaction in Relation to Acquisition of 100% Equity Interests in the Target Company Involving the Issue of Consideration Shares under General Mandate” dated 22 March 2024, as at the date of this report, the Group did not have other plans for material investments and capital assets.

# BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

## EXECUTIVE DIRECTORS

**Mr. Chan Leung (陳亮先生)**, aged 61, was appointed as an executive Director on 25 March 2019. He also serves as the chairman and chief executive officer of the Group. He is primarily responsible for the supervision of operation of the Group. He was approved by the Buildings Department to be an Authorised Signatory for Hong Dau Construction Company Limited (“HDC”) as a Registered General Building Contractor in November 2013 and to become a Technical Director of HDC in January 2016. He is also a director of HDC.

Mr. Chan has over 25 years of experience in the construction industry. Mr. Chan joined the Group as Authorised Signatory in November 2013 and has been promoted to act as a director of HDC in September 2014. Before joining the Group, Mr. Chan joined Tom Ip & Partners, Architects, Engineers & Development Consultants Limited as a clerk of works in May 1987 and left as an assistant project officer in March 1990. Mr. Chan was a clerk of works of Simon Kwan & Associates Limited from April 1990 to March 1991.

Mr. Chan then worked as a clerk of works in Chows Architects Limited from November 1991 to February 1996, in Alex Wong & Partners Limited from March 1996 to November 1996, in Chows Architects Limited from December 1996 to August 1998 and in Cheung Kong (Holdings) Limited from September 1998 to January 1999. He joined Vigers Building Consultancy Limited as a clerk of works in February 1999 and left as a senior project manager in March 2008. He was a director of Ymt Engineering Company Limited from March 2016 to March 2019 and Yso Engineering Company Limited from January 2013 to November 2019, respectively.

Mr. Chan obtained a higher diploma in structural engineering from the Hong Kong Polytechnic (currently known as the Hong Kong Polytechnic University) in November 1987. In November 1997, Mr. Chan further obtained a post-experience certificate in clerks of works studies from The Hong Kong Polytechnic University.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

**Ms. Chan Mei Wah (陳美樺小姐)** (formerly known as Ms. Chan Kit Fun (陳潔芬小姐)), aged 56, was appointed as an independent non-executive Director on 15 March 2021.

Ms. Chan has been in the field of accounting for over 25 years. Ms. Chan joined Li, Tang, Chen & Co. in August 1992 and left in July 2010 as a senior audit manager. She was a senior audit manager of Moore Stephens Associates Limited from December 2010 to July 2011. Ms. Chan has been a director of SAA Corporate Services Limited (formerly known as King Charter Development Limited) and SAA CPA Limited since May 2011 and October 2011, respectively.

Ms. Chan graduated from City University of Hong Kong with a bachelor’s degree of arts in accountancy in November 1992. She has been an associate of the Hong Kong Institute of Certified Public Accountants (formerly known as the Hong Kong Society of Accountants) since June 1997.

## BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

**Mr. Mak Alexander (麥曉峯先生)**, aged 56, was appointed as an independent non-executive Director on 15 March 2021.

Mr. Mak has been in the legal practice for over 25 years. Mr. Mak was admitted as a solicitor in Hong Kong in June 1997 and a lawyer in New South Wales, Australia in July 1995. He has been appointed as a Civil Celebrant of Marriages since May 2006 and a China-Appointed Attesting Officer since December 2015. Since October 2012, he has been the founder and sole proprietor of Mak Solicitors. Mr. Mak is also a director of Greenest Limited, which principally engages in the provision of consultancy services.

Mr. Mak graduated from The University of New South Wales with a bachelor's degree of commerce in accounting and a bachelor's degree of law in October 1994. He subsequently obtained from City University of Hong Kong a master's degree of laws in Chinese and comparative law in November 2003 and a master's degree of arts in arbitration and dispute resolution in November 2006.

**Mr. Wu Hak Ping (胡克平先生)**, aged 61, was appointed as an independent non-executive Director on 15 March 2021.

Mr. Wu has over 30 years of experience in the field of engineering. Mr. Wu joined Wormald Engineering Services Limited as electrical engineer in June 1989 and left as an electrical manager in July 1993. He then joined Meinhardt (M&E) Limited as residential engineer from November 1993 to April 1997 and joined Notifier Pacific Rim as regional sales manager in April 1997. Mr. Wu was a director of Martech Building Consultants Limited, a company engaging in the provision of building renovation consultancy services, from January 2003 to May 2008, of Mak Tai Construction & Engineering Limited, a building renovation contractor, from February 2005 to September 2006 and of Diploma Construction Limited, a building contractor, from July 2006 to November 2010, respectively.

Since December 2012 and May 2015, respectively, Mr. Wu has been a director and the chief executive officer of Modern Testing Consultants Limited, a company engaging in the provision of building consultancy services. Mr. Wu has also been a director of Nixon Wu Engineering Consultant Limited, a company engaging in the provision of building consultancy services, since July 2015. Mr. Wu graduated from The Queen's University of Belfast in Northern Ireland, the United Kingdom with a bachelor's degree of electrical and electronic engineering in July 1989 and further obtained a bachelor's degree of fire engineering from The University of Central Lancashire in the United Kingdom in September 1997 through a distance learning programme. Mr. Wu has become a member of the Institute of Energy and a chartered engineer of the Engineering Council in the United Kingdom since April 1999 and May 1999, respectively. He has been admitted as a member of the Hong Kong Institute of Engineers since November 2012. He has also become a level-II certified infrared thermographer of the Infrasppection Institute since March 2019. He is currently a registered professional engineer of the Engineers Registration Board.

# BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

## SENIOR MANAGEMENT

**Mr. Cheung Sam Fai (張三輝先生)**, aged 41, is our senior project manager who is primarily responsible for overseeing and managing project execution and operation. He was approved by the Buildings Department to become an other officer (as defined by the Buildings Ordinance) of HDC in January 2016.

Mr. Cheung has over 15 years of experience in the construction industry. Before joining the Group, he worked as a site supervisor in Madison (Hong Kong) Limited from June 2006 to June 2008 and as a project coordinator in Able Maintenance Company Limited from July 2008 to September 2009. He joined the Group as a site supervisor in October 2009, as a senior site supervisor from March 2012 to January 2014, as a site agent from February 2014 to January 2015, as an assistant project manager from February 2015 to December 2016 and as a project manager from January 2017 to January 2019. He has been promoted to senior project manager since then.

Mr. Cheung obtained a diploma in building studies from the Hong Kong Institute of Vocational Education in July 2004 and obtained a higher diploma in building technology and management (surveying) from the Hong Kong Polytechnic University in December 2006. He further obtained a degree of bachelor of science in building engineering and management from the Hong Kong Polytechnic University in November 2010. Mr. Cheung also completed various construction courses. He completed two 3-day metal scaffolding supervisor courses organised by Hong Kong Human Resources Ltd. and the Construction Industry Council in October 2015 and April 2019 respectively and the 42-hour construction safety supervisor course organised by the Construction Industry Training Authority in June 2007.

**Mr. Lee Wai Sing Bruce (李維聖先生)**, aged 48, is our project manager who is primarily responsible for overseeing and managing project execution and operation.

Mr. Lee has over 15 years of experience in the construction industry. Prior to joining the Group, he worked in Urban Property Management Limited from July 2003 to April 2007 and left as a technical officer. He joined the Group as a site supervisor in April 2007 and is currently a project manager. Mr. Lee is a holder of grade I plumber's licence issued by the Water Supplies Department. He completed the general course (engineering stream) held by Hong Kong Institute of Vocational Education in September 1999. Mr. Lee obtained various certificates from the Construction Industry Training Authority, including craft certificate in wood trade in August 1992, advanced certificate in carpentry and joinery in June 1993, craft certificate in trowel trade in August 1994 and plumber trade test certificate in August 2000. He further obtained various certificates from the Vocational Training Council or Hong Kong Institute of Vocational Education, including craft certificate in plumbing and pipefitting in August 1998, certificate in plumbing service (Hong Kong) in October 1999, certificate in building studies (building option) in July 2001 and higher certificate in building studies in July 2003. He also completed a 30-day course in Enhanced Construction Manpower Training Scheme in Metal Scaffolding (Civil Engineering and Building Construction) organised by the Hong Kong Institute of Construction in July 2019.

## BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

**Ms. Lai Yi Man (黎綺雯女士)**, aged 48, is our administration manager who is primarily responsible for managing administrative matters.

Ms. Lai has over 20 years of experience in business administration. Before joining the Group, she worked as a corporate communications coordinator in The Hong Kong School of Motoring Limited from July 1999 to December 2002 and worked as an administrative assistant in Asian Express International Movers Limited from January 2003 to January 2004. In January 2004, she joined NSA Far East Limited (currently known as The Juice Plus Company Of Far East Limited) as an executive secretary and resigned in March 2005. She joined the Group as an administration assistant in March 2005 and worked as an administration executive from March 2008 to February 2017. She has been promoted to administration manager since then.

Ms. Lai graduated from the City University of Hong Kong in July 1999 and obtained a higher diploma in English for professional communication.

**Ms. Tsang Fung Ling (曾鳳玲女士)**, aged 53, is our finance manager who is primarily responsible for managing financial matters.

Ms. Tsang has over 25 years of experience in accounting. Before joining the Group, she worked in Chan, Seing & Co. from August 1993 to April 1998 and left as a senior audit assistant in April 1998. She worked as an audit senior in Tony Kwok Tung Ng & Co. from June 1998 to June 2000, as an accountant in Wittis Electronics Limited from July 2000 to August 2001 and as an administration officer in Alexchoi Design & Partners Limited from August 2002 to March 2003. She joined the Group as an accounts clerk in February 2008 and worked as an accounts officer from February 2008 to June 2018. She has been promoted to finance manager since then.

Ms. Tsang obtained a bachelor's degree of arts in business accounting from the University of Lincolnshire & Humberside through distance learning in April 1999. She passed the accounting (third level) examination held by the London Chamber of Commerce and Industry in June 1993. She was awarded a level IV national vocational qualification in accounting (practice & commerce) by the Association of Accounting Technicians and was accredited as an accounting technician by the Hong Kong Association of Accounting Technicians in June 1993 and October 1993, respectively. Ms. Tsang further achieved a pass in the certificate stage examinations held by the Association of Chartered Certified Accountants in June 1996.

# CORPORATE GOVERNANCE REPORT

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 C1 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.

## CULTURE AND CORPORATE STRATEGY

The corporate value of the Company is acting in lawful, ethical and responsible manner. Such culture instils and continually reinforces across the corporate values. During the year, the Company dedicated to provide the quality RMAA service to customers in order to increase market share of RMAA and to enhance safety measures in order to provide a safe working environment to the workers.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix C3 of the Listing Rules as the required standard for securities transactions by the Directors. All Directors, after specific enquiries by the Company, confirmed that they have complied with the required standard set out in the Model Code for the year ended 31 December 2023.

## BOARD OF DIRECTORS

The Board is responsible for the formulation of business policies and strategies of the Group, the nomination and appointment of Directors, and to ensure the availability of resources as well as the effectiveness of its system of internal control. The senior management was delegated the authority and responsibilities by the Board for the day-to-day management and operations of the Group. In addition, the Board has also established Board committees and has delegated to these Board committees various duties and responsibilities as set out in their terms of reference respectively. Each Director shall ensure that he carries out his duty in good faith in compliance with the standard of applicable laws and regulations, and acts in the interests of the Company and its shareholders at all times.

### Board Composition

Up to the date of this report, the Board comprised four Directors, including one Executive Director and three Independent Non-executive Directors. Details of their composition by category are as follows:

#### *Executive Directors*

Mr. Chan Leung (*Chairman and Chief Executive Officer*)  
Mr. Yeung Wing Sun (resigned on 12 January 2023)

#### *Non-executive Director*

Mr. Li Fat Chung (resigned on 1 January 2023)

#### *Independent Non-executive Directors*

Ms. Chan Mei Wah  
Mr. Mak Alexander  
Mr. Wu Hak Ping

The details of Directors are set out in the section headed “Biography of Directors and Senior Management” on pages 9 to 12 of this annual report.

# CORPORATE GOVERNANCE REPORT

The Company is governed by the Board which has the responsibility for leadership and monitoring of the Company. The Directors are collectively responsible for promoting the success of the Group by directing and supervising the Group's affairs.

## BOARD MEETINGS

The Board sets strategies and directions for the Group's activities with a view to developing its business and enhancing shareholders' value. The Board has delegated the daily operation and day-to-day management of the Group as well as the implementation of the Board's policies and strategies to the executive Directors and management of the Group.

During the year ended 31 December 2023, four Board meetings were held and the attendance of each Director (excluding the outgoing directors) is set out below:

Directors	Number of Attendance
<i>Executive Director</i>	
Mr. Chan Leung	4/4
<i>Independent Non-executive Directors</i>	
Mr. Mak Alexander	4/4
Ms. Chan Mei Wah	4/4
Mr. Wu Hak Ping	4/4

During the year ended 31 December 2023, one general meeting was held and the attendance of each Director is set out below:

Directors	Number of Attendance
<i>Executive Director</i>	
Mr. Chan Leung	1/1
<i>Independent Non-executive Directors</i>	
Mr. Mak Alexander	1/1
Ms. Chan Mei Wah	1/1
Mr. Wu Hak Ping	1/1

The Company has received from each of the Independent Non-executive Directors an annual confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules and considered that the Independent Non-executive Directors to be independent in accordance with the independence guidelines set out in the Listing Rules. Upon the recommendation of the Nomination Committee, the Board considers all independent non-executive Directors to be independent in light of the independence guidelines set out in the said Listing Rules.

# CORPORATE GOVERNANCE REPORT

## APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS

The Executive Director has entered into a service contract for a term of three years with the Company which renewed automatically upon expiry of the initial term unless otherwise terminated by either party by giving to the other not less than three months' prior written notice.

Each of the Independent Non-executive Directors has entered into a letter of appointment for a term of one year with the Company which renewed automatically upon expiry of the initial term unless otherwise terminated by either party by giving to the other not less than three month's prior written notice.

In accordance with Article 108 of the Articles of Association of the Company, at each annual general meeting one-third of the Directors for the time being shall retire from office by rotation and re-election. Each Director shall retire from office at least once every three years.

In accordance with Article 112 of the Articles of Association, any Director appointed by the Board either to fill a casual vacancy or as an addition to the existing Board shall hold office until the following general meeting (in the case of filling a casual vacancy) or the next following annual general meeting (in the case of an additional Director) and shall then be eligible for election.

## Board Independence

The Company recognises that Board independence is pivotal in good corporate governance and Board effectiveness.

Following mechanisms are adopted by the Board and reviewed annually by the Board to ensure their effectiveness and the Board considered that the mechanism was effective for the year under review:

1. The Board must have at least three Independent Non-Executive Directors and must appoint Independent Non-Executive Directors representing at least one-third of the Board.
2. On an annual basis, all Independent Non-Executive Directors are required to confirm in writing their compliance of independence requirements pursuant to the Listing Rules, and to disclose the number and nature of offices held by them in public companies or organisations and other significant commitments.
3. External independent professional advice is available as and when required by individual Directors.
4. The Chairman of the Board meets with Independent Non-Executive Directors annually without the presence of the Executive Directors and Non-Executive Directors



# CORPORATE GOVERNANCE REPORT

## DIRECTORS' CONTINUOUS PROFESSIONAL DEVELOPMENT

To ensure that the Directors' contribution to the Board remains informed and relevant and in compliance with provision code C.1.4 of the CG Code, the Company would arrange and fund suitable continuous professional development for the Directors to participate in order to develop and refresh their knowledge and skills.

The training each director (excluding the outgoing directors) received during the year ended 31 December 2023 is summarised as below:

	Attending seminars/ in house workshop relevant to the Company's business, Listing Rules regulatory and statutory updates	Reading newspapers, journals and other relevant materials regarding regulatory update and corporate governance matters
<i>Executive Director</i>		
Mr. Chan Leung	√	√
<i>Independent Non-executive Directors</i>		
Ms. Chan Mei Wah	√	√
Mr. Mak Alexander	√	√
Mr. Wu Hak Ping	√	√

## BOARD DIVERSITY POLICY

The Board has adopted a board diversity policy (the "Board Diversity Policy") pursuant to requirement of the CG Code. The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance.

With a view to achieving a sustainable and balanced development, the Company sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development.

In designing the Board's composition, board diversity has been considered from a wide range of aspects, including but not limited to gender, age, cultural background and educational background, ethnicity, professional experience and qualifications, skills, knowledge and length of service, and any other factors that the Board may consider relevant and applicable from time to time. High emphasis is placed on ensuring a balanced composition of skills and experience at the Board level in order to provide a range of perspectives, insights and challenge that enable the Board to discharge its duties and responsibilities effectively, support good decision making in view of the core businesses and strategy of the Group, and support succession planning and development of the Board. For achieving an optimal board, additional measurable objectives/specific diversity targets may be set and reviewed from time to time to ensure their appropriateness.

Selection of candidates will be based on the Company's nomination policy and will take into account the Board Diversity Policy. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board, having due regard to the benefits of diversity on the Board and also the needs of the Board without focusing on a single diversity aspect.

# CORPORATE GOVERNANCE REPORT

The Board currently has one female Director out of four Directors with about 25% female representation sitting on the Board. The Company is of the view that gender diversity in respect of the Board has been achieved. As at 31 December 2023, 9 out of 25 employees (including senior management) of the Group, with about 36% are female. The Company considers that gender diversity is also achieved in its workforce as well.

During the year ended 31 December 2023, the Board reviewed the implementation and effectiveness of the Diversity Policy and discussed the above measurable objectives and agreed that these measurable objectives were achieved for the diversity of the Board which contributed to the corporate strategy and the business development of the Company.

The Board will take opportunities to increase the proportion of female members over time when selecting and making recommendation on suitable candidates for board appointments. The Board would ensure that appropriate balance of gender diversity is achieved with reference to stakeholders' expectation and international and local recommended best practices, with the ultimate goal of bringing the Board to gender parity. The Board also aspires to having an appropriate proportion of Directors who have direct experience in the Group's core markets, with different ethnic backgrounds, and reflecting the Group's strategy.

## BOARD COMMITTEES

The Board has established three board committees, namely the Audit Committee, the Remuneration Committee and the Nomination Committee with terms of reference to assist them in the efficient implementation of their functions.

### AUDIT COMMITTEE

The Company has established the Audit Committee on 15 March 2021 with written terms of reference. The composition of the Audit Committee meets the requirement of Rule 3.21 of the Listing Rules. The primary duties of the Audit Committee are to make recommendations to the Board on the appointment, reappointment and removal of external auditor, review the financial statements and provide material advice in respect of financial reporting, oversee the financial reporting process, internal control, risk management systems and audit process of the Company and perform other duties and responsibilities assigned by the Board. 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.

Meetings of the Audit Committee shall be held not less than twice a year. Details of the authority and duties of Audit Committee are set out in the Audit Committee's terms of reference which are available on the websites of the Stock Exchange and the Company.

The following is a summary of the work performed by the Audit Committee during the year ended 31 December 2023:

- reviewed the consolidated financial statements for the year ended 31 December 2022 and for the six months ended 30 June 2023, the annual report for the year ended 31 December 2022 and the interim report for the six months ended 30 June 2023, the related accounting principles and practices adopted by the Group, the report from the management on the Company's review of the risk management and internal control systems, and recommendation of the change of auditor and the re-appointment of the external auditor;
- reviewed the annual audit plan of the external auditor including the nature and scope of the audit, the fee payable to them, their reporting obligations and their work plan; and
- reviewed the effectiveness and performance of the Company's financial reporting system, risk management and internal control systems and internal audit plan.

There is no disagreement between the Board and the Audit Committee regarding the appointment of external auditor.

# CORPORATE GOVERNANCE REPORT

During the year ended 31 December 2023, two Audit Committee meetings were held and the attendance of each committee member is set out below:

Member	Number of Attendance
Ms. Chan Mei Wah	2/2
Mr. Mak Alexander	2/2
Mr. Wu Hak Ping	2/2

## Remuneration Committee

The Company has established the Remuneration Committee on 15 March 2021 with written terms of reference. The primary duties of the Remuneration Committee are to review and approve the management's remuneration proposals, make recommendations to the Board on the remuneration package of the Directors and senior management and ensure none of the Directors determine their own remuneration. The Remuneration Committee comprises three Independent Non-executive Directors, namely Mr. Mak Alexander, Ms. Chan Mei Wah and Mr. Wu Hak Ping. Mr. Mak Alexander is the chairman of the Remuneration Committee.

Meetings of the Remuneration Committee shall be held at least once a year. Details of the authority and duties of Remuneration Committee are set out in the Remuneration Committee's terms of reference which are available on the websites of the Stock Exchange and the Company.

During the year ended 31 December 2023, two Remuneration Committee meetings was held and the attendance of each committee member is set out below:

Member	Number of Attendance
Mr. Mak Alexander	2/2
Ms. Chan Mei Wah	2/2
Mr. Wu Hak Ping	2/2

The following is a summary of the work performed by the Remuneration Committee during the year ended 31 December 2023:

- reviewed the remuneration of the Directors and senior management; and
- made recommendations to the Board on the remuneration of individual Directors and senior management.

Details of the Directors' remuneration in the Group and the five highest paid individuals are set out in note 13 to the consolidated financial statements.

# CORPORATE GOVERNANCE REPORT

Pursuant to code provision E.1.5 of the CG Code, the remuneration paid to the members of the senior management (excluding Directors) by band during the year ended 31 December 2023 is set out below:

Remuneration band (HK\$)	Number of person(s)
Nil to 1,000,000	4

## Nomination Committee

The Company established the Nomination Committee on 15 March 2021 with written terms of reference. The primary duties of the Nomination Committee are to review the structure, size, composition and diversity of the Board, and select or make recommendations on the selection of individuals nominated for directorships. The Nomination Committee consists of three Independent Non-executive Directors, namely Mr. Wu Hak Ping, Mr. Mak Alexander and Ms. Chan Mei Wah. Mr. Wu Hak Ping is the chairman of the Nomination Committee.

The Company adopted a nomination policy on 15 March 2021. In conjunction with the Board Diversity Policy, the Board shall consider a number of criteria on the appointment of the Directors, and succession planning for the Directors, as well as re-appointment of the Directors. The criteria include character and integrity, professional qualifications, skills, knowledge, experience, potential contributions to the Board, as well as willingness and ability to devote adequate time to discharge duties as a member of the Board and/or Board commitment(s).

Meetings of the Nomination Committee shall be held at least once a year. Details of the authority and duties of Nomination Committee are set out in the Nomination Committee's terms of reference which are available on the websites of the Stock Exchange and the Company.

During the year ended 31 December 2023, two Nomination Committee meetings was held and the attendance of each committee member is set out below:

Member	Number of Attendance
Mr. Wu Hak Ping	2/2
Ms. Chan Mei Wah	2/2
Mr. Mak Alexander	2/2

The following is a summary of the work performed by the Nomination Committee during the year ended 31 December 2023:

- reviewed the board diversity policy; and
- reviewed the independence of the independent non-executive Directors.

# CORPORATE GOVERNANCE REPORT

## NOMINATION POLICY

The Company has adopted a nomination policy (the "Nomination Policy") which sets out the approach and procedures the Board adopts for the nomination and selection of Directors of the Company, including the appointment of additional Directors, replacement of Directors, and re-election of Directors. The Nomination Committee has been delegated with the overall responsibility for implementation, monitoring and periodic review of the policy, and the summary of which is set out below:

### Nomination Criteria

In evaluating and selecting any candidate for the directorship, the following criteria would be considered by the Nomination Committee and the Board:

- the candidate's character and integrity;
- the candidate's qualifications including professional qualifications, skills, knowledge and experience, and diversity aspects under the Board Diversity Policy that are relevant to the Company's business and corporate strategy;
- any measurable objectives adopted for achieving diversity on the Board;
- for independent non-executive Directors, whether the candidate would be considered independent with reference to the independence guidelines set out in the Listing Rules;
- any potential contributions the candidate can bring to the Board in terms of qualifications, skills, experience, independence and gender diversity;
- willingness and ability of the candidate to devote adequate time to discharge duties as a member of the Board and/ or Board committee(s) of the Company; and
- such other perspectives that are appropriate to the Company's business and succession plan and where applicable may be adopted and/or amended by the Board and/or the Nomination Committee from time to time for nomination of directors and succession planning.

### Nomination Procedures

The Company has put in place the following director nomination procedures:

#### *Appointment of New and Replacement Directors*

- i. If the Board determines that an additional or replacement Director is required, it will deploy multiple channels for identifying suitable Director candidates, including referral from Directors, shareholders, management, advisors of the Company and external executive search firms.
- ii. Upon compilation and interview of the list of potential candidates, the Nomination Committee will shortlist candidates for consideration by the Nomination Committee and/or the Board based on the selection criteria and such other factors that it considers appropriate. The Board has the final authority on determining suitable Director candidate for appointment.

# CORPORATE GOVERNANCE REPORT

## *Re-election of Directors and Nomination from Shareholders*

- i. Where a retiring Director, being eligible, offers himself for re-election, the Nomination Committee and/or the Board shall consider and, if consider appropriate, recommend such retiring Director to stand for re-election at a general meeting. A circular containing the requisite information on such retiring Director will be sent to shareholders prior to a general meeting in accordance with the Listing Rules.
- ii. Any shareholder of the Company who wishes to nominate a person to stand for election as a Director at a general meeting must lodge with the company secretary of the Company within the lodgement period specified in the relevant shareholder circular (a) a written nomination of the candidate, (b) written confirmation from such nominated candidate of his willingness to stand for election, and (c) biographical details of such nominated candidate as required under the Listing Rules. Particulars of the candidate so proposed will be sent to all shareholders for information by a supplementary circular.

## **ANTI-CORRUPTION POLICY AND WHISTLEBLOWING POLICY**

The policies of Anti-corruption and whistleblowing policy are contained in the section headed “Anti-corruption” on page 49 and “Whistleblowing Policy” on page 49 in this annual report.

## **CORPORATE GOVERNANCE FUNCTION**

The Board is responsible for performing and has performed in compliance with the corporate governance duties as set out in the CG Code which includes to develop and review the Group’s policies and practices on corporate governance and make recommendations to the Board; to review and monitor the training and continuous professional development of the Directors and senior management; to review and monitor the Group’s policies and practices on compliance with legal and regulatory requirements; to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors; and to review the Group’s compliance with the CG Code and disclosure in this Corporate Governance Report.

## **DIRECTORS’ RESPONSIBILITY FOR THE FINANCIAL STATEMENTS**

The Directors are responsible for the preparation of the financial statements which give a true and fair view of the state of affairs of the Group in accordance with accounting principles generally accepted in Hong Kong. The statement by the auditor of the Company about their responsibilities for the financial statements is set out in the independent auditor’s report contained in this annual report. There are no material uncertainties relating to events or conditions that may cast significant doubt of the Company’s ability to continue as a going concern.

## **AUDITOR’S REMUNERATION**

The remuneration paid and payable for the year ended 31 December 2023 to the Company’s external auditor, CWK CPA Limited, is set out as follows:

<b>Services rendered to the Group</b>	<b>HK\$’000</b>
Audit services	535

# CORPORATE GOVERNANCE REPORT

## INTERNAL CONTROL AND RISK MANAGEMENT

The Board has overall responsibility for maintaining an adequate system of internal controls and risk management of the Company and for reviewing its effectiveness. The Board is committed to implementing an effective and sound internal control and risk management systems to safeguard the interest of shareholders and the Group's assets. The Board has reviewed the effectiveness of the internal control and risk management systems of the Group through Audit Committee. The Audit Committee assists the Board in the review of the effectiveness of the Group's risk management and internal control systems on an ongoing basis. The Directors through the Audit Committee are kept informed of significant risks that may impact on the Group's performance.

The Audit Committee has received the risk management and internal control evaluation reports prepared by the external internal control review consultant. The reports summarised information relating to the work carried out in the following areas:

1. the results of selective testing of internal control procedures, operation, and the financial records of the Company;
2. a general evaluation of risk management and internal control systems installed by the Company; and
3. an outline of major control issues, if any, noticed during the year under review.

The Audit Committee has reviewed the reports and discussed with the management of the Company. The Audit Committee acknowledged that the management of the Company has been progressively implementing adequate and effective risk management and internal control systems in order to ensure the effective functioning of the Company's operations. The Board is therefore of the view that the risk management and internal control systems of the Group are effective and adequate. The review on the risk management and internal control systems of the Group would be done on an annual basis. Although, the Group does not have an internal audit function, the Board considers that the review on the risk management and internal control systems by the Audit Committee and the Board on a regular basis as well as engaging external internal control review consultant to review the adequacy and effectiveness of the Group's internal control systems would be sufficient to ensure the effective operation of the Group.

## COMPANY SECRETARY

Ms. Leung Sau Fong is the Company Secretary of the Company. Ms. Leung is a director of a corporate secretarial services provider in Hong Kong. Mr. Chan Leung, the Chairman and executive Director, is the primary corporate contact person of the Company with the Company secretary. In compliance with Rule 3.29 of the Listing Rules, Ms. Leung has undertaken no less than 15 hours of relevant professional training during the year ended 31 December 2023.

# CORPORATE GOVERNANCE REPORT

## SHAREHOLDERS' RIGHTS

### Procedures for shareholders to convene an extraordinary general meeting

The following procedures for shareholders of the Company to convene an extraordinary general meeting (the "EGM") of the Company are prepared in accordance with Article 64 of the Articles of Association of the Company:

1. One or more shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings may, by written requisition to the Board or the Company Secretary of the Company require an EGM to be called by the Board for the transaction of any business specified in such requisition.
2. The EGM shall be held within 2 months after the deposit of such requisition.

If the Directors fail to proceed to convene such meeting within 21 days of such deposit of requisition, the requisitioner(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitioner(s) as a result of the failure of the Board shall be reimbursed to the requisitioner(s) by the Company.

### Procedures for raising enquires

1. Shareholders should direct their enquires about their shareholdings to the Company's branch share registrar in Hong Kong by post to Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
2. Shareholders may raise questions, request for publicly available information and provide comments and suggestion to the Directors and management of the Company and can be addressed to the Company by post to Unit 1002, 10/F, Billion Trade Centre, 31 Hung To Road, Kwun Tong, Kowloon, Hong Kong.
3. Shareholders are reminded to lodge their questions together with their detailed contact information for the prompt response from the Company if it deems appropriate.

### Procedures and contact details for putting forward proposals at shareholders' meetings

1. To put forward proposals at the general meeting of the Company, a shareholder should lodge a written notice of his/her/its proposal ("Proposal") with his/her/its detailed contact information at the Company's principal place of business at Unit 1002, 10/F, Billion Trade Centre, 31 Hung To Road, Kwun Tong, Kowloon, Hong Kong for the attention of the Board or the Company Secretary of the Company.
2. The identity of the shareholder and his/her/its request will be verified with the Company's branch share registrar in Hong Kong and upon confirmation by the branch share registrar that the request is proper and in order and made by a shareholder, the Board will include the Proposal in the agenda for the general meeting.



# CORPORATE GOVERNANCE REPORT

3. The notice period to be given to all the shareholders for consideration of the Proposal raised by the shareholders concerned at the annual general meeting or an EGM varies according to the nature of the Proposal as follows:
  - (i) At least 21 days' notice in writing if the Proposal constitutes a special resolution of the Company in an EGM or if the Proposal is put forward at an annual general meeting of the Company; or
  - (ii) At least 14 days' notice in writing if the Proposal constitutes an ordinary resolution of the Company at an EGM.

## COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investors' understanding of the Group's business performance and strategies. The Company also recognizes the importance of transparency and timely disclosure of corporate information, which will enable shareholders and investors to make the best investment decisions.

The Company considers that effective communication with its shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company endeavours to maintain an on-going dialogue with its shareholders and in particular, through annual general meetings and other general meetings, publishing corporate communications such as interim results and annual results, financial reports, announcements and circulars. Shareholders may make enquiries with the Company through channels of our corporate website [www.hongdau.com.hk](http://www.hongdau.com.hk) and provide comments and recommendations to the Directors. Upon receipt of enquiries from shareholders, the Company will respond as soon as practicable.

During the year under review, an annual general meeting of the Company was held on 21 June 2023 at which all the Directors attended either by person or by means of electronic facilities to communicate with the shareholders of the Company. In addition, all corporate communications and regulatory announcements were published by the Company on its website and the website of the Stock Exchange in a timely manner. The Board considers that the shareholders communication policy is effective during the year ended under review.

Please refer to the website of dissemination of corporate communications and the request form for printed copies of the annual reports, interim reports and circulars. Shareholders are encouraged to provide their up-to-date contact details (including electronic contact details) to the branch share registrar of the Company in order to facilitate timely and effective communications.

## CONSTITUTIONAL DOCUMENTS

During the year, there were no changes in the constitutional documents of the Company.

# REPORT OF THE DIRECTORS

The Directors present the annual report and the audited consolidated financial statements of the Group for the year ended 31 December 2023.

## CORPORATE REORGANISATION AND SHARE OFFER

The Company was incorporated with limited liability in Cayman Islands on 13 March 2019.

Pursuant to a reorganisation scheme (the “Reorganisation”) to rationalise the structure of the Group in preparation for the Listing, the Company became the holding company of the companies now comprising the Group on 22 March 2019.

Details of the Reorganisation are set out in section headed “History, Development and Reorganisation” in the Prospectus.

The Shares were listed on the Stock Exchange on 31 March 2021 (the “Listing Date”).

## PRINCIPAL ACTIVITIES

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. There were no significant changes to the Group’s principal activities during the year ended 31 December 2023.

## CHARITABLE DONATIONS

Donations of HK\$5,000 (2022: HK\$5,000) were made by the Group during the year ended 31 December 2023.

## MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2023, the largest and the top five customers of the Group accounted for approximately 48.5% (2022: approximately 31.5%) and approximately 94.7% (2022: approximately 90.6%) of the Group’s revenue, respectively.

During the year ended 31 December 2023, the Group’s cost of services from the largest and the top five suppliers accounted for approximately 33.9% (2022: approximately 24.8%) and approximately 84.6% (2022: approximately 86.4%) of the Group’s cost of services, respectively.

To the best of the knowledge of the Directors, save as disclosed under Note 30 to the consolidated financial statements and the section headed “Related Party Transactions” in this report, none of the Directors, their respective close associates or any shareholder of the Company (which to the knowledge of the Directors owns more than 5% of the issued share capital of the Company), had any interest in any of the Group’s top five customers or suppliers.

## RESULTS/BUSINESS REVIEW

A review of the business of the Group as well as discussion and analysis of the Group’s performance during the year and the material factors underlying its financial performance and financial position can be found in the section headed “Management Discussion and Analysis” set out on pages 5 to 8 of this annual report. This discussion forms part of this report of the Directors.

## COMPLIANCE WITH LAWS AND REGULATIONS

During the year ended 31 December 2023, as far as the Directors are aware, the Company did not have any non-compliance with relevant laws and regulations that is material or systemic in nature.

# REPORT OF THE DIRECTORS

## ENVIRONMENTAL POLICIES AND PERFORMANCE

As a contractor specialising in RMAA works, the Group values environmental sustainability and has been striving to integrate the concept into every part of the daily business operations. Discussion on the Group's environmental policies and performances can be found in Environmental, Social and Governance Report set out on pages 35 to 55 in this annual report.

## SHARE CAPITAL

Details of movements in the share capital of the Company during the year ended 31 December 2023 are set out in Note 25 to the consolidated financial statements.

## RESERVES

Details of movements in the reserves of the Group and the Company during the year ended 31 December 2023 are set out in the consolidated statement of changes in equity on page 63 and Note 31 to the consolidated financial statements.

## DISTRIBUTABLE RESERVES

The Company's reserves as at 31 December 2023 are set out in Note 31 to the consolidated financial statements.

## SEGMENT INFORMATION

Details of segment reporting are set out in Notes 5 and 6 to the consolidated financial statements.

## DIVIDEND POLICY

The Company has adopted a dividend policy which aims to set out the principles and guidelines that the Company intends to apply in relation to the declaration, payment or distribution of its profits, realised or unrealised, or from any reserve set aside from profits which the Directors determine is no longer needed, as dividends to the shareholders of the Company. The Board adopted the dividend policy that, in recommending or declaring dividends, the Company shall maintain adequate cash reserves for meeting its working capital requirements and future growth as well as its shareholder value.

The Company does not have any pre-determined dividend distribution ratio. The Board has the discretion to declare and distribute dividends to the shareholders of the Company, subject to the provisions of the Articles of Association and all applicable laws and regulations and the factors set out below.

The Board shall also take into account the factors of the Group when considering the declaration and payment of dividends such as operations, earnings, financial condition, cash requirements and availability, capital expenditure, future development requirements, business conditions and strategies, interests of shareholders, any restrictions on payment of dividends, and any other factors that the Board may consider relevant.

Depending on the financial conditions of the Company and the Group and the conditions and factors as set out above, dividends may be proposed and/or declared by the Board for a financial year or period as interim dividend, final dividend, special dividend, and any distribution of profits that the Board may deem appropriate. The Company may declare and pay dividends by way of cash or scrip or by other means that the Board considers appropriate. Any dividend unclaimed shall be forfeited and shall revert to the Company in accordance with the Articles of Association.

# REPORT OF THE DIRECTORS

## DIVIDEND

No dividend was paid or proposed for ordinary shareholders of the Company during the year ended 31 December 2023, nor has any dividend been proposed since the end of the year ended 31 December 2023.

## PRINCIPAL RISKS AND UNCERTAINTIES

The Directors believe that there are certain risks and uncertainties involved in the operations. Some of the material risks include:

- (i) the Group is reliant on the availability of RMAA projects in Hong Kong;
- (ii) a significant portion of the revenue was attributable to the contracts and work orders awarded by a limited number of customers;
- (iii) the Group derives the past revenue and profit margin from projects of a non-recurrent nature;
- (iv) the Group makes estimation of the project price based on the estimated time and costs in our tenders; and
- (v) the Group heavily relies on subcontractors to help complete the projects.

## PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands, the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

## EQUITY-LINKED AGREEMENTS

Save for the Share Option Scheme (as defined below) the Company did not enter into any equity-linked agreement during the year or subsisted at the end of the year ended 31 December 2023.

## PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Group during the year ended 31 December 2023 are set out in Note 14 to the consolidated financial statements.

## SUBSIDIARIES

Details of subsidiaries of the Company are set out in Note 1 to the consolidated financial statements.

## CORPORATE GOVERNANCE

Information on the corporate governance practices adopted by the Company are set out in the "Corporate Governance Report" on pages 13 to 24 in this annual report.

## ANNUAL GENERAL MEETING

The forthcoming Annual General Meeting ("2024 AGM") of the Company will be held on 21 June 2024 and the notice of the 2024 AGM will be published and despatched to the shareholders of the Company (the "Shareholders") in the manner as required by the Listing Rules in due course.

# REPORT OF THE DIRECTORS

## CLOSURE OF REGISTER OF MEMBERS

To ascertain the identity of the Shareholders who will be entitled to attend and vote at the 2024 AGM, the Register of Members will be closed from Tuesday, 18 June 2024 to Friday, 21 June 2024, 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 2024 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 Monday, 17 June 2024.

## DIRECTORS

The directors of the Company during the financial year and up to the date of this report were:

### Executive Directors

Mr. Chan Leung  
Mr. Yeung Wing Sun (resigned on 12 January 2023)

### Non-executive Director

Mr. Li Fat Chung (resigned on 1 January 2023)

### Independent Non-executive Directors

Ms. Chan Mei Wah  
Mr. Mak Alexander  
Mr. Wu Hak Ping

In accordance with article 108 of the Articles of Association, Ms. Chan Mei Wah and Mr. Wu Hak Ping will retire by rotation and, being eligible, will offer themselves for election at the forthcoming annual general meeting.

The Company has received annual confirmations of independence from each of the independent non-executive Directors required Rule 3.13 of the Listing Rules. Upon the recommendation of the nomination committee of the Company, the Board considered all independent non-executive Directors to be independent.

Biographical information of the Directors and the senior management of the Group are set out on pages 9 to 12 of this annual report.

## RESIGNATION OF CHAIRMAN, EXECUTIVE DIRECTOR AND NON-EXECUTIVE DIRECTOR

Mr. Yeung Wing Sun has resigned as an executive Director and the chairman of the Board with effect from 12 January 2023. Upon the resignation of Mr. Yeung Wing Sun, he would also cease to be an authorised representative of the Company as required under Rule 3.05 of the Listing Rules.

Mr. Yeung Wing Sun was of the view that his resignation would be in the best interests of the Company in light of the on-going investigation relating to suspected bribery in connection with certain construction works and would also allow him to devote more time to handling his personal matters.

## REPORT OF THE DIRECTORS

Mr. Li Fat Chung has resigned as a non-executive Director and a member of each of Audit Committee, remuneration committee and nomination committee of the Company with effect from 1 January 2023 due to his wish to devote more time to his other personal commitments.

Each of Mr. Yeung Wing Sun and Mr. Li Fat Chung confirmed that he has no disagreement with the Board in connection with his resignation and there is no other matter in relation to his resignation that needs to be brought to the attention of the Shareholders.

### CHANGE OF CHAIRMAN OF THE BOARD AND AUTHORISED REPRESENTATIVE

Mr. Chan Leung, the executive Director, has been appointed as the chairman of the Board with effect from 12 January 2023. Upon the appointment of Mr. Chan Leung as the chairman of the Board, Mr. Chan Leung will perform both of the roles as the chairman and the chief executive officer of the Company.

Mr. Mak Alexander, an independent non-executive Director, has been appointed as an authorised representative under Rule 3.05 of the Listing Rules to fill the vacancy arising from the resignation of Mr. Yeung Wing Sun with effect from 12 January 2023.

### DIRECTORS' SERVICE CONTRACT

The executive Director has entered into a service agreement with the Company for an initial fixed term of three years commencing from the Listing Date. The term of service shall be renewed and extended automatically by three years on the expiry of such initial term and on the expiry of every successive period of three years thereafter, unless terminated by either party thereto giving at least three months' written notice of non-renewal before the expiry of the then existing term.

Each of the independent non-executive Directors has entered into an appointment letter with the Company for an initial fixed term of one year commencing from the Listing Date. The term of service shall be renewed and extended automatically by one year on the expiry of such initial term and on the expiry of every successive period of one year thereafter, unless terminated by either party thereto giving at least three month's written notice of non-renewal before the expiry of the then existing term.

None of the Directors being proposed for re-election at the forthcoming AGM has any service agreement or letter of appointment with any member of the Group which is not determinable by the Group within one year without the payment of compensation (other than statutory compensation).

### PERMITTED INDEMNITY PROVISION

Pursuant to the Articles of Association, every Director or other officers of the Company shall be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them, their or any of their executors or administrators, shall or may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of their duty or supposed duty in their respective offices or trusts, except such (if any) as they shall incur or sustain through their own fraud or dishonesty.

# REPORT OF THE DIRECTORS

## DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 December 2023, none of the Directors and chief executives of the Company and/or any of their respective associates had any interests or short positions in the shares, underlying shares and debentures of the Company and/or any of its associated corporations (which has the same meaning as defined in Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Part XV of the SFO.

## SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

As at 31 December 2023, the following persons had interests or short positions in the shares and underlying shares of the Company which were notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO and entered in the register maintained by the Company pursuant to Section 336 of the SFO were as follows:

### Long positions in the Shares

Name of shareholder	Capacity/Nature of interest	Number of Shares held/interested	Percentage of interest
Harvest Land Company Limited ("Harvest Land") (Note 1)	Beneficial owner	530,000,000	53.0%
Mr. Yeung Wing Sun (Note 1)	Interest in controlled corporation	530,000,000	53.0%
Ms. Yu So Yin (Note 2)	Interest of spouse	530,000,000	53.0%

Notes:

1. Harvest Land is beneficially owned as to 100% by Mr. Yeung Wing Sun. Mr. Yeung Wing Sun and Harvest Land are regarded as a group of controlling shareholders of Company under the Listing Rules acting in concert to exercise their voting rights in the Company and they together will be interested in a total of 53.0% of the issued share capital of the Company. Mr. Yeung Wing Sun is deemed to be interested in the Shares held by Harvest Land pursuant to the SFO.
2. Ms. Yu So Yin is the spouse of Mr. Yeung Wing Sun. Accordingly, Ms. Yu So Yin is deemed to be interested in all the Shares in which Mr. Yeung Wing Sun is interested under the SFO.

Save as disclosed above, as at 31 December 2023, the Company had not been notified by any persons who had interests or short positions in the shares, underlying shares or debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register maintained by the Company pursuant to Section 336 of the SFO.

# REPORT OF THE DIRECTORS

## PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES OF THE COMPANY

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 2023.

## SHARE OPTION SCHEME

The principal terms of the Share Option Scheme conditionally adopted under the written resolutions of the sole Shareholder passed on 15 March 2021 are set out below:

### (1) Purpose

The Share Option Scheme is a share incentive scheme and is established to recognise and motivate the contributions that Participants (as defined below) have made or may make to the Group. The Share Option Scheme will give the Participants an opportunity to have a personal stake in the Company and will help achieve the following objectives:

- (a) motivate the Participants to optimise their performance and efficiency; and
- (b) attract and retain the Participants whose contributions are important to the long term growth and profitability of the Group.

### (2) Determination of Eligibility

"Participants" refer to:

- (a) any full-time or part-time employee of any member of the Group;
- (b) any consultant or adviser of any member of the Group;
- (c) any director (including executive, non-executive or independent non-executive directors) of any member of the Group;
- (d) any substantial shareholder of the Group; and
- (e) any distributor, contractor, supplier, agent, customer, business partner or service provider of any member of the Group,

and for the purposes of the Scheme, the Options may be granted to any company wholly owned by one or more persons belonging to any of the above classes of Participants. For avoidance of doubt, the grant of any options of the Company for the subscription of Shares or any other securities of the Group to any person who fall within any of the above classes of Participants shall not, by itself, unless the Board otherwise determined, be construed as a grant of Option under this Scheme. The basis of eligibility of any Participant to be granted any option shall be determined by the Directors (or as the case may be, the independent non-executive Directors) from time to time on the basis of his contribution or potential contribution to the development and growth of the Group.

### (3) Total Number of Shares Available for Issue

A maximum of 100,000,000 Shares, being 10% of the total number of Shares in issue as at the date of this annual report, may be issued upon exercise of all options to be granted under the Share Option Scheme.



# REPORT OF THE DIRECTORS

## (4) Maximum Entitlement of Each Eligible Person

No option shall be granted to any Eligible Participant which, if exercised in full would result in the total number of the Shares issued and to be issued upon exercise of the options already granted or to be granted to such Eligible Participant under the Share Option Scheme (including exercised, cancelled and outstanding share options) in any 12-month period up to and including the date of such grant exceeding 1% in aggregate of the Shares in issue as at the date of such grant. Any grant of further options above this limit shall be subject to the following requirements:

- (a) approval of the Shareholders at general meeting, with such Eligible Participant and its close associates (or its associates if such Eligible Participant is a connected person) abstaining from voting;
- (b) a circular in relation to the proposal for such further grant must be sent by the Company to its Shareholders with such information from time to time as required by the Listing Rules;
- (c) the number and terms of the options to be granted to such proposed grantee shall be fixed before the Shareholders' approval mentioned in (i) above; and
- (d) for the purpose of calculating the minimum exercise price for the Shares in respect of the further options proposed to be so granted, the date of board meeting for proposing such grant of further options shall be taken as the date of offer of such options.

## (5) Option Period

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as the Directors may in their absolute discretion determine which shall not exceed 10 years from the offer date subject to the provisions of early termination thereof, and provided that the Directors may in their discretion determine the minimum period for which an Option has to be held or other restrictions before its exercise.

## (6) Minimum Vesting Period

No minimum period for which an option must be held before the exercise of any option save as otherwise imposed by the Board in the relevant offer of options.

## (7) Payment on Acceptance of the Option

Participants of the Share Option Scheme are required to submit to the Company a duly signed offer letter within 7 days from the offer date together with a payment in favour of the Company of HK\$1.00 per option as the consideration of the grant.

## (8) Basis of Determining the Exercise Price

The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be such price as determined by the Board, and shall be at least the highest of:

- (a) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date (the "Offer Date"), which must be a business day, on which the Board passes a resolution approving the making of an offer of grant of an option to a Participant;
- (b) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the Offer Date; and
- (c) the nominal value of a Share on the Offer Date.

# REPORT OF THE DIRECTORS

## (9) Remaining Life

Subject to any prior termination by the Company in a general meeting or by the Board, the Share Option Scheme shall be valid and effective for a period of ten years commencing on the date of adoption of the Share Option Scheme, after which period no further options shall be granted. All options granted and accepted and remaining unexercised immediately prior to the expiry of the Share Option Scheme shall continue to be valid and exercisable in accordance with the terms of the Share Option Scheme. Since the adoption of the Share Option Scheme, no option has been granted under the Share Option Scheme. Therefore, no option was exercised or cancelled or has lapsed during the year ended 31 December 2023 and there was no outstanding option as at 31 December 2023.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

During the year ended 31 December 2023 and up to the date of this report, there was no arrangement made by the Company or its subsidiaries to enable the Directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any body corporate.

## 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 for the year ended 31 December 2023 and up to the date of this report. The independent non-executive Directors have reviewed that state of compliance of each of the Controlling Shareholders 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 2023 and up to the date of this report.

## DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS OF SIGNIFICANCE

Save as disclosed under "Related Party Transactions" in Note 30 to the consolidated financial statements, there were no transaction, arrangement and contract of significance, to which the Company's holding company or subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted 31 December 2023 or at any time during the year ended 31 December 2023.

## CONTRACTS OF SIGNIFICANCE WITH CONTROLLING SHAREHOLDERS

Save for those disclosed above or in this report, there were no contracts of significance between the Company or any of its subsidiaries and a Controlling Shareholder or any of its subsidiaries nor any contracts of significance for the provision of services to the Company or any of its subsidiaries by a Controlling Shareholder or any of its subsidiaries during the year ended 31 December 2023.

## MANAGEMENT CONTRACT

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year ended 31 December 2023.

# REPORT OF THE DIRECTORS

## CONNECTED AND RELATED PARTY TRANSACTIONS

The Group had not entered into any connected transaction or continued connected transactions during the year ended 31 December 2023 and up to the date of this report, which is required to be disclosed under Chapter 14A of the Listing Rules.

To the best knowledge of the Directors, save as disclosed under Note 30 to the consolidated financial statements, there was no other related party transaction during the year ended 31 December 2023.

## RETIREMENT SCHEME

The Group joins mandatory provident fund retirement benefit scheme (the “MPF Scheme”) under the Mandatory Provident Fund Schemes Ordinance (Cap. 485 of the Laws of Hong Kong). The retirement benefit scheme contributions made by the Group amounted to approximately HK\$0.3 million (2022: approximately HK\$0.3 million) during the year ended 31 December 2023. Save as the aforesaid, the Group did not participate in any other pension schemes during the year ended 31 December 2023.

## EMOLUMENTS OF THE DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the Directors and the five highest paid individuals of the Group during the years ended 31 December 2023 and 31 December 2022 are set out in Note 13 to the consolidated financial statements.

## 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 2023 and up to the date of this annual report.

## REVIEW OF AUDIT COMMITTEE

The Audit Committee has reviewed, together with the management and external auditor of the Company, the accounting principles and policies adopted by the Group and the consolidated financial statements.

## AUDITOR

CWK CPA Limited was appointed as auditor of the Company for the year ended 31 December 2023. A resolution will be submitted to the 2024 AGM to re-appoint CWK CPA Limited as auditor of the Company.

## SUBSEQUENT EVENTS

On 22 March 2024, Keybase Assets Limited, a wholly-owned subsidiary of the Company (“**the Purchaser**”), entered into the Sale and Purchase Agreement with an independent third party, as the vendor and Wonder Holdings Limited (the “**Target Company**”), a company incorporated in Hong Kong with limited liability, pursuant to which the Purchaser has conditionally agreed to acquire and the vendor has conditionally agreed to sell the 100% equity interest in the Target Company, for a consideration of HK\$22,000,000, which shall be satisfied by way of allotment and issue of the 174,603,175 Shares by the Company to the vendor. Details of the above transactions are set out in the announcements of the Company dated 22 March 2024.

On behalf of the Board  
**Mr. Chan Leung**  
*Chairman*

26 March 2024

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## REPORTING BOUNDARIES AND PRINCIPLES

Unity Enterprise Holdings Limited (the “Company”, and its subsidiaries, collectively the “Group”, “we” or “us”) are pleased to publish our environmental, social and governance (“ESG”) report (the “Report”), which summarised our ESG management approaches, environmental and social performance for the year ended 31 December 2023 (the “Reporting Period” or “2023”).

The boundary is consistent with the business units stated in the annual report, which covers our business operations in relation to provision of repair and maintenance services and additional ancillary services to existing buildings. The environmental key performance indicator (“KPI”) disclosure mainly focused on our office operation and all contract works in Hong Kong during the Reporting Period.

The Report was prepared in accordance with the ESG Reporting Guide as set out in Appendix C2 (formerly known as Appendix 27) of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “HKEX”) and is in adherence with the ESG reporting principles of materiality, quantitative, balance and consistency.

During the preparation for this ESG Report, the Group has applied the following reporting principles according to the ESG Reporting Guide:

**Materiality:** With confirmation from the board (the “Board”) of directors (the “Directors”) and management of the Company, this ESG Report is structured based on the materiality of ESG issues identified from a stakeholder engagement exercise.

**Quantitative:** KPIs and quantitative information from the office and the projects are disclosed in this Report.

**Consistency:** Unless otherwise stated, the preparation approach of this Report is consistent with the previous report for comparison. If there are any changes in calculation methodologies that may affect the comparison with previous reports, explanation will be provided in the corresponding section.

## INFORMATION AND FEEDBACK

Your feedback is essential to our continuous improvement in ESG performance. You are welcome to provide your views through the contacts below:

**Address:** Unit 1002, 10/F, Billion Trade Centre, 31 Hung To Road, Kwun Tong, Kowloon, Hong Kong  
**Tel No.:** 2529 0928  
**Fax No.:** 2111 0892  
**Email:** [info@hongdau.com.hk](mailto:info@hongdau.com.hk)

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## ESG MANAGEMENT

### Statement from the Board

As a contractor specialising in RMAA works, we value environmental sustainability and have been striving to integrate the concept into every part of our daily business operations. The Report summarises the strategy, practice and vision of our Group in respect of the issues related to ESG, and conveys a clear message of our Group's devotion for sustainability. To enhance our resilience and adaptive capacity to potential ESG-related risks and opportunities, all potential ESG issues are covered and evaluated in the annual risk assessment.

We have a well-established governance structure to effectively oversee our ESG issues and manage our sustainability performance. The Board assumes ultimate responsibility for overseeing our Group's ESG-related risks and opportunities, establishing the ESG-related strategies and targets of our Group, and reviewing our Group's performance annually against the ESG-related targets. In pursuant of our commitment towards responsible corporate citizen, we have set up an ESG working group and it comprises members from senior management, which supports the Board in implementing ESG-related strategies and targets, and promoting the implementation of measures in relation to ESG issues identified. To effectively and accurately evaluate ESG-related issues that are considered material and relevant to the Group, the Board requires the ESG working group to report ESG updates to the Board regularly.

To ensure all the long-term sustainability goals and targets are relevant to the Group, the Board keeps track and continuously reviews the sustainability priorities through regular stakeholder engagement and embeds the results into our sustainability initiatives and strategies. We also take into consideration the industry practices, international trends and benchmarks against peers in setting and evaluating our environmental and social KPIs as well as other ESG topics that are material to the Group's principal business.

#### *Board*

- The Board is responsible for the overall decision-making process and overseeing the formulation, administration, and assessment of the ESG system.

#### *ESG Working Group*

- The ESG working group is responsible for assisting the Board in managing and monitoring the ESG matters on a daily basis.


#### *Functional Department*

- Functional departments are responsible for the execution of measures to achieve the preset ESG-related strategies and targets.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## Stakeholders Engagement

The Group is dedicated to sustaining a long-term value for its stakeholders, and strongly believes that the stakeholders play a crucial role in sustaining the success of business. The major areas of concerns of its stakeholders and the means through which the Group engages with such stakeholders are detailed below:

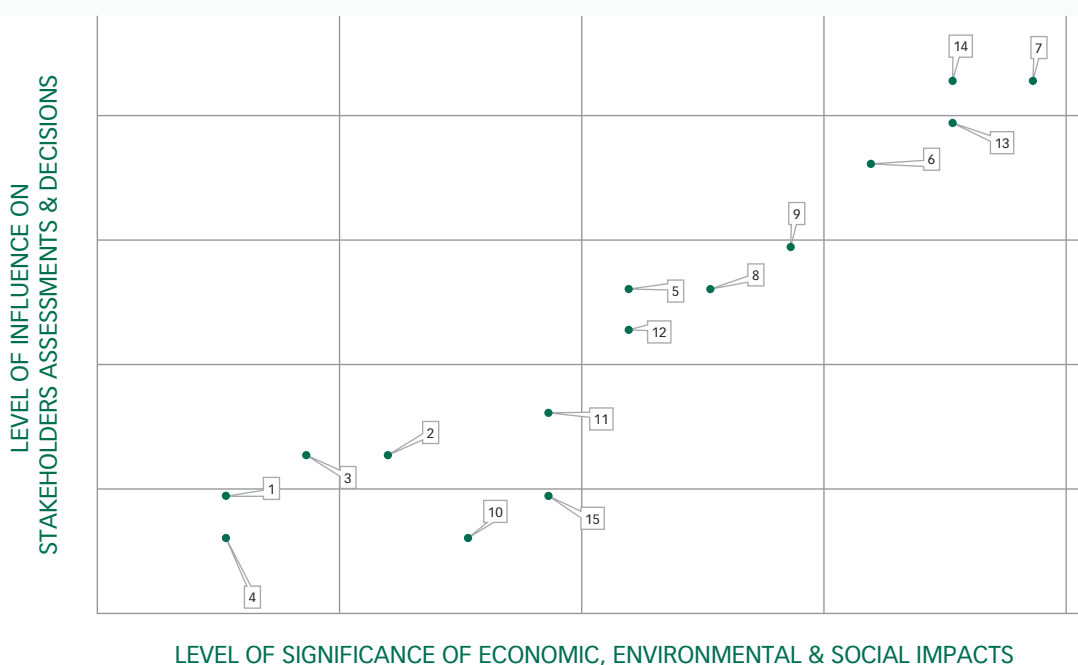
Stakeholders	Areas of concern	Communication and responses
 <b>Stock Exchange</b>	<ul style="list-style-type: none"> <li>● Compliance with the Listing Rules</li> <li>● Timely and accurate announcements</li> </ul>	<ul style="list-style-type: none"> <li>● Company website</li> <li>● Public disclosure of the Group</li> </ul>
 <b>Government and regulatory authorities</b>	<ul style="list-style-type: none"> <li>● Compliance with laws and regulations</li> <li>● Prevention of tax evasion</li> <li>● Information disclosure and reporting materials</li> </ul>	<ul style="list-style-type: none"> <li>● Company website and announcements</li> <li>● Inspections</li> <li>● Tax returns and other information.</li> </ul>
 <b>Suppliers</b>	<ul style="list-style-type: none"> <li>● Compliance operations</li> <li>● Payment schedule and stable demand</li> <li>● Quality services</li> </ul>	<ul style="list-style-type: none"> <li>● Conference calls and email</li> </ul>
 <b>Investors</b>	<ul style="list-style-type: none"> <li>● Corporate governance</li> <li>● Business strategies and performance, and investment returns</li> </ul>	<ul style="list-style-type: none"> <li>● General meetings</li> <li>● Financial reports and announcements</li> </ul>
 <b>Media &amp; Public</b>	<ul style="list-style-type: none"> <li>● Corporate governance</li> <li>● Environmental protection and human rights</li> </ul>	<ul style="list-style-type: none"> <li>● Company website</li> <li>● Announcements</li> </ul>
 <b>Customers</b>	<ul style="list-style-type: none"> <li>● Quality product and service</li> <li>● Delivery schedule</li> <li>● Operational compliance</li> <li>● Commercial credibility</li> <li>● Reasonable prices and personal data protection</li> </ul>	<ul style="list-style-type: none"> <li>● Site visits</li> <li>● Meetings</li> </ul>
 <b>Employees</b>	<ul style="list-style-type: none"> <li>● Rights and benefits of employees</li> <li>● Training and development</li> <li>● Working environment and occupational safety</li> <li>● Equal opportunities</li> </ul>	<ul style="list-style-type: none"> <li>● Employee training</li> <li>● Regular meetings</li> <li>● WhatsApp group</li> </ul>
 <b>Community</b>	<ul style="list-style-type: none"> <li>● Community development</li> <li>● Employment opportunities</li> <li>● Environmental protection</li> <li>● Social welfare</li> </ul>	<ul style="list-style-type: none"> <li>● Community activities</li> <li>● Press releases and announcements</li> </ul>

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## Materiality Assessment

In accordance with the ESG Reporting Guide and industry standard, the Group has identified 15 material ESG issues. The Group comprehensively assessed the importance of each issue based on the level of influence on stakeholders assessments and decisions as well as the level of significance of economic, environmental, and social impacts by conducting the internal survey. The materiality assessment result is used to determine the focus of disclosure in the ESG Report and formulate the Group's ESG strategy. The Group will continue to conduct the materiality assessment in order to analyse its business risks, enhance the relevance of the ESG reports and respond to stakeholders' expectations. The following is the materiality matrix of the Group's material ESG issues:

Materiality Matrix



### Environmental

1. GHG Emissions
2. Waste Management
3. Water Consumption
4. Energy Efficiency
5. Climate Change

### Social

6. Employees' Rights and Welfare
7. Health and Safety
8. Development and Training
9. Prevention of Child and Forced Labour
10. Supply Chain Management
11. Building Safety and Quality Control
12. Customer Services and Complaint Management
13. Customer Data Privacy Protection
14. Anti-corruption and Whistle-blowing Mechanism
15. Community Investment

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## A. ENVIRONMENTAL Overview

The Group strives to minimize the negative impact its business operation brings to the environment. We therefore continue to maintain an environmental management system in accordance with the International Standard Organisation (the "ISO") 14001:2015 international standard so as to ensure that our various environmental measures and daily operation bring about positive environmental impacts and mitigation, as well as to comply with the applicable environmental protection laws.

### Compliance and Grievance

During the Reporting Period, the Group complied with all relevant environmental laws and regulations that have significant impacts, including but not limited to, the Waste Disposal Ordinance (Cap. 354 of the Laws of Hong Kong). During the Reporting Period, no confirmed non-compliance incidents or grievances were noted by the Group in relation to environmental issues.

### Emissions

Our air emissions derive mainly from automobiles. As for greenhouse gas ("GHG") emissions, our major direct emission (Scope 1) is contributed by vehicle combustion while all indirect emissions (Scope 2 and Scope 3) are results of electricity consumption and paper disposal. Details of the emissions are as follows:

	2023	2022
<b>Emissions</b>		
<b>Air Emissions from Vehicles</b>		
Nitrogen oxides (NO <sub>x</sub> ) (kg)	1.14	1.92
Sulphur oxides (SO <sub>x</sub> ) (kg)	0.018	0.031
Particulate matters (PM) (kg)	0.08	0.16
<b>Greenhouse Gas Emissions</b>		
Vehicle combustion (Scope 1) (tonnes)	3	2
Electricity consumption (Scope 2) (tonnes)	7	15
Paper disposal (Scope 3) (tonnes)	1	1
Total Greenhouse Gas Emissions (tonnes)	11	18
Emission intensity (tonnes/thousand HKD revenue)	0.000102	0.000170



# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Our usage of vehicles and paper depends on the number of projects and requirements of the individual projects. Due to the decreased revenue of the Group and increased number of staffs during the Reporting Period, the total GHG emission intensity recorded an increase when compared with the last reporting period. To uphold the principles of sustainable development, the Group is committed to reducing or maintaining the increase of total GHG emission intensity between 90% to 120% for the next reporting period, against the level of baseline year ended 31 December 2023. Other mitigating measures against emissions are detailed in the subsections headed “Mitigating Measures” and “Energy and Water Consumption”.

## Wastes Management

Due to the Group’s business nature as related to the construction industry, the main source of our non-hazardous waste is the Construction and Demolition (C&D) waste being disposed. To ensure proper management of waste, waste disposal is handled by Environmental Protection Department (EPD) regularly.

Construction and Demolition (C&D) Waste	2023	2022
Total C&D Waste (tonnes)	325	162
Non-hazardous waste intensity (tonnes/thousand HKD revenue)	0.00295	0.00153

Our production of wastes, particularly C&D wastes, greatly depends on the number of projects and requirements of the individual project. Considering the difficulty in predicting the number and respective characteristics of future projects, our Group will target to reduce or maintain the increase of production of non-hazardous wastes intensity between 90% to 130% for the next reporting period, against the level of baseline year ended 31 December 2023, given that there is no sudden surge in the number of projects.

## Mitigating Measures

All practicable practices are adopted to closely monitor and mitigate the environmental impact of the operations. We actively arrange the surplus materials on the construction sites to be re-used in other construction sites instead of dumping them. Moreover, various control measures are deployed to reduce emissions, as listed below:



ultra-low sulphur diesel for plants and generators



trip-ticket system to record disposal of construction waste to disposal facilities



non-road mobile machinery approved with EPD label



open burning is prohibited in all sites



air compressor and hand held percussive breaker with noise emission label

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## Use of Resources, and Environment and Natural Resources

### Energy and Water Consumption

The Group takes up its environmental stewardship through managing its resources responsibly. The Group encourages the reduction of consumption of fuel, electricity and increasing resources efficiency by encouraging staffs to take part in a range of green office practices, which includes but not limited to:

- (i) switch off the lights and electronic appliances before they leave the office;
- (ii) set the temperature of the office's air conditioner to 25.5 Degree Celsius;
- (iii) use double-sided printing instead of single-sided printing; and
- (iv) replace all lightings with more energy-efficient lightings.

Due to the adoption of energy-efficient lightings and less operational needs in the office during the Reporting Period, the electricity consumption intensity recorded a decrease when compared with the last reporting period. The Group will make continues efforts in working towards the target of reducing or maintaining the increase of electricity consumption intensity between 90% to 120% for the next reporting period, against the level of baseline year ended 31 December 2023.



The existing water supply adequately meets the Group's daily operational needs and there has been no difficulty in sourcing water. Water bills are included in the management fee and water consumption is therefore excluded from our data collection and disclosure. Nevertheless, the Group strives to conserve water by implementing measures such as performing regular checks on faucets to avoid unnecessary leakage and to enable prompt reporting of any damages, and actively promoting water conservation awareness among employees.

	2023	2022
<b>Total Resources Consumption</b>		
<b>Electricity Intensity</b>		
Total Electricity consumption (kWh)	9,275	17,010
Electricity Intensity (kWh/Staff/Day)	1.10	1.82

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## Climate Change

The Group reviews and identifies the climate-related risk annually while conducting the risk assessment. We have considered the potential climate-related risks in respect of the recommendations of the Task Force on Climate-related Financial Disclosure, which are the physical risks such as extreme weather conditions and transition risks such as regulatory change or emerging technologies, and the potential climate-related risks are summarised as below:

Risks Type	Potential Financial Implications	Short (current reporting period)	Medium (one to three years)	Long (four to ten years)	Mitigating Strategy
 <b>Physical Risks</b>	<b>ACUTE</b> Impairment to fixed assets and decrease in operating income				<ul style="list-style-type: none"> <li>In response to extreme weather such as high temperature and typhoon, announcements are sent to all employees to remind them to pay attention to travel safety</li> <li>Take measures such as flexible attendance and work from home arrangements based on the actual impact of extreme weather conditions such as typhoons on staff commuting</li> </ul>
	<b>CHRONIC</b> Increase in energy consumption brought about by fighting against global climate change, such as the use of power for airconditioning, causing an increase in operating cost				<ul style="list-style-type: none"> <li>Future alterations or renovations to the office building shall take into account extreme climate change</li> <li>Establish an off-site remote disaster backup mechanism. As such, off-site recovery and reconstruction can be performed in case of damage to the computer room caused by extreme weather</li> </ul>
 <b>Transition Risks</b>	<b>CHANGES IN CLIMATE-RELATED REGULATIONS</b> <ul style="list-style-type: none"> <li>Increase in operating and compliance costs</li> <li>Increase in costs as a result of possible fines and judgments</li> </ul>				<ul style="list-style-type: none"> <li>Pay attention to the latest developments in domestic and foreign policies and regulations, and deploy internal resources to respond to changes promptly</li> <li>Actively maintain contact with local governments</li> <li>Actively identify, prevent and control its own legal risks, and carry out legal risk management</li> </ul>
	<b>EMERGING TECHNOLOGY</b> Increased costs due to the adoption of new practices, machineries or materials that are more environmentally friendly				<ul style="list-style-type: none"> <li>Promote business transformation and timely launch products that meet market needs, and build a multi-channel, multi-dimensional and diversified marketing system</li> </ul>

low
  medium
  high

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## B. SOCIAL Overview

The Group views its employees as the key to future success. To this end, we spare no effort to build a healthy and supportive workplace for employees so as to advance their career progression and enhance their professional development. Looking ahead, we will continue to do our best to cater the needs of employees to enable them to thrive and grow with us.

### Compliance and Grievance

As an equal opportunity employer, the Group complies with all relevant employment laws and regulations that have a significant impact on it, including but not limited to the Employment Ordinance (Cap. 57 of the Laws of Hong Kong), the Mandatory Provident Fund Schemes Ordinance (Cap. 485 of the Laws of Hong Kong), the Minimum Wage Ordinance (Cap. 608 of the Laws of Hong Kong), the Sex Discrimination Ordinance (Cap. 480 of the Laws of Hong Kong) and the Employees' Compensation Ordinance (Cap. 282 of the Laws of Hong Kong).

### Employment

The Group has set up clear policies and guidelines to attract and retain talent. For instance, the enhancement of human capital is of our main focus and attractive remuneration and welfare packages are offered to talented individuals. To encourage hard work and career dedication, we provide promotion opportunities and salary adjustments that are commensurate with individual performance. The Group is committed to building a diversified and inclusive working environment to ensure no employees are discriminated against or deprived of opportunities due to gender, ethnic background, religious belief, colour, sexual orientation, age, marital status or family status in relation to recruitment and promotions. During the Reporting Period, the Group did not identify any material non-compliance related to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunities, diversity, anti-discrimination, and other benefits and welfare. During the Reporting Period, all employees are from Hong Kong in respect to geographical region.

### The Team

	2023	2022
<b>Number of Employees</b>	<b>25</b>	34
<b>By Gender</b>		
Female	<b>9</b>	12
Male	<b>16</b>	22
<b>By Age</b>		
25 or below	<b>1</b>	–
25 to 29	–	1
30 to 39	<b>3</b>	5
40 to 49	<b>8</b>	9
Over 50	<b>13</b>	19
<b>By Employment Type</b>		
Full-time	<b>18</b>	23
Part-time	<b>7</b>	11
<b>By Employee Category</b>		
Project Management	<b>15</b>	23
Administration and Finance	<b>6</b>	5
Director	<b>4</b>	6

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

During the Reporting Period, the employee turnover rates are as follows:

	2023	2022
<b>Total Employee Turnover Rate</b>	<b>44%</b>	6%
<b>By Gender</b>		
Female	<b>22%</b>	17%
Male	<b>56%</b>	0%
<b>By Age</b>		
25 or below	<b>0%</b>	0%
25 to 29	<b>0%</b>	0%
30 to 39	<b>67%</b>	0%
40 to 49	<b>38%</b>	11%
Over 50	<b>46%</b>	5%
<b>By Geographical Region</b>		
Hong Kong	<b>44%</b>	6%

## *Health and Safety*

Occupational health and safety remain our first priority among all our operations due to the nature of works in construction sites. In this regard, we uphold a high standard of health and safety, comply with the customers' requirement as well as the relevant regulations, including the Occupational Safety and Health Ordinance (Cap. 509) and Factories and Industrial Undertakings Ordinance (Cap. 59). The Group has in all material respects complied with all applicable laws and regulations in Hong Kong in relation to providing a safe working environment and protecting employees from occupational hazards.

In the midst of COVID-19 pandemic, the Group takes an array of precautionary and preventive measures to protect the health of our employees. They include daily temperature check, mask wearing and social distancing requirements. The Group will continue to closely monitor the latest development and regularly review the effectiveness of strategies in combating the pandemic.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## Safety Audit

During the Reporting Period, a safety audit was conducted to ensure the safe operation of office (corporate level) and on site (project level) according to the statutory requirements of the Factories and Industrial Undertakings (Safety Management) Regulation Cap. 59AF. Undertaken by a registered safety auditor, weakness of the safety management system is identified and corresponding corrective actions are to be carried out based on the findings of the audit. A comprehensive safety management plan is also established to ensure sufficient manpower, resources and trainings to staffs are properly allocated and maintained.

## Certification

The Group protects the safety of its employees and subcontractors through its robust Safety Management System. We are certified with the international Occupational Health and Safety Management System Standard ISO 45001:2018 during the Reporting Period for our efforts in safeguarding occupational health and safety. This standard is implemented across all projects and is continuously updated in light of latest international trends.

Our safety and health policy stipulates the responsibilities of personnel in keeping a safe working environment by implementing all relevant safety procedures and practicable measures. All of our employees and subcontractors are required to comply with this policy. Professional competency and safety awareness of our frontline supervisory employees are of utmost importance. We require all foremen to hold a Construction Safety Supervisor Certificate. Also, regular safety meetings are held for safety officers and site supervision teams to exchange the latest information and industry best practices regarding safety.

In recognizing our dedication in implementing safety measures and safety management system to enhance safety performance of RMAA works, we are delighted to receive a certificate offered by OSH Star Enterprise during the Reporting Period. Looking forward, we will continue to refine our management approach to raise our ability to boost safety performance.

During the last three reporting periods, no work-related fatalities were recorded by the Group. In terms of work-related injuries during the Reporting Period, there were 1 reported cases, resulting a total of 10 lost days. The Group continues to reflect on its existing safety policies and is committed to continuously adapt and improve its occupational safety measures as would be necessary.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## *Development and Training*

The Group strives to enhance the professional competency and capability of employees in their work through providing a range of development and training programmes. Trainings are designed and executed based on the specific needs of their respective roles and duties. The Group puts in unremitting effort and invests sufficient resources in the personal development and career advancement in our people so that they can learn and strive with us. Apart from on-the-job training, we promote continuous education by encouraging staffs to engage in internal and external training to enrich their professional capacity, technical knowledge and soft skills.

During the Reporting Period, the details of employees who received trainings are as follows:

Percentage of Trained Employees (%)	2023	2022
<b>Total</b>	<b>40%</b>	33%
<b>By Gender</b>		
Male	<b>70%</b>	60%
Female	<b>30%</b>	40%
<b>By Employee Category</b>		
Project Management	<b>20%</b>	50%
Administration and Finance	<b>40%</b>	30%
Director	<b>40%</b>	20%

Percentage of Trained Employees (%)	2023	2022
<b>Average Training Hours (Hours)</b>		
<b>By Gender</b>		
Male	<b>50.81</b>	43.5
Female	<b>5.78</b>	3.67
<b>By Employee Category</b>		
Project Management	<b>0.8</b>	40.7
Administration and Finance	<b>4</b>	4.7
Director	<b>207.25</b>	6.67

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## *Labour Standards*

The Group strictly complies with the Employment Ordinance (Cap. 57) and has zero tolerance for any form of child labour or forced labour. With strict labour standards and recruitment policies, we ensure no child or forced labour in our business operation. Identity documents provided by applicants are checked thoroughly and verified by our recruitment personnel. The employment policies of the Group also ensure the right of free choice of employment and ensure that all employment relationships are established on a voluntary basis. If any child or forced labour is discovered, the Group would immediately terminate his/her employment and investigate the incident.

During the Reporting Period, the Group has not identified any non-compliance cases involving child labour and forced labour.

## *Sustainable Procurement*

The Group strives to build a long-lasting relationship with suppliers and subcontractors. In relation to this, we have established a procurement policy to regulate the assessment and selection of suppliers. Only those on the approved list who has passed the Group's quality control tests and have a satisfactory record of quality and on-time delivery will be considered for business engagement. Apart from product quality, we are dedicated to assessing and selecting suppliers or contractors based on their ability of demonstrating eco-friendly and socially responsible practices as well as the adherence to relevant environmental and safety standards. To ensure the performance of the subcontractors and suppliers are up to the standard, evaluation of a supplier on an annual basis is conducted. Various well-defined and stringent criteria include but not limited to the professional qualification, services/products quality, financial status, operation in good integrity, environmental performance and social responsibility. Suppliers or subcontractors may be removed from the approval list if they fail to perform up to standard upon the evaluation result.

The Group demonstrates its environmental stewardship through adhering to green procurement practices. We strive to purchase and use eco-friendly products in our daily operation. For instance, during the Reporting Period, we are glad to be certified with Hong Kong Green Label Scheme for one of our paints used in a construction work. This recognizes our effort in embedding environmentally friendly considerations in our work.

During the Reporting Period, the Group has 33 approved suppliers and sub-contractors with all offices located in Hong Kong.

## *Product and Service Responsibility*

The Group strictly complies with the relevant laws and regulations relating to product responsibility that have significant impacts, including but not limited to the Trade Descriptions Ordinance (Cap. 362 of the Laws of Hong Kong) and the Sale of Goods Ordinance (Cap. 26 of the Laws of Hong Kong).

The Group understands the great deal of trust our customer place in us when choosing to engage us for business. As such, we uphold a high standard of service quality and safety so as to ensure compliance with the relevant laws and regulations. Apart from setting relevant internal policies to govern our work, we have obtained ISO 9001:2015 Quality Management System which serves to help us monitor and improve our quality control capacity.



# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Our on-site personnel of project management team would closely inspect and monitor the work performed by our subcontractors, to ensure that the work meets the requirements of our customers and uphold the ISO 9001, ISO 14001 and ISO 45001 standards in relation to work quality, occupational safety and environmental protection. To ensure compliance with our customers' specifications and requirements, our quantity surveyor would also carry out in-house quality inspection and supervision.

During the Reporting Period, the Group was not aware of any non-compliance with the relevant laws and regulations related to health and safety, advertising, labelling and privacy matters relating to the products and services provided.

## Customer Management

Close communication with customers has always been maintained to ensure the delivery of our work fulfil or even exceed the expectation and needs of our customers. Prior to the commencement of a project, The Group takes a proactive approach in communicating and confirming the work plan with customer in a timely manner. We also actively monitor, process and coordinate with customers from time to time during the implementation stage of a project. To understand more accurately their specific requirements, during the Reporting Period, the Group launched a customer satisfaction survey to gather their opinion and views, in aspects such as the work progress, workmanship and planning and management of the projects. This survey has enabled us better improve our work quality that tailored customers' needs.

During the Reporting Period, the Group has not received any material complaints or request to terminate projects due to poor quality and safety, nor there is any product labelling or products sold or shipped subject to recalls for safety and health reasons. If a complaint arises, the Group will immediately assess the complaint and conduct an internal investigation into the matter to identify the source of the issue. If the complaint is valid, the Group will immediately provide the relevant solution to solve the issues as soon as practicable.

## Intellectual Property

Our operation involves the handling of confidential information. It is therefore our foremost task to protect the intellectual property right of whom we have contact with. The management and relevant department review the contracts entered into with customers and suppliers to ensure the intellectual property rights are properly accounted for. The Group also complies with relevant law and regulation of data privacy. All confidential data of customers can only be accessed by the staffs who are responsible for the projects for relevant clients. During the Reporting Period, the Group has not identified any non-compliance cases relating to product responsibility.

## Information Security

Information security is essential to the integrity and stability of our operation. In connection to this, the Group has appointed a third-party service provider for the management of information security. Their responsibilities include but not limited to the installation, support and monitoring of internet servers, implementation of LAN/WAN network, as well as data backup and restoration.

Prevention is the key to protect information system. Therefore, regular checks and inspection are conducted to ensure the proper operation and function of software and hardware, all malfunctions shall be recorded and corresponding corrective actions must be carried out. Moreover, internet and information system safety are protected from unauthorised access through various control measures including granting access rights to employees by department head, installing firewalls and enforcing password requirements.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## *Anti-corruption*

The Group believes that the integrity of business is the foundation of corporate social responsibility, as well as a fundamental element for a business's competitive advantage and sustainability. The Group is committed to the highest possible standards of openness, probity and accountability. The Group adopts a policy of zero tolerance towards corruption. All employees must fully comply with relevant local laws and regulations, such as the "Prevention of Bribery Ordinance" in Hong Kong, as well as the Group's own policies on prevention of corruption. During the Reporting Period, our employees, including the Directors, received a 2-hour anti-corruption training.

## **Whistle-Blowing Policy**

To facilitate our employees to report illegality, irregularity, malpractice, unethical acts or behaviours, inappropriate conducts or actions, the Group has established a whistle-blowing policy and procedures. Employees are encouraged to report any suspicious activities or behaviours that violate our values and Group's policies regarding ethics, including but not limited to events that are non-compliant with the Group's policy, laws, rules, regulations, general practice of financial reporting and internal control. The concerns about the aforementioned malpractices can be reported to the audit committee of the Company via mail or email.

The Group handles reported cases cautiously and each submitted case will be handled and investigated promptly, thoroughly and seriously. A full investigation will then be conducted, disciplinary action will be applied to the employees involved upon confirmation of the occurrence, and further legal action may be taken depending on the nature and particular circumstances of each case.

The whistle-blowing policy and its procedures are applicable to all levels of the members of the Group, and have been clearly stipulated in the employee handbook and have been circulated among employees for their reference.

During the Reporting Period, no legal cases regarding corruption were brought against the Group or its employees, and the Group is not aware of any incidents of bribery, extortion, fraud, money laundering or other violations.

## *Community Investment*

The Group recognises the importance of social responsibilities and regards public welfare as one of the core aspects of its corporate culture. We encourage our employees to contribute to the community through volunteerism, philanthropy and community services.

During the Reporting Period, the Group had not organised any community and charity activities. Although the Group had not carried out any community services, it has donated HK\$5,000 to non-profit and charitable organisations, supporting the underprivileged, elderly or disabled individuals. Looking forward, we will continue to contribute to the society.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## HKEX ESG CONTENT INDEX

Aspect	Description	Chapter/Section	Remarks
<b>Mandatory Disclosure Requirements</b>			
<b>Governance Structure</b>	A statement from the board containing the following elements: (i) a disclosure of the board's oversight of ESG issues; (ii) the board's ESG management approach and strategy, including the process used to evaluate, prioritise and manage material ESG-related issues (including risks to the issuer's businesses); and (iii) how the board reviews progress made against ESG-related goals and targets with an explanation of how they relate to the issuer's businesses.		
<b>Reporting Principle</b>	A description of, or an explanation on, the application of the following Reporting Principles in the preparation of the ESG Report: Materiality: The ESG report should disclose: (i) the process to identify and the criteria for the selection of material ESG factors; (ii) if a stakeholder engagement is conducted, a description of significant stakeholders identified, and the process and results of the issuer's stakeholder engagement. Quantitative: Information on the standards, methodologies, assumptions and/or calculation tools used, and source of conversion factors used, for the reporting of emissions/energy consumption (where applicable) should be discussed. Consistency: The issuer should disclose in the ESG report any changes to the methods or KPIs used, or any other relevant factors affecting a meaningful comparison.		
<b>Reporting Boundary</b>	A narrative explaining the reporting boundaries of the ESG report and describing the process used to identify which entities or operations are included in the ESG report. If there is a change in the scope, the issuer should explain the difference and reason for the change.		
<b>A. Environmental</b>			
<b>A1: Emissions</b>			
General Disclosure	Information on:  (a) the policies; and  (b) compliance with relevant laws and regulations  that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Environmental — Overview, Compliance and Grievance, Emissions	
KPI A1.1	The types of emissions and respective emissions data.	Emissions	
KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Emissions	
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Not applicable	The Group has not identified any hazardous waste that was produced by our core business

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Aspect	Description	Chapter/Section	Remarks
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Wastes Management	
KPI A1.5	Description of emissions target(s) set and steps taken to achieve them.	Emissions, Mitigating Measures, Energy and Water Consumption	
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	Wastes Management, Mitigating Measures	
<b>A2: Use of Resources</b>			
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Use of Resources, and Environment and Natural Resources	
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	Energy and Water Consumption	
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Energy and Water Consumption	
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Energy and Water Consumption	
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Energy and Water Consumption	
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Not applicable	Use of packaging materials is not applicable to our core business and is not identified as material aspect in the Group's business

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Aspect	Description	Chapter/Section	Remarks
<b>A3: The Environment and Natural Resources</b>			
General Disclosure	Policies on minimizing the issuer's significant impact on the environment and natural resources.	Use of Resources, and Environment and Natural Resources	
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Use of Resources, and Environment and Natural Resources	
<b>A4: Climate Change</b>			
General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	Climate Change	
KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	Climate Change	
<b>B. Social</b>			
<b>B1: Employment</b>			
General Disclosure	Information on:  (a) the policies; and  (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Social — Overview, Compliance and Grievance, Employment	
KPI B1.1	Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region.	Employment — The Team	
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Employment — The Team	

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Aspect	Description	Chapter/Section	Remarks
<b>B2: Health and Safety</b>			
General Disclosure	Information on:  (a) the policies; and  (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Health and Safety	
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	Health and Safety	
KPI B2.2	Lost days due to work injury.	Health and Safety	
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	Health and Safety	
<b>B3: Development and Training</b>			
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work.	Development and Training	
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Development and Training	
KPI B3.2	The average training hours completed per employee by gender and employee category.	Development and Training	
<b>B4: Labour Standards</b>			
General Disclosure	Information on:  (a) the policies; and  (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Labour Standards	
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	Labour Standards	
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	Labour Standards	

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Aspect	Description	Chapter/Section	Remarks
<b>B5: Supply Chain Management</b>			
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Sustainable Procurement	
KPI B5.1	Number of suppliers by geographical region.	Sustainable Procurement	
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	Sustainable Procurement	
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Sustainable Procurement	
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Sustainable Procurement	
<b>B6: Product and Service Responsibility</b>			
General Disclosure	Information on:  (a) the policies; and  (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Product and Service Responsibility	
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Product and Service Responsibility	
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	Product and Service Responsibility — Customer Management	
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Product and Service Responsibility — Intellectual Property	

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Aspect	Description	Chapter/Section	Remarks
KPI B6.4	Description of quality assurance process and recall procedures.	Product and Service Responsibility	
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Product and Service Responsibility — Information Security	
<b>B7: Anti-corruption</b>			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Anti-corruption, Whistle-blowing Policy	
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Anti-corruption	
KPI B7.2	Description of preventive measures, how they are implemented and monitored.	Anti-Corruption	
KPI B7.3	Description of anti-corruption training provided to directors and staff.	Anti-Corruption	
<b>B8: Community Investment</b>			
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Community Investment	
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labor needs, health, culture, sport).	Community Investment	
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	Community Investment	



# INDEPENDENT AUDITOR'S REPORT



## TO THE SHAREHOLDERS OF UNITY ENTERPRISE HOLDINGS LIMITED

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

### OPINION

We have audited the consolidated financial statements of Unity Enterprise Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 60 to 109, which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information and other explanatory information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

### BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

# INDEPENDENT AUDITOR'S REPORT

## KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### Key audit matter

### How our audit addressed the key audit matter

#### Recognition of contract revenue from repair, maintenance, alteration and addition ("RMAA") works contracts

We identified the recognition of contract revenue from RMAA works contracts as a key audit matter as they are quantitatively significant to the consolidated financial statements as a whole and there are significant judgements exercised by the management of the Group in determining the progress towards complete satisfaction of the performance obligation and the amount of contract revenue recognised.

As disclosed in note 6 to the consolidated financial statements, the RMAA contracts revenue amounted to HK\$110,034,000 for the year ended 31 December 2023.

As set out in note 6 to the consolidated financial statements, the Group recognised RMAA revenue over time using output method, i.e. based on surveys of works completed by the Group to date with reference to the payment certificates certified by authorised persons or external consultants appointed by the customers.

Our procedures in relation to contract revenue for construction contracts included:

- Understanding the design and implementation of key internal controls over the revenue recognition of construction contract on a sample basis;
- Discussing with the project managers and the management of the Group to understand the status of the projects, identifying any variations, provision on loss making contracts and obtaining explanations for fluctuations in margins as to their reasonableness;
- Inspecting the contract agreements with customers, on a sample basis, to identify key terms and conditions, including contracting parties, contract period, contract sum, scope of work and evaluating whether these key terms and conditions had been appropriately reflected in the total estimated revenue;
- Checking the latest certificates issued by the external surveyors, customer's correspondences or other documents issued on or before year end date to evaluate the value of work already performed during the year, on a sample basis; and
- Assessing the reasonableness of the gross margin during the year by comparing with the budgeted profit of the whole RMAA works project, on a sample basis.

# INDEPENDENT AUDITOR'S REPORT

## OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

# INDEPENDENT AUDITOR'S REPORT

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Kwan Kai Chun.

## **CWK CPA Limited**

*Certified Public Accountants*

## **Kwan Kai Chun**

Practising Certificate Number: P06957

Hong Kong

26 March 2024

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	2023 HK\$'000	2022 HK\$'000
<b>Revenue</b>	6	<b>110,034</b>	106,187
Cost of services		<b>(126,672)</b>	(96,354)
<b>Gross (loss) profit</b>		<b>(16,638)</b>	9,833
Other income and gain, net	7	<b>2,857</b>	4,161
Administrative expenses		<b>(9,298)</b>	(11,980)
Impairment losses on trade receivables and contract assets	29(b)(i)	<b>(4,725)</b>	(4,930)
Finance costs	8	<b>(53)</b>	(14)
<b>Loss before income tax</b>	9	<b>(27,857)</b>	(2,930)
Income tax expense	10	<b>(1,555)</b>	(4,479)
<b>Loss and total comprehensive expense for the year</b>		<b>(29,412)</b>	(7,409)
<b>Loss attributable to owners of the Company</b>		<b>(29,412)</b>	(7,409)
<b>Loss per share attributable to owners of the Company Basic and diluted</b>	12	<b>(HK2.94 cents)</b>	(HK0.74 cents)

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2023

	Notes	2023 HK\$'000	2022 HK\$'000
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment	14	665	943
<b>Current assets</b>			
Trade receivables	15	94,567	158,522
Contract assets	16	23,850	29,927
Deposits, prepayments and other receivables	17	47,141	12,391
Amount due from a controlling shareholder	18	1,123	3,157
Time deposit	19	–	25,000
Cash and bank balances	19	10,100	24,540
<b>Total current assets</b>		<b>176,781</b>	253,537
<b>Current liabilities</b>			
Trade payables	20	37,415	57,999
Accrued liabilities and other payables	21	10,536	18,907
Bank borrowings	22	3,353	–
Lease liabilities	24	146	143
Tax payable		–	22,083
<b>Total current liabilities</b>		<b>51,450</b>	99,132
<b>Net current assets</b>		<b>125,331</b>	154,405
<b>Total assets less current liabilities</b>		<b>125,996</b>	155,348
<b>Non-current liabilities</b>			
Lease liabilities	24	50	–
Deferred tax liabilities	23	65	55
		<b>115</b>	55
<b>NET ASSETS</b>		<b>125,881</b>	155,293

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2023

	Notes	2023 HK\$'000	2022 HK\$'000
<b>EQUITY</b>			
Equity attributable to owners of the Company			
Share capital	25	10,000	10,000
Reserves		115,881	145,293
<b>TOTAL EQUITY</b>		<b>125,881</b>	155,293

The consolidated financial statements on pages 60 to 109 were approved and authorised for issue by the board of directors on 26 March 2024 and are signed on its behalf by:

**Mr. Mak Alexander**  
*Director*

**Chan Leung**  
*Director*

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2023

Notes	Share capital HK\$'000	Share premium* HK\$'000	Retained earnings* HK\$'000	Total equity HK\$'000
At 1 January 2022	10,000	101,105	51,597	162,702
Loss and total comprehensive expense for the year	–	–	(7,409)	(7,409)
At 31 December 2022 and 1 January 2023	<b>10,000</b>	<b>101,105</b>	<b>44,188</b>	<b>155,293</b>
Loss and total comprehensive expense for the year	–	–	<b>(29,412)</b>	<b>(29,412)</b>
At 31 December 2023	<b>10,000</b>	<b>101,105</b>	<b>14,776</b>	<b>125,881</b>

\* These reserve balances comprised the reserve account as set out in the consolidated statement of financial position.



# CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	2023 HK\$'000	2022 HK\$'000
<b>Cash flows from operating activities</b>			
Loss before income tax		(27,857)	(2,930)
Adjustments for:			
Depreciation of property, plant and equipment	9	511	784
Loss on disposal of property, plant and equipment	7	76	–
Interest income	7	(275)	(345)
Finance costs	8	53	14
Allowance for credit loss on trade receivables and contract assets	29(b)(i)	4,725	4,930
Operating cash flow before movement in working capital		(22,767)	(2,453)
Decrease in trade receivables		59,977	2,082
Decrease in contract assets		5,330	775
Increase in deposits, prepayments and other receivables		(34,750)	(9,561)
Increase in amount due from a controlling shareholder		(2,520)	(3,295)
Decrease in trade payables		(20,584)	(1,886)
Decrease in accrued liabilities and other payables		(8,372)	(12,717)
<i>Cash used in operations</i>		(23,686)	(22,149)
Income tax paid		(23,559)	(1,650)
<b>Net cash used in operating activities</b>		(47,245)	(23,799)
<b>Cash flows from investing activities</b>			
Interest received		275	304
Purchase of property, plant and equipment		(20)	(6)
Placement of a time deposit		–	(25,000)
Withdrawal of a time deposit		25,000	50,000
<b>Net cash from investing activities</b>		25,255	25,298
<b>Cash flows from financing activities</b>			
	26		
Proceeds from bank borrowings		4,000	–
Repayments of bank borrowings		(647)	–
Payments of lease liabilities		(244)	(429)
Interest paid		(45)	–
Advance from a controlling shareholder		4,486	50
<b>Net cash from (used in) financing activities</b>		7,550	(379)
<b>Net increase in cash and cash equivalents</b>		(14,440)	1,120
<b>Cash and cash equivalents at beginning of the year</b>		24,540	23,420
<b>Cash and cash equivalents at end of the year, representing cash and bank balances</b>		10,100	24,540

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 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”).

Particulars of the Company’s subsidiaries are as follows:

Name	Place and date of incorporation/ establishment and place of operations	Issued ordinary share capital	Percentage of equity attributable to the Company		Principal activities and place of operation
			Directly	Indirectly	
Keybase Assets Limited (“Keybase Assets”)	BVI 5 July 2012	US\$1	100%	–	Investment holding
Hong Dau Construction Company Limited (“HDC”)	Hong Kong 8 December 1981	HK\$300,000	–	100%	Provision of RMAA works in Hong Kong
Hong Dau Construction & Engineering Co. Limited (“HDE”)	Hong Kong 15 October 2005	HK\$10,000	–	100%	Provision of RMAA works in Hong Kong

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

## 2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

### New and amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following new and 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 2023 for the preparation of the consolidated financial statements:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance contracts
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	Income taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International tax reform – Pillar Two Model Rules

Except as described below, the application of the new and 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.

### 2.1 Impacts on application of Amendments to HKAS 8 Definition of Accounting Estimates

The Group has applied the amendments for the first time in the current year. The amendments define accounting estimates as “monetary amounts in financial statements that are subject to measurement uncertainty”. An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. The amendments to HKAS 8 clarify the distinction between changes in accounting estimates, and changes in accounting policies and the correction of errors.

The application of the amendments in the current year had no material impact on the consolidated financial statements.

### 2.2 Impacts on application of Amendments to HKAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The Group has applied the amendments for the first time in the current year. The amendments narrow the scope of the recognition exemption of deferred tax liabilities and deferred tax assets in paragraphs 15 and 24 of HKAS 12 Income Taxes so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

In accordance with the transition provision, the Group has applied the new accounting policy retrospectively to leasing transactions that occurred on or after 1 January 2022.

The Group also, as at 1 January 2022, recognised a deferred tax asset (to the extent that The application of the amendments has had no material impact on the Group’s financial position and performance and it has no impact on the retained earnings at the earliest period presented.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

## 2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (CONTINUED)

### New and amendments to HKFRSs that are mandatorily effective for the current year (Continued)

#### 2.3 *Impacts on application of Amendments to HKAS 1 and HKFRS Practice Statement 2 Disclosure of Accounting Policies*

The Group has applied the amendments for the first time in the current year. HKAS 1 Presentation of Financial Statements is amended to replace all instances of the term “significant accounting policies” with “material accounting policy information”. Accounting policy information is material if, when considered together with other information included in an entity’s financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

HKFRS Practice Statement 2 Making Materiality Judgements (the “Practice Statement”) is also amended to illustrate how an entity applies the “four-step materiality process” to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments has had no material impact on the Group’s financial positions and performance but has affected the disclosure of the Group’s accounting policies set out in Note 3 to the consolidated financial statements.

#### 2.4 *Change in accounting policy as a result of application of the HKICPA guidance on the accounting implications of the abolition of the Mandatory Provident Fund (“MPF”) — Long Service Payment (“LSP”) offsetting mechanism in Hong Kong*

The Group has several subsidiaries operating in Hong Kong which are obliged to pay LSP to employees under certain circumstances. Meanwhile, the Group makes mandatory MPF contributions to the trustee who administers the assets held in a trust solely for the retirement benefits of each individual employee. Offsetting of LSP against an employee’s accrued retirement benefits derived from employers’ MPF contributions was allowed under the Employment Ordinance (Cap.57). In June 2022, the Government of the HKSAR gazetted the Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the “Amendment Ordinance”) which abolishes the use of the accrued benefits derived from employers’ mandatory MPF contributions to offset severance payment and LSP (the “Abolition”). The Abolition will officially take effect on 1 May 2025 (the “Transition Date”). In addition, under the Amendment Ordinance, the last month’s salary immediately preceding the Transition Date (instead of the date of termination of employment) is used to calculate the portion of LSP in respect of the employment period before the Transition Date.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

## 2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (CONTINUED)

### New and amendments to HKFRSs that are mandatorily effective for the current year (Continued)

- 2.4 *Change in accounting policy as a result of application of the HKICPA guidance on the accounting implications of the abolition of the Mandatory Provident Fund (“MPF”) — Long Service Payment (“LSP”) offsetting mechanism in Hong Kong (Continued)*

In July 2023, the HKICPA published “Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong” which provides guidance for the accounting for the offsetting mechanism and the impact arising from abolition of the MPF-LSP offsetting mechanism in Hong Kong. In light of this, the Group has implemented the guidance published by the HKICPA in connection with the LSP obligation retrospectively so as to provide more reliable and more relevant information about the effects of the offsetting mechanism and the Abolition.

The Company considered the accrued benefits arising from employer MPF contributions that have been vested with the employee and which could be used to offset the employee’s LSP benefits as a deemed contribution by the employee towards the LSP. Historically, the Group has been applying the practical expedient in paragraph 93(b) of HKAS 19 to account for the deemed employee contributions as a reduction of the service cost in the period in which the related service is rendered.

Based on the HKICPA’s guidance, as a result of the Abolition, these contributions are no longer considered “linked solely to the employee’s service in that period” since the mandatory employer MPF contributions after the Transition Date can still be used to offset the pre-transition LSP obligation. Therefore, it would not be appropriate to view the contributions as “independent of the number of years of service” and the practical expedient in paragraph 93(b) of HKAS 19 is no longer applicable. Instead, these deemed contributions should be attributed to periods of service in the same manner as the gross LSP benefit applying paragraph 93(a) of HKAS 19. Accordingly, the Group has recognised a cumulative catch-up adjustment in profit or loss for the service cost, interest expense and remeasurement effect from changes in actuarial assumptions for the year ended 31 December 2022, with corresponding adjustment to the LSP obligation. The cumulative catch-up adjustment is calculated as the difference at the enactment date (16 June 2022) between the carrying amount of the LSP liability calculated under paragraph 93(b) of HKAS 19 before the Abolition and the carrying amount of the LSP liability calculated under paragraph 93(a) of HKAS 19 after the Abolition.

By following the guidance, the Group has therefore changed its accounting policy and ceased to apply the Practical expedient and reattribute the deemed employee contributions on a straightline basis from the date when services by employees first lead to their benefits in terms of the LSP legislation in accordance with HKAS 19 paragraph 93(a). The cumulative effect of recognising these adjustments as of 31 December 2022 or for the year ended was not material and hence no adjustment was made to the beginning retained earnings, or another component of equity.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

## 2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (CONTINUED)

### 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:

Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>1</sup>
Amendment to HKFRS 16	Lease Liability in a Sale and Leaseback <sup>2</sup>
Amendments to HKAS 1	Non-current Liabilities with Covenants <sup>2</sup>
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements <sup>2</sup>
Amendments to HKAS 21	Lack of Exchangeability <sup>3</sup>

<sup>1</sup> Effective for annual periods beginning on or after a date to be determined.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2024.

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2025.

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION

### 3.1 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.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 Share-based Payment, leasing transactions that are accounted for in accordance with HKFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 Inventories or value in use in HKAS 36 Impairment of Assets.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

### 3.2 Material accounting policy information

#### (a) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

#### (b) Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

### 3.2 Material accounting policy information (Continued)

#### (b) *Financial instruments (Continued)*

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair values of the financial assets or financial liabilities, as appropriate, on initial recognition.

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant periods. For financial instruments other than purchased or originated credit-impaired financial assets, the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses ("ECL"), through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated cash flows, including ECL, to the amortised cost of the debt instrument on initial recognition.

#### (i) **Financial assets**

Classification and subsequent measurement of financial assets

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value through profit or loss.

Financial assets at amortised cost and effective interest method

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost. For financial instruments other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

### 3.2 Material accounting policy information (Continued)

(b) *Financial instruments (Continued)*

#### (ii) **Impairment of financial assets**

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including trade and other receivables and deposits, contract assets, time deposits and bank balances). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date.

The Group always recognises lifetime ECL for trade receivables and contract assets without significant financing component. The ECL on these assets are assessed collectively using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast of future conditions at the reporting date, including time value of money where appropriate.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increase in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that are reasonable and supportable, including historical experience and forward-looking information that are available without undue cost or effort.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

### 3.2 Material accounting policy information (Continued)

(b) *Financial instruments (Continued)*

#### (ii) **Impairment of financial assets (Continued)**

Significant increase in credit risk (Continued)

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if (i) it has a low risk of default, (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

### 3.2 Material accounting policy information (Continued)

(b) *Financial instruments (Continued)*

#### (ii) **Impairment of financial assets (Continued)**

Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial instrument is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any subsequent recoveries made are recognised in profit or loss.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

### 3.2 Material accounting policy information (Continued)

#### (b) Financial instruments (Continued)

##### (ii) Impairment of financial assets (Continued)

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Group's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

Where lifetime ECL is measured on a collective basis to cater for cases where evidence of significant increases in credit risk at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

### 3.2 Material accounting policy information (Continued)

(b) *Financial instruments (Continued)*

#### (ii) **Impairment of financial assets (Continued)**

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

#### (iii) **Financial liabilities and equity instruments**

Classification as debt or equity

Debt and equity instrument issued by a group entity are classified either as financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of an equity instruments and a financial liability.

Financial liabilities

All financial liabilities of the Group are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of and entity after deducting all of its liabilities. Equity instruments issued by a group entities are recorded at the proceeds received, net of direct issue costs.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

### 3.2 Material accounting policy information (Continued)

#### (c) Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services, excluding those amounts collected on behalf of third parties.

Control of the goods or service is transferred over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods or service.

#### **Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation**

##### Output method

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of goods or services.

A contract asset represents the Group's right to consideration in exchange for services that the Group has transferred to a customer that is not unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to a contract are accounted and presented on a net basis.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

### 3.2 Material accounting policy information (Continued)

(c) *Revenue from contracts with customers (Continued)*

#### **Variable consideration**

For contracts that contain variable consideration, the Group estimates the amount of consideration to which it will be entitled using either (a) the expected value method; or (b) the most likely amount, depending on which method better predicts the amount of consideration to which the Group will be entitled.

The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty associated with the variable consideration is subsequently resolved.

At the end of each reporting period, the Group updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of each reporting period and the change in circumstances during the reporting period.

#### **Contract costs**

The Group recognises an asset from the costs incurred to fulfil a contract when those costs meet all of the following criteria:

- the costs relate directly to a contract or to an anticipated contract that the entity can specifically identify;
- the costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and
- the costs are expected to be recovered.

The asset recognised is subsequently amortised to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the costs relate. The asset is subject to impairment review.

(i) *Provision of RMAA works*

The Group provides RMAA works based on contracts entered with customers. Such contracts are entered into before the services begin. Under the terms of the contracts, the RMAA works performed by the Group create or enhance a property that the customer controls as the property is created or enhanced. Revenue from provision of RMAA works is therefore recognised over time using output method, i.e. based on surveys of works completed by the Group to date with reference to the payment certificates certified by authorised persons or external consultants appointed by the customers. The directors of the Company consider that the output method would faithfully depict the Group's performance towards complete satisfaction of these performance obligations under HKFRS 15.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

### 3.2 Material accounting policy information (Continued)

#### (c) Revenue from contracts with customers (Continued)

##### **Contract costs (Continued)**

##### (i) Provision of RMAA works (Continued)

For certain RMAA works under term contracts, revenue is recognised when the Group rendered the services and has right to payment and the collection of the consideration is probable.

Contract asset is recognised when (i) the Group completes the RMAA works under such service contracts but yet certified by authorised persons or external consultants appointed by customers, or (ii) the customers retain retention money to secure the due performance of the contracts. Any amount previously recognised as a contract asset is reclassified to trade receivables at the point at which it is invoiced to the customer. If the considerations received (including advances received from customers) exceed the revenue recognised to date under the output method then the Group recognises a contract liability for the difference.

For warranty embedded to the RMAA works contracts, the Group accounts for the warranty in accordance with HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets" unless the warranty provides the customer with a service in addition to the assurance that the RMAA works comply with the agreed-upon specifications.

##### (ii) Other income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

#### (d) Employee benefits

##### (i) **Short-term employee benefits**

Short-term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. Short-term employee benefits are recognised in the year when the employees render the related service.

##### (ii) **Defined contribution retirement plan**

Contributions to defined contribution retirement plans are recognised as an expense in profit or loss when the services are rendered by the employees.

##### (iii) **Termination benefits**

Termination benefits are recognised on the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

### 3.2 Material accounting policy information (Continued)

#### (e) Taxation

Income tax expense represents the sum of current and deferred income tax expense.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from (loss)/profit before tax because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is calculated using the liability method on temporary differences at the end of reporting period between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit, including existing taxable temporary difference, will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit and at the time of the transaction does not give rise to equal taxable and deductible temporary differences.

Deferred tax liabilities are recognised for taxable temporary differences arising on investment in a subsidiary, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax is calculated, without discounting, at tax rates that are expected to apply in the year the liability is settled or the asset realised, provided they are enacted or substantively enacted at the end of reporting period.

Current tax assets and current tax liabilities are presented in net if, and only if,

- (a) the Group has the legally enforceable right to set off the recognised amounts; and
- (b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

### 3.2 Material accounting policy information (Continued)

(e) *Taxation (Continued)*

The Group presents deferred tax assets and deferred tax liabilities in net if, and only if,

- (a) the entity has a legally enforceable right to set off current tax assets against current tax liabilities; and
- (b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
  - (i) the same taxable entity; or
  - (ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

(f) *Provisions and contingent liabilities*

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation as a result of a past event, which will probably result in an outflow of economic benefits that can be reliably estimated.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(g) *Segment reporting*

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the executive directors are determined following the Group's major operations.

The measurement policies the Group uses for reporting segment results under HKFRS 8 "Operating Segments" are the same as those used in its financial statements prepared under HKFRSs.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

## 4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

In the adoption of the Group's accounting policies, the directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that period, or in the year of the revision and future periods if the revision affects both current and future periods.

### Key sources of estimation uncertainty

In addition to information disclosed elsewhere in these consolidated financial statements, other key sources of estimation uncertainty that have a significant risk of resulting a material adjustment to the carrying amounts of assets and liabilities within next financial year are as follows:

(a) *Provision of ECL for trade receivables and contract assets*

Trade receivables and contract assets with significant balances and credit-impaired are assessed for ECL.

The Group uses provision matrix to calculate ECL for the trade receivables and contract assets. The provision rates are based on internal credit rating as groupings of various debtors that have similar loss patterns. The provision matrix is based on the Group's historical default rates taking into consideration forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered. In addition, trade receivables and contract assets with significant balances and credit-impaired are assessed for ECL individually.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables and contract assets are disclosed in note 29(b)(i).

(b) *Estimation of RMAA works contracts*

The Group reviews and revises the estimates of contract revenue, contract costs, variations in project work and claims prepared for each RMAA works contract as the contract progresses. Budgeted contract costs are prepared by the management on the basis of quotations from time to time provided by the major subcontractors, suppliers or vendors involved and the experience of the management. In order to keep the budget accurate and up-to-date, management conducts periodic reviews of the budgets of contracts by comparing the budgeted amounts to the actual amounts incurred.

Recognised amounts of contract revenue and related contract assets and receivables reflect management's best estimate of each contract's outcome and value of works completed, which are determined on the basis of a number of estimates. The actual outcomes in terms of total cost or revenue may be higher or lower than estimated at the end of each reporting period, which would affect the revenue and profit or loss recognised in future years as an adjustment to the amounts recorded to date.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

## 5. OPERATING SEGMENT INFORMATION

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (the “CODM”), being the executive directors of the Company, in order for CODM to allocate resources and to assess performance. No operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group.

Information reported to the executive directors of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment focuses on revenue analysis by type of contract nature and developments. No other discrete financial information is provided other than the Group’s results and financial position as a whole. Accordingly, only entity-wide disclosures, major customers and geographic information are presented.

### 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:

	2023 HK\$’000	2022 HK\$’000
Customer A	53,350	*
Customer B	28,060	33,426
Customer C	15,211	23,982
Customer D	*	19,622
Customer E	*	14,780

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

## 6. 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

	2023 HK\$'000	2022 HK\$'000
<b>Type of contract nature</b>		
Project-based		
— Subcontractor	76,647	67,130
— Main contractor	33,387	39,057
	<b>110,034</b>	106,187
<b>Type of developments</b>		
Residential	43,814	67,910
Commercial and industrial	12,870	38,277
Institutional organisation	53,350	–
	<b>110,034</b>	106,187

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.

### Transaction price allocated to the remaining performance obligations

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

	2023 HK\$'000	2022 HK\$'000
<b>Provision of RMAA works</b>		
Expected to be recognised within one year	143,409	102,410
Expected to be recognised after one year	75,000	12,361
	<b>218,409</b>	114,771

Based on the information available to the Group at the end of each reporting period, the management of the Group expects the transaction price allocated to the above unsatisfied (or partially unsatisfied) contracts in respect of provision of RMAA works as at 31 December 2023 has been/will be recognised as revenue in the subsequent 1 month to 24 months (2022: 1 month to 24 months).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

## 7. OTHER INCOME AND GAIN, NET

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

	2023 HK\$'000	2022 HK\$'000
Government subsidies (note 1)	–	492
Tax indemnity (note 2)	2,520	3,295
Bank interest income	275	345
Sundry income	138	29
Loss on disposal	(76)	–
	<b>2,857</b>	4,161

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") for the year ended 31 December 2022. 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. 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 during the year ended 31 December 2022.

In April 2023, IRD issued a profit tax penalty assessment for the years of assessment 2012/13 to 2015/16, 2018/19 and 2021/22 amounted to HK\$2,520,000.

These tax expenses and penalty are indemnified by the controlling shareholder of the Company in accordance with the Deed of indemnity signed by the Company and the controlling shareholder.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

## 8. FINANCE COSTS

	2023 HK\$'000	2022 HK\$'000
Interest on bank borrowings	46	–
Interest on lease liabilities	7	14
	<b>53</b>	14

## 9. LOSS BEFORE INCOME TAX

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

	2023 HK\$'000	2022 HK\$'000
Employee benefit expenses (including directors' remuneration):		
— Directors' fees	360	480
— Salaries, allowances and other benefits	8,901	12,685
— Contributions to retirement benefits schemes	258	331
Total employee benefit expenses	<b>9,519</b>	13,496
Auditor's remuneration	535	520
Depreciation of property, plant and equipment	512	783

The employee benefit expenses included in cost of services were approximately HK\$4,145,000 (2022: approximately HK\$6,390,000) for the year.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

## 10. INCOME TAX EXPENSE

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 2022 and 2023. The profits of the other Hong Kong subsidiary were taxed at a flat rate of 16.5%. During the year ended 31 December 2022 and 2023, no assessable profit was generated.

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.

During the year ended 31 December 2019, the Hong Kong Inland Revenue Department ("IRD") has issued an enquiry letter to HDC requesting for 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 on 27 March 2020.

In February 2021, the IRD issued additional assessments demanding additional profits tax of HK\$1,650,000 for the year of assessment 2014/15 to HDC and HK\$165,000 for the year of assessment 2014/15 to HDE. The Group filed objections to the IRD in respect of the aforesaid assessments on 17 February 2021 and 24 February 2021 for HDC and HDE, respectively. In relation to HDE, an unconditional holdover of an amount of HK\$165,000 was granted by the IRD on 12 March 2021. In relation to HDC, as no part of the tax has been held over by the IRD, the Group has made a payment of HK\$1,650,000 to the IRD on 29 March 2021 in respect of the additional assessment for HDC.

In December 2021, the IRD issued additional assessments demanding additional profits tax of HK\$1,650,000 for the year of assessment 2015/16 to HDC and HK\$82,500 for the year of assessment 2015/16 to HDE. The Group filed objections to the IRD in respect of the aforesaid assessments on 3 January 2022 for these subsidiaries. In relation to HDE, an unconditional holdover of an amount of HK\$82,500 was granted by the IRD on 19 January 2022. In relation to HDC, based on the letter issued by the IRD on 19 January 2022, the objection is still being considered by the IRD. As no part of the tax has been held over by the IRD, the Group has made a payment of HK\$1,650,000 to the IRD on 26 January 2022 in respect of the additional assessments for HDC.

In January 2022, the IRD issued an enquiry letter to HDC requesting for accounting records of HDC for the year of assessment 2016/17 and a list of personal assets of the directors and shareholders of HDC. As it takes time to collate relevant information, the Group filed an extension letter on 24 February 2022.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

## 10. INCOME TAX EXPENSE (CONTINUED)

During the year ended 31 December 2023, the Company received a final penalty notice from the IRD regarding the failure of the objections by the Company for the years of assessment 2012/13, 2013/14, 2014/15 and 2015/16 and that the Company is liable to settle a penalty amounted to HK\$2,520,000 in respect of the late payment and understatement of taxable income.

The penalty amount was offset by the tax reserve certificate purchased for year of assessment 2012/13 and the amounts placed in tax reserve certificate for years of assessment 2015/16, 2016/17 and 2017/18 amounted to HK\$2,360,000. The net tax penalty payable is approximately HK\$160,000.

During the year ended 31 December 2023, the Company also received revised final assessment in relation to years of assessment 2013/14, 2014/15 and 2018/19 amounted to HK\$389,000. The Company made tax payment for years of assessment 2019/20, 2020/21, and 2021/22 amounted to HK\$8,700,000, HK\$8,500,000 and HK\$5,800,000, respectively.

A deed of indemnity dated 18 March 2021 executed by the controlling shareholders in connection with the Listing, pursuant to which 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.

	2023 HK\$'000	2022 HK\$'000
Current tax — Hong Kong Profits Tax		
— Charge for the year	—	—
— Underprovision in prior years	1,545	3,295
Deferred tax		
— Charge (credit) for the year	10	(34)
— Deferred tax asset impairment	—	1,218
	<b>1,555</b>	<b>4,479</b>

Reconciliation between income tax expense and accounting loss at applicable tax rates:

	2023 HK\$'000	2022 HK\$'000
Loss before income tax	(27,857)	(2,930)
Tax at Hong Kong Profit Tax rate at 16.5% (2022: 16.5%)	(4,389)	(483)
Tax effect of non-taxable income	(45)	(777)
Tax effect of non-deductible expenses	793	1,207
Tax effect of tax losses not recognised	3,675	19
Underprovision in respect of prior years	1,545	3,295
Deferred tax impairment	—	1,218
Others	(24)	—
Income tax expense	<b>1,555</b>	<b>4,479</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

## 11. DIVIDENDS

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

## 12. LOSS PER SHARE

The calculation of basic loss per share is based on the loss for the year attributable to owners of the Company of approximately HK\$29,412,000 (2022: approximately HK\$7,409,000), and the weighted average number of ordinary shares of 1,000,000,000 (2022: 1,000,000,000) in issue during the year.

	2023 HK\$'000	2022 HK\$'000
<b>Loss</b>		
Loss attributable to owners of the Company for the purpose of calculating loss per share	(29,412)	(7,409)

	Number of shares	
	2023 '000	2022 '000
<b>Shares</b>		
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	1,000,000	1,000,000

The weighted average number of ordinary shares used to calculate the basic loss per share for the year ended 31 December 2023 represented 1,000,000,000 ordinary shares of the Company brought forward from 1 January 2023. There was no movement in ordinary shares throughout the year.

No adjustment has been made to the basic loss per share presented for the years ended 31 December 2023 and 2022 in respect of a dilution as the Group had no potentially diluted ordinary shares in issue during those years.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

## 13. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS

### (a) Directors' remuneration

The emoluments paid or payable to the directors of the Company by entities comprising the Group during the year are set out below:

	Fees HK\$'000	Salaries, allowances and other benefits HK\$'000	Contributions to retirement benefits scheme HK\$'000	Total HK\$'000
<b>Year ended 31 December 2023</b>				
<i>Executive directors:</i>				
Mr. Yeung Wing Sun (resigned on 12 January 2023)	–	151	2	153
Mr. Yeung Yuk Ting	–	12	1	13
Mr. Chan Leung	–	660	18	678
	–	823	21	844
<i>Non-executive director:</i>				
Mr. Li Fat Chung (resigned on 1 January 2023)	–	–	–	–
<i>Independent non-executive directors:</i>				
Mr. Mak Alexander	120	–	–	120
Ms. Chan Mei Wah	120	–	–	120
Mr. Wu Hak Ping	120	–	–	120
	360	–	–	360
	360	823	21	1,204

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

## 13. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS (CONTINUED)

### (a) Directors' remuneration (Continued)

	Fees HK\$'000	Salaries, allowances and other benefits HK\$'000	Contributions to retirement benefits scheme HK\$'000	Total HK\$'000
<b>Year ended 31 December 2022</b>				
<i>Executive directors:</i>				
Mr. Yeung Wing Sun (resigned on 12 January 2023)	–	1,809	18	1,827
Mr. Chan Leung	–	950	18	968
	–	2,759	36	2,795
<i>Non-executive director:</i>				
Mr. Li Fat Chung	120	–	–	120
<i>Independent non-executive directors:</i>				
Mr. Mak Alexander	120	–	–	120
Ms. Chan Mei Wah	120	–	–	120
Mr. Wu Hak Ping	120	–	–	120
	360	–	–	360
	480	2,759	36	3,275

There was no arrangement under which a director waived or agreed to waive any emoluments during the year.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

## 13. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS (CONTINUED)

### (b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year included one director (2022: two directors) of the Company and their emoluments are reflected in the analysis presented above. The emoluments payable to the remaining four (2022: three) individuals for the year are as follows:

	2023 HK\$'000	2022 HK\$'000
Salaries, allowances and other benefits	3,966	3,127
Contributions to retirement benefits scheme	83	54
	<b>4,049</b>	3,181

The emoluments paid to each of the above non-director highest paid individuals for the year fell within the following bands:

	Number of individuals 2023	Number of individuals 2022
Nil to HK\$1,000,000	3	3
HK\$1,000,001 – HK\$1,500,000	–	–
HK\$1,500,001 – HK\$2,000,000 (Note)	1	–

During the year, no emoluments was paid by the Group to the directors of the Company or any of the five highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office.

Note: The individual resigned as director on 12 January 2023 and regarded as non-director since that date.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

## 14. PROPERTY, PLANT AND EQUIPMENT

During the year ended 31 December 2023, the Group renewed the lease of an office and therefore, an addition of right-of-use assets amounting to approximately HK\$0.3 million (2022: approximately HK\$0.4 million) was recorded.

	Leasehold improvement HK\$'000	Office equipment HK\$'000	Furniture and fixtures HK\$'000	Motor vehicles HK\$'000	Right-of-use assets HK\$'000	Total HK\$'000
<b>Cost</b>						
At 1 January 2022	218	1,151	217	1,406	406	3,398
Additions	–	6	–	–	419	425
Expiration of lease contract	–	–	–	–	(406)	(406)
At 31 December 2022 and 1 January 2023	<b>218</b>	<b>1,157</b>	<b>217</b>	<b>1,406</b>	<b>419</b>	<b>3,417</b>
Additions	–	10	–	520	289	819
Disposals	–	–	–	(1,406)	–	(1,406)
At 31 December 2023	<b>218</b>	<b>1,167</b>	<b>217</b>	<b>520</b>	<b>708</b>	<b>2,830</b>
<b>Accumulated depreciation</b>						
At 1 January 2022	218	1,129	204	264	281	2,096
Provided for the year	–	12	5	352	415	784
Expiration of lease contract	–	–	–	–	(406)	(406)
At 31 December 2022 and 1 January 2023	<b>218</b>	<b>1,141</b>	<b>209</b>	<b>616</b>	<b>290</b>	<b>2,474</b>
Provided for the year	–	10	5	259	237	511
Eliminated on disposal	–	–	–	(820)	–	(820)
At 31 December 2023	<b>218</b>	<b>1,151</b>	<b>214</b>	<b>55</b>	<b>527</b>	<b>2,165</b>
<b>Net carrying amount</b>						
At 31 December 2023	–	16	3	465	181	665
At 31 December 2022	–	16	8	790	129	943

The right-of-use assets represent the leases on office premises in Hong Kong. Details of total cash flow for leases and maturity analysis of lease liabilities are disclosed in note 24.

During the year ended, a motor vehicle of net book value HK\$586,000 has been disposed and replaced with a new motor vehicle at cost of HK\$510,000, a loss on disposal amounted to HK\$76,000 was recorded.

The above items of property, plant and equipment, after taking into account the residual values, are depreciated on a straight-line basis at the following rates per annum:

Leasehold improvement	Over the remaining life of the leases but not exceeding 5 years
Office equipment	5 years
Furniture and fixtures	5 years
Motor vehicles	4 to 5 years

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

## 15. TRADE RECEIVABLES

	2023 HK\$'000	2022 HK\$'000
Trade receivables, gross	110,582	170,559
Less: allowances for credit losses	(16,015)	(12,037)
	<b>94,567</b>	158,522

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:

	2023 HK\$'000	2022 HK\$'000
Within one month	6,194	8,479
One to three months	15,842	5,006
More than three months but within one year	21,663	50,573
More than one year	50,868	94,464
	<b>94,567</b>	158,522

Included in the Group's trade receivables balance as at 31 December 2023 are debtors with aggregate carrying amounts of approximately HK\$88,373,000 (2022: HK\$150,043,000), which are past due as at the reporting date. Out of the past due balances, approximately HK\$72,531,000 (2022: HK\$142,528,000) have been past due 90 days or more and are not considered as in default by considering the background of the debtors, historical settlement pattern, historical payment arrangement and credit standing of these trade receivables. The Group does not hold any collateral over these balances.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

## 16. CONTRACT ASSETS

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

	2023 HK\$'000	2022 HK\$'000
Contract assets		
— Retention receivables	25,749	31,079
Less: allowances for credit losses	(1,899)	(1,152)
	<b>23,850</b>	29,927

The contract assets primarily relate to the Group's rights to consideration for work completed but not billed at the reporting date on revenue related to the provision of RMAA works. The contract assets are transferred to trade receivables when the rights become unconditional. This usually occurs when the Group provides the invoice to the customer.

Retention receivables represent the money retained by the Group's customers to secure the due performance of the contracts. The customers normally withhold up to 10% of each interim payment and up to a maximum limit of 5% of the contract sum as retention money for the project, 50% of which is normally recoverable upon the practical completion of respective projects and the remaining 50% is recoverable after the completion of defects liability period specified in the relevant contracts, normally one year from the date of completion of respective projects.

As at 31 December 2023, the amounts of contract assets that are expected to be recovered after one year are approximately HK\$17,906,000 (2022: approximately HK\$26,749,000).

## 17. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2023 HK\$'000	2022 HK\$'000
Rental, utilities and sundry deposits	2,398	2,512
Prepayment of construction costs	41,984	9,572
Other prepayments	283	261
Other receivables	2,476	46
	<b>47,141</b>	12,391

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

## 18. AMOUNT DUE FROM A CONTROLLING SHAREHOLDER

The amount due from a controlling shareholder of the Company is as follows:

	2023 HK\$'000	2022 HK\$'000
<b>Director/a controlling shareholder</b>		
Mr. Yeung Wing Sun ( <i>resigned as director on 12 January 2023</i> )	1,123	3,157

The amount due from a controlling shareholder was non-trade nature, unsecured, interest-free and had no fixed terms of repayment.

## 19. TIME DEPOSIT, CASH AND BANK BALANCES

As at 31 December 2022, the time deposit with an original maturity of more than three months of HK\$25,000,000 carried interest rate at fixed rate of 5.00% per annum. The maturity date of the time deposit was on 20 March 2023.

Cash at banks earns interest at floating rates based on daily bank deposit rates.

## 20. TRADE PAYABLES

	2023 HK\$'000	2022 HK\$'000
Trade payables	37,415	57,999

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:

	2023 HK\$'000	2022 HK\$'000
Within one month	5,967	2,030
One to three months	16,295	1,925
More than three months	15,153	54,044
	37,415	57,999

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

## 21. ACCRUED LIABILITIES AND OTHER PAYABLES

	2023 HK\$'000	2022 HK\$'000
Retention payables	3,265	16,928
Other payables and accruals	2,254	1,062
Accrued contract costs	5,017	917
	<b>10,536</b>	18,907

As at 31 December 2023, the retention payables that are expected to be settled after one year are approximately HK\$3,265,000 (2022: approximately HK\$14,000,000).

## 22. BANK BORROWING

At 31 December 2023, the secured bank loans with a demand clause, based on the scheduled repayment terms set out in the loan agreements without taking into account the effect of any demand clause, were repayable as follows:

	2023 HK\$'000	2022 HK\$'000
Within 1 year	1,987	–
Over 1 year but within 2 years	1,366	–
	<b>3,353</b>	–

At 31 December 2023, bank loans of the Group of HK\$3,353,000 are supported by the SME Financing Guarantee Scheme executed by the Government of Hong Kong Special Administrative Region, which HKMC Insurance Limited provided full guarantee. The bank loans are also secured by personal guarantees provided by the controlling shareholder of the Company.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

## 23. DEFERRED TAX

The following are the major deferred tax assets/(liabilities) recognised and movement during the year:

	Accelerated tax depreciation HK\$'000	Loss allowances HK\$'000	Total HK\$'000
At 1 January 2022	(89)	1,218	1,129
Credit (debit) to profit or loss (note 10)	34	(1,218)	(1,184)
At 31 December 2022 and 1 January 2023	(55)	–	(55)
Debit to profit or loss (note 10)	(10)	–	(10)
At 31 December 2023	<b>(65)</b>	–	<b>(65)</b>

As at 31 December 2023, the Group had estimated unused tax losses of HK\$22,468,000 (2022: HK\$120,000) available for offset against future profits. The estimated unused tax losses arising in Hong Kong available may be carried forward indefinitely for offsetting against future taxable profit of a Hong Kong subsidiary in which the losses arose. Deferred tax assets have not been recognised in respect of the unused tax losses and temporary differences arising from loss allowances as it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

## 24. LEASE LIABILITIES

	2023 HK\$'000	2022 HK\$'000
<b>Lease liabilities payable</b>		
Within one year	<b>146</b>	143
More than one year but less than two years	<b>50</b>	–
	<b>196</b>	143

The weighted average incremental borrowing rate applied to lease liabilities is 3.65% (2022: 6.13%).

The total cash outflows for leases including the payments of lease liabilities for the year was HK\$244,000 (2022: HK\$429,000).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

## 25. SHARE CAPITAL

	Notes	Number of ordinary shares	Amount HK\$'000
<b>Authorised</b>			
Ordinary shares of HK\$0.01 each			
At 1 January 2021		38,000,000	380
At 31 December 2022, 1 January 2023 and 31 December 2023		10,000,000,000	100,000
<b>Issued and fully paid</b>			
Ordinary shares of HK\$0.01 each			
At 1 January 2021		100	—*
At 31 December 2022, 1 January 2023 and 31 December 2023		1,000,000,000	10,000

\* Less than HK\$1,000

### *Share options*

The Company adopted a share option scheme on 15 March 2021 (“Share Option Scheme”). The purpose of the Share Option Scheme is to grant options to the eligible participants as incentive or rewards for their contribution to the Group and/or to enable the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group.

The Share Option Scheme will remain in force for a period of 10 years commencing on the date which the Share Option Scheme adopted. As at 31 December 2023, the remaining life of the Share Option Scheme is approximately 7 years and 3 months.

Pursuant to the Share Option Scheme, the subscription price shall be at the discretion of the Directors of the Company, provided that it shall not be less than the highest of: (i) the closing price of the shares as stated in the Stock Exchange’s daily quotations sheet for trade in one or more board lots of the shares on the offer date; (ii) the average closing price of the shares as stated in the Stock Exchange’s daily quotations sheets for the five Business Days immediately preceding the offer date; and (iii) the nominal value of a share.

At 31 December 2023 and 31 December 2022, no option has been granted, exercised, cancelled or lapsed under the Share Option Scheme.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

## 26. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

### (a) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities:

	Lease liabilities (note 24) HK\$'000	Bank borrowings (note 22) HK\$'000	Total HK\$'000
At 1 January 2022	139	–	139
Financing cash flows	(429)	–	(429)
Other changes:			
Interest expense	14	–	14
New leases entered	419	–	419
At 31 December 2022 and 1 January 2023	<b>143</b>	–	<b>143</b>
Financing cash flows	<b>(244)</b>	<b>3,308</b>	<b>3,064</b>
Other changes:			
Interest expense	<b>8</b>	<b>45</b>	<b>53</b>
New leases entered	<b>289</b>	–	<b>289</b>
At 31 December 2023	<b>196</b>	<b>3,353</b>	<b>3,549</b>

## 27. EMPLOYEE RETIREMENT BENEFITS

The employees of the Company's subsidiaries in Hong Kong participate in a Mandatory Provident Fund Scheme (the "MPF Scheme") established under the Mandatory Provident Fund Schemes Ordinance. The assets of the scheme are held separately from those of the Group, in funds under the control of trustee. All employees joining the Group are required to join the MPF Scheme.

Under the current rule of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at 5% of the employees' relevant income capped at HK\$1,500 per month. The retirement benefit costs charged to profit or loss represent contributions payable to such fund by the Group at rates specified in the rules of this scheme.

As at 31 December 2023 and 2022, there were no forfeited contributions available to offset future employers' contributions to the schemes.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

## 28. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that the Group will be able to continue as a going while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged during the year.

The capital structure of the Group consists of net debt, which includes bank borrowings, lease liabilities disclosed in note 22 and 24, net of cash and bank balances and equity attributable to owners of the Company, comprising issued share capital and reserves.

The directors of the Company review the capital structure regularly. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. The Group will balance its overall capital structure through the payment of dividends or new share issues as well as redemption of existing debts.

## 29. FINANCIAL INSTRUMENTS

### 29a. Categories of financial instruments

The carrying amounts of each of the categories of financial instruments at the end of the reporting period are as follows:

	2023 HK\$'000	2022 HK\$'000
<b>Financial assets at amortised cost:</b>		
Trade receivables	94,567	158,522
Deposits and other receivables	4,874	2,558
Amount due from a controlling shareholder	1,123	3,157
Time deposit	–	25,000
Cash and bank balances	10,100	24,540
	<b>110,664</b>	213,777
<b>Financial liabilities at amortised cost:</b>		
Bank borrowings	3,353	–
Trade payables	37,415	57,999
Other payables	5,521	17,380
	<b>46,289</b>	75,379

### 29b. Financial risk management objectives and policies

The Group's major financial instruments include trade receivables, deposits and other receivables, amount due from a controlling shareholder, cash and bank balances, bank borrowings trade payables and other payables. Details of these financial instruments are disclosed in the respective notes.

The risks associated with these financial instruments include market risk (interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

## 29. FINANCIAL INSTRUMENTS (CONTINUED)

### 29b. Financial risk management objectives and policies (Continued)

(i) *Credit risk and impairment assessment*

Credit risk refers to the risk that the Group's counterparties default on their contractual obligations resulting in financial losses to the Group. The Group's credit risk exposures are primarily attributable to trade receivables, contract assets, deposits and other receivables, amount due from a controlling shareholder, time deposits and bank balances. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

***Amount due from a controlling shareholder, deposits and other receivables***

The Group assessed the loss allowance for amount due from a controlling shareholder, deposits and other receivables on 12-month ECL basis. In determining the ECL, the Group has taken into account the historical default experience and forward-looking information as appropriate. There had been no significant increase in credit risk since initial recognition. The Group has considered the consistently low historical default rate in connection with payments and concluded that credit risk inherent in the Group's outstanding balances is insignificant.

***Time deposits and bank balances***

The credit risks on time deposits and bank balances are limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

***Trade receivables and contracts arising from contracts with customers***

In order to minimise credit risk, the management of the Group is responsible for determination of credit limits, credit approvals and other monitoring procedures over the customers to ensure that follow-up action is taken to recover the overdue debts. In addition, the Group reviews the recoverable amount of each individual debt at the end of each reporting period to ensure that adequate allowance are made for irrecoverable amounts. In addition, the Group performs impairment assessment under ECL model on trade balances individually or based on provision matrix. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group is exposed to concentration of credit risk at 31 December 2023 on trade receivables from the Group's top five customers accounted for 49% (2022: 77%) of the Group's total trade receivables.

For trade receivables and contract assets, the Group has applied the simplified approach under HKFRS 9 to measure the loss allowance at lifetime ECL. Except for debtors with significant balance and credit-impaired, the Group determined ECL on these items by using a provision matrix, grouped by internal credit rating, and the ratings are outlined as follows:

— Low risk	Customers with good credit standing
— Medium risk	Customers with normal credit standing
— High risk	Credit-impaired customers



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

## 29. FINANCIAL INSTRUMENTS (CONTINUED)

### 29b. Financial risk management objectives and policies (Continued)

(i) *Credit risk and impairment assessment (Continued)*

The following table provides information about the exposure to credit risk and ECL for trade receivables and contract assets which are assessed based on provision matrix as at 31 December 2023 and 31 December 2022 within lifetime ECL (not credit-impaired). Debtors with significant balances and credit-impaired with gross carrying amounts of approximately HK\$930,000 (2022: HK\$930,000) as at 31 December 2023 were assessed individually.

	Average expected loss rate	Gross carrying amount	
		Trade receivables HK\$'000	Contract assets HK\$'000
<b>As at 31 December 2023</b>			
Low risk	0.0195%	5,073	5,440
Medium risk	13.865%	104,578	17,886
		<b>109,651</b>	<b>23,326</b>
<b>As at 31 December 2022</b>			
Low risk	0.0117%	5,678	4,589
Medium risk	6.4362%	163,951	26,490
		169,629	31,079

The expected loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without due costs or efforts. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated.

The Group recognised loss allowances of HK\$3,978,000 (2022: HK\$4,913,000) on trade receivables and recognised loss allowances of HK\$746,000 (2022: loss allowances of HK\$17,000) on contract assets, respectively during the year.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

## 29. FINANCIAL INSTRUMENTS (CONTINUED)

### 29b. Financial risk management objectives and policies (Continued)

(i) *Credit risk and impairment assessment (Continued)*

The following table shows the movement in lifetime ECL that has been recognised for trade receivables and contract assets under the simplified approach during the year.

	Lifetime ECL (not credit-impaired)		Lifetime ECL (credit-impaired)		Total HK\$'000
	Trade receivables	Contract assets	Trade receivables	Contract assets	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
1 January 2022	4,162	671	2,962	464	8,259
Loss allowances recognised (reversed)	6,945	481	(2,032)	(464)	4,930
At 31 December 2022 and 1 January 2023	<b>11,107</b>	<b>1,152</b>	<b>930</b>	<b>-</b>	<b>13,189</b>
Loss allowances recognised (reversed)	<b>3,978</b>	<b>746</b>	<b>-</b>	<b>-</b>	<b>4,724</b>
At 31 December 2023	<b>15,085</b>	<b>1,898</b>	<b>930</b>	<b>-</b>	<b>17,913</b>

The Group writes off a trade receivable or a contract asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, whichever occurs earlier. During the year, none of the trade receivables and contract assets had been written off.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

## 29. FINANCIAL INSTRUMENTS (CONTINUED)

### 29b. Financial risk management objectives and policies (Continued)

#### (ii) Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The directors believe that the Group will have sufficient working capital for its future operational requirement.

The following table details the Group's contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

	Weighted average interest rate %	Carrying amount HK\$'000	Total contractual undiscounted cash flows HK\$'000	Within one year or on demand HK\$'000
<b>31 December 2023</b>				
Bank borrowings	3.62	3,353	4,153	4,153
Trade payables	–	37,415	37,415	37,415
Other payables	–	5,521	5,521	5,521
Lease liabilities	3.65	196	200	200
		<b>46,485</b>	<b>47,289</b>	<b>47,289</b>

	Weighted average interest rate %	Carrying amount HK\$'000	Total contractual undiscounted cash flows HK\$'000	Within one year or on demand HK\$'000
<b>31 December 2022</b>				
Trade payables	–	57,999	57,999	57,999
Other payables	–	17,380	17,380	17,380
Lease liabilities	6.13	143	144	144
		<b>75,522</b>	<b>75,523</b>	<b>75,523</b>

#### (iii) Fair value risk

The directors considered that the carrying amounts of financial assets and financial liabilities recorded at amortised cost approximate their fair values at the end of each reporting period.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

## 30. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the consolidated financial statements, the Group also had the following related party transactions during the year:

### (a) Compensation of key management personnel

Compensation of key management personnel of the Group, including directors' remuneration as disclosed in note 13(a) to the consolidated financial statements, is as follows:

	2023 HK\$'000	2022 HK\$'000
Salaries, allowances and other benefits	3,948	6,167
Contributions to retirement benefits scheme	100	108
	<b>4,048</b>	6,275

### (b) Transactions with related parties

During the year, the Group entered into the following transactions with its related parties:

Related parties	Nature	2023 HK\$'000	2022 HK\$'000
A controlling shareholder	Tax indemnity (note 7)	2,520	3,295
A director's spouse	Salaries, allowances and other benefits	530	1,080
	Contribution to retirement benefits scheme	11	18
		<b>3,061</b>	4,393

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

## 31. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	Notes	2023 HK\$'000	2022 HK\$'000
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current asset</b>			
Investment in a subsidiary		–	–
Total non-current asset		–	–
<b>Current assets</b>			
Prepayment		179	261
Amount due from a subsidiary		101,189	102,345
Cash and bank balances		2,889	2,890
Total current assets		104,257	105,496
<b>Current liabilities</b>			
Accrued liabilities		10	10
Total current liabilities		10	10
<b>Net assets</b>		<b>104,247</b>	105,486
<b>EQUITY</b>			
Share capital	25	10,000	10,000
Reserves		94,247	95,486
<b>Total equity</b>		<b>104,247</b>	105,486

The financial statements of the Company were approved and authorised for issue by the board of directors of the Company on 26 March 2024 and are signed on its behalf by:

**Mak Alexander**  
Director

**Chan Leung**  
Director

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

## 31. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (CONTINUED)

### Movement in the Company's reserves

Notes	Share premium HK\$'000	Retained earnings/ (accumulated loss) HK\$'000	Total HK\$'000
<b>At 1 January 2022</b>	101,105	(3,843)	97,262
Loss and total comprehensive expense for the year	–	(1,776)	(1,776)
<b>At 31 December 2022 and 1 January 2023</b>	<b>101,105</b>	<b>(5,619)</b>	<b>95,486</b>
Loss and total comprehensive expense for the year	–	(1,239)	(1,239)
<b>At 31 December 2023</b>	<b>101,105</b>	<b>(6,858)</b>	<b>94,247</b>

## 32. CONTINGENT LIABILITIES

In the ordinary course of the Group's business, the Group has been subject to a number of claims due to 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:

	2023 HK\$'000	2022 HK\$'000
Performance bonds for guarantee of completion of projects issued by insurance companies	<b>6,613</b>	6,613

## SUMMARY OF FINANCIAL INFORMATION

A summary of the results and of the assets and liabilities of the Group for the last five financial years, as extracted from the published financial statements, is set out as below. This summary does not form part of the audited financial statements.

	FY2023 HK\$'000	FY2022 HK\$'000	FY2021 HK\$'000	FY2020 HK\$'000	FY2019 HK\$'000
Revenue	110,034	106,187	249,625	314,214	334,249
Cost of services	(126,672)	(96,354)	(204,784)	(255,550)	(271,339)
Gross (loss) profit	(16,638)	9,833	44,841	58,664	62,910
Other income and gain, net	2,857	4,161	996	1,168	–
Administrative expenses	(9,298)	(11,980)	(9,826)	(6,513)	(9,029)
Impairment losses on trade receivables and contract assets	(4,725)	(4,930)	(2,025)	(2,009)	(2,138)
Listing expenses	–	–	(2,186)	(4,593)	(13,599)
Finance costs	(53)	(14)	(199)	(249)	(157)
(Loss) profit before income tax	(27,857)	(2,930)	31,601	46,468	37,987
Income tax expense	(1,555)	(4,479)	(5,319)	(8,731)	(8,343)
<b>(Loss) profit and total comprehensive (expense) income for the year</b>	<b>(29,412)</b>	<b>(7,409)</b>	<b>26,282</b>	<b>37,737</b>	<b>29,644</b>
	As at 31 December 2023 HK\$'000	As at 31 December 2022 HK\$'000	As at 31 December 2021 HK\$'000	As at 31 December 2020 HK\$'000	As at 31 December 2019 HK\$'000
<b>ASSETS AND LIABILITIES</b>					
Non-current assets	665	943	2,431	778	1,607
Current assets	176,781	253,537	276,015	239,461	173,846
<b>Total assets</b>	<b>177,446</b>	<b>254,480</b>	<b>278,446</b>	<b>240,239</b>	<b>175,453</b>
Non-current liabilities	115	55	–	2,870	72
Current liabilities	51,450	99,132	115,744	183,254	144,003
<b>Total liabilities</b>	<b>51,565</b>	<b>99,187</b>	<b>115,744</b>	<b>186,124</b>	<b>144,075</b>
<b>Total equity</b>	<b>125,881</b>	<b>155,293</b>	<b>162,702</b>	<b>54,115</b>	<b>31,378</b>