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Unity Enterprise Holdings Limited

盈滙企業控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 2195)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2023

ANNUAL RESULTS HIGHLIGHTS

- Revenue increased by approximately 3.6% to approximately HK\$110.0 million for the year ended 31 December 2023 (2022: approximately HK\$106.2 million).
- The Group incurred a gross loss of approximately HK\$16.6 million for the year ended 31 December 2023 (2022: a gross profit of approximately HK\$9.8 million).
- The Group recorded a loss attributable to owners of the Company of approximately HK\$29.4 million for the year ended 31 December 2023 (2022: approximately HK\$7.4 million).
- Basic loss per share was approximately HK2.94 cents for the year ended 31 December 2023 (2022: approximately HK0.74 cents).
- No dividend has been paid or declared for the year ended 31 December 2023. The Board recommended not to declare a final dividend for the year ended 31 December 2023.

ANNUAL RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of Unity Enterprise Holdings Limited (the “**Company**”) wishes to present the consolidated financial statements of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2023, together with the comparative figures for the year ended 31 December 2022.

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

Year ended 31 December 2023

	<i>Notes</i>	2023 HK\$'000	2022 <i>HK\$'000</i>
Revenue	5	110,034	106,187
Cost of services		(126,672)	(96,354)
Gross (loss) profit		(16,638)	9,833
Other income and gain, net	6	2,857	4,161
Administrative expenses		(9,298)	(11,980)
Impairment losses on trade receivables and contract assets		(4,725)	(4,930)
Finance costs	7	(53)	(14)
Loss before income tax	8	(27,857)	(2,930)
Income tax expense	9	(1,555)	(4,479)
Loss and total comprehensive expense for the year		(29,412)	(7,409)
Loss attributable to owners of the Company		(29,412)	(7,409)
Loss per share attributable to owners of the Company			
Basic and diluted	11	(HK2.94 cents)	(HK0.74 cents)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	<i>Notes</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	<i>12</i>	665	943
Current assets			
Trade receivables	<i>13</i>	94,567	158,522
Contract assets	<i>14</i>	23,850	29,927
Deposits, prepayments and other receivables	<i>15</i>	47,141	12,391
Amount due from a controlling shareholder		1,123	3,157
Time deposit		–	25,000
Cash and bank balances		10,100	24,540
Total current assets		176,781	253,537
Current liabilities			
Trade payables	<i>16</i>	37,415	57,999
Accrued liabilities and other payables	<i>17</i>	10,536	18,907
Bank borrowings		3,353	–
Lease liabilities		146	143
Tax payable		–	22,083
Total current liabilities		51,450	99,132
Net current assets		125,331	154,405
Total assets less current liabilities		125,996	155,348
Non-current liabilities			
Lease liabilities		50	–
Deferred tax liabilities		65	55
		115	55
NET ASSETS		125,881	155,293
EQUITY			
Equity attributable to owners of the Company			
Share capital		10,000	10,000
Reserves		115,881	145,293
TOTAL EQUITY		125,881	155,293

NOTES TO 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**”).

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

Amendments to HKFRSs that are mandatorily effective for the current year

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

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.

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 ¹
Amendment to HKFRS 16	Lease Liability in a Sale and Leaseback ²
Amendments to HKAS 1	Non-current Liabilities with Covenants ²
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements ²
Amendments to HKAS 21	Lack of Exchangeability ³

¹ Effective for annual periods beginning on or after a date to be determined.

² Effective for annual periods beginning on or after 1 January 2024.

³ Effective for annual periods beginning on or after 1 January 2025.

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

4. OPERATING SEGMENT

Geographical Information

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

Information about major customers

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

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

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

5. REVENUE

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

Disaggregation of revenue from contracts with customers

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

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

6. OTHER INCOME AND GAIN, NET

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

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

Notes:

1. The government subsidies are mainly related to wage subsidies from the Government of Hong Kong Special Administrative Region under the Employment Support Scheme (“ESS”). Under the terms of the ESS, the Group is required to undertake and warrant that they will not implement redundancies during the subsidy period and spend all the wages subsidies on paying salaries to their employees.
2. The amount represented the tax expenses indemnified by the controlling Shareholder of the Company in accordance with the Deed of Indemnity signed by the Company and the Controlling Shareholders.

7. FINANCE COSTS

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

8. LOSS BEFORE INCOME TAX

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
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
	<hr/>	<hr/>
Total employee benefit expenses	9,519	13,496
	<hr/>	<hr/>
Auditor's remuneration	535	520
Depreciation of property, plant and equipment	511	783
	<hr/> <hr/>	<hr/> <hr/>

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

9. INCOME TAX EXPENSE

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

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.

10. DIVIDENDS

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

11. 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.

12. 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.

13. TRADE RECEIVABLES

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

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

The ageing analysis of trade receivables, net of allowances for credit losses at the end of reporting period based on invoice date is as follows:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
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	<u>50,868</u>	<u>94,464</u>
	<u><u>94,567</u></u>	<u><u>158,522</u></u>

14. CONTRACT ASSETS

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

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

As at 31 December 2023, the amounts of contract assets that are expected to be recovered after one year are approximately HK\$20,328,000 (2022: approximately HK\$26,749,000).

15. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

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

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

16. TRADE PAYABLES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Trade payables	<u>37,415</u>	<u>57,999</u>

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

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

17. ACCRUED LIABILITIES AND OTHER PAYABLES

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

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).

18. EVENT AFTER REPORTING PERIOD

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.

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).

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.

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) which was mainly contributed to the revenue generated from (i) projects related to the Siu Lam Integrated Rehabilitation Services Complex; (ii) the 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.

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 announcement, 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

As at 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.

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

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 announcement, 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 announcement, save as 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.

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 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
	intended	intended	intended			
	use of Net	use of	use of	amount as at	amount as at	for utilising the
	Proceeds	Net Proceeds	Net Proceeds	31 December	31 December	unutilised Net
	as at	as at	as at	2023	2023	Proceeds
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	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
Total	<u>90.7</u>	<u>90.7</u>	<u>90.7</u>	<u>87.7</u>	<u>3.0</u>	

As at 31 December 2023, the Group has 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 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 announcement, there was no further change for the intended use of Net Proceeds.

FUTURE PLAN FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as 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 announcement, the Group did not have other plans for material investments and capital assets.

CORPORATE GOVERNANCE CODE

The Group is committed to ensuring high standards of corporate governance and business practices. The Company had adopted the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 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.

MODEL CODE FOR SECURITIES TRANSACTIONS

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

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

No purchase, sale or redemption of the Company’s listed securities was made by the Company or any of its subsidiaries for the year ended 31 December 2023.

SHARE OPTION SCHEME

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

AUDIT COMMITTEE

As at the date of this announcement, the audit committee of the Company (the “**Audit Committee**”) comprises three independent non-executive Directors, namely Ms. Chan Mei Wah, Mr. Mak Alexander and Mr. Wu Hak Ping. Ms. Chan Mei Wah is the chairperson of the Audit Committee. The Audit Committee had reviewed the Group’s annual results for the financial year ended 31 December 2023 and confirmed that they were prepared in accordance with applicable accounting standards and the Listing Rules and that adequate disclosures have been made.

COMPETING INTERESTS

The Controlling Shareholders had entered into the deed of non-competition in favour of the Company on 18 March 2021 (the “**Non-competition Undertaking**”). Each of the Controlling Shareholders has confirmed that he/it had complied with the Non-Competition Undertaking during the year ended 31 December 2023 and up to the date of this announcement. The independent non-executive Directors have reviewed that state of compliance of each of the Controlling Shareholder with the Non-competition Undertaking and as far as the independent non-executive Directors can ascertain, there has been no breach of the undertakings given in the Non-competition Undertaking by the Controlling Shareholders during the year ended 31 December 2023 and up to the date of this announcement.

SCOPE OF WORK OF THE COMPANY’S AUDITOR

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2023 as set out in this announcement have been agreed by the Company’s auditor, CWK CPA Limited (“**CWK**”), to the amounts set out in the Group’s audited consolidated financial statements for the year. The work performed by CWK in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by CWK on this announcement.

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.

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 announcement.

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 in the manner as required by the Listing Rules in due course.

CLOSURE OF REGISTER OF MEMBERS

To ascertain the identity of the Shareholders who will be entitled to attend and vote at the 2024 AGM, the register of members of the Company 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.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This annual results announcement is published on the Company’s website at www.hongdau.com.hk and the Stock Exchange’s website at www.hkexnews.hk. The annual report of the Company for the year ended 31 December 2023 will be despatched to its Shareholders and will also be published on the websites of both the Stock Exchange and the Company in due course in the manner as required by the Listing Rules in April 2024.

On behalf of the Board

Chan Leung

Chairman and Executive Director

Hong Kong, 26 March 2024

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