



# Acme International Holdings Limited 益美國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)  
Stock Code: 1870

## ANNUAL REPORT 2022



# Contents

<b>Corporate Information</b>	<b>2</b>
<b>Financial Highlights</b>	<b>3</b>
<b>Chairman's Statement</b>	<b>4</b>
<b>Management Discussion and Analysis</b>	<b>6</b>
<b>Biographical Details of Directors and Senior Management</b>	<b>11</b>
<b>Corporate Governance Report</b>	<b>16</b>
<b>Environmental, Social and Governance Report</b>	<b>28</b>
<b>Report of the Directors</b>	<b>59</b>
<b>Independent Auditor's Report</b>	<b>71</b>
<b>Consolidated Income Statement</b>	<b>76</b>
<b>Consolidated Statement of Comprehensive Income</b>	<b>77</b>
<b>Consolidated Statement of Financial Position</b>	<b>78</b>
<b>Consolidated Statement of Changes in Equity</b>	<b>80</b>
<b>Consolidated Statement of Cash Flows</b>	<b>82</b>
<b>Notes to the Consolidated Financial Statements</b>	<b>83</b>
<b>Five-Year Financial Summary</b>	<b>163</b>

# Corporate Information

## BOARD OF DIRECTORS

### Executive Directors

Mr. Kwan Kam Tim (*Chairman*)  
 Mr. Yip Wing Shing  
 Mr. Gao Shufang  
 Ms. Leung Ng Mui May

### Independent Non-Executive Directors

Prof. Hons Lau Chi Pang, *BBS, J.P.*  
 Mr. Chin Wai Keung Richard  
 Prof. Mo Lai Lan

## AUDIT COMMITTEE

Prof. Mo Lai Lan (*Chairlady*)  
 Mr. Chin Wai Keung Richard  
 Prof. Hons Lau Chi Pang, *BBS, J.P.*

## REMUNERATION COMMITTEE

Prof. Hons Lau Chi Pang, *BBS, J.P. (Chairman)*  
 Mr. Kwan Kam Tim  
 Mr. Chin Wai Keung Richard

## NOMINATION COMMITTEE

Prof. Hons Lau Chi Pang, *BBS, J.P. (Chairman)*  
 Mr. Kwan Kam Tim  
 Mr. Chin Wai Keung Richard

## JOINT COMPANY SECRETARY

Mr. Lung Shei Kei (*Resigned on 14 February 2022*)  
 Mr. Lam Tsz Chung  
 Mr. Yu Chim Shun (*Appointed on 14 February 2022*)

## REGISTER OFFICE

Cricket Square, Hutchins Drive  
 PO Box 2681  
 Grand Cayman KY1-1111  
 Cayman Islands

## HEAD OFFICE

Unit 3007-3008, 30/F, West Tower, Shun Tak Centre,  
 168-200 Connaught Road Central,  
 Sheung Wan, Hong Kong

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit A, 15/F., Infotech Centre,  
 21 Hung To Road,  
 Kwun Tong, Hong Kong

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited  
 17/F, Far East Finance Centre  
 16 Harcourt Road  
 Hong Kong

## LEGAL ADVISER

Michael Li & Co.  
 19/F., Prosperity Tower,  
 39 Queen's Road Central,  
 Hong Kong

## INDEPENDENT AUDITOR

PricewaterhouseCoopers  
 Certified Public Accountants  
 Registered Public Interest Entity Auditor  
 22/F, Prince's Building  
 Central  
 Hong Kong

## PRINCIPAL BANKERS

Citibank N.A., Hong Kong Branch  
 Industrial and Commercial Bank of China (Asia) Limited  
 The Bank of East Asia, Limited

## COMPANY WEBSITE

[www.acmehld.com](http://www.acmehld.com)

## STOCK CODE

1870

# Financial Highlights

	For the year ended	
	31 December	
	2022	2021
	HK\$'000	HK\$'000
		(Restated)
Revenue	152,215	163,079
Gross profit	37,590	40,065
Gross profit margin	24.7%	24.6%
Profit from continuing operations	12,770	19,107
Loss for the year	(79,783)	(187,463)

# Chairman's Statement

Dear Shareholders,

On behalf of the board (the "**Board**") of directors (the "**Directors**", each the "**Director**") of Acme International Holdings Limited (the "**Company**"), I hereby present the annual results of the Company and its subsidiaries (collectively as the "**Group**") for the year ended 31 December 2022 (the "**Year**").

## RESULTS OVERVIEW

After three full years of impact from the novel coronavirus ("**COVID-19**"), including the continuous large-scale outbreaks of the epidemic, the stringent prevention and control measures in mainland China and Hong Kong, the operating environment of construction industry and the façade works business of the Group ("**Façade Works Business**") has been seriously affected. Even though the Group has actively taken various measures to minimize the impact on business operations, the Façade Works Business has continued to record losses in recent years. Given the uncertain outlook for Hong Kong's construction industry, the Board, after careful and careful consideration, does not perceive that it has any reasonable means or prospect of making any material improvement on its financial performance or operations in the foreseeable future. After careful consideration, the Group discontinued the Façade Works Business during the year, the relevant company was under liquidation process. Thereafter, it should allow the Group's resources and management effort to be reallocated to other existing businesses (namely, building maintenance unit ("**BMU**") systems works and new energy operations) and to explore further business opportunities should any arise.

## FINANCIAL PERFORMANCE

During the Year, the Group recorded a revenue and gross profit for continuing operations of HK\$152.2 million and HK\$37.6 million, respectively (2021: HK\$163.1 million and HK\$40.1 million, respectively) (restated). The slight decrease in revenue and gross profit for continuing operations was mainly due to the delay in construction plans for the BMU systems business of the Group ("**BMU Systems Business**") by a large-scale outbreaks of COVID-19 in the first half of 2022 in Hong Kong.

For the year ended 31 December 2022, the Group reported a loss attributable to the owners of the Company of approximately HK\$79.5 million, which was mainly consisted of the loss from discontinued operation of approximately HK\$92.5 million offset by the profit from continuing operation of approximately HK\$13.0 million.

## OUTLOOK

With the announcements by the governments of Mainland China and Hong Kong of further relaxation of the pandemic prevention and control measures in early of 2023, Hong Kong real estate is expected to gradually recover. The Group will continue to closely monitor the market conditions and adjust its business strategies, and stick to the Group's quality of excellence and safety to achieve sustainable development of the BMU Systems Business.

With the rise of energy prices and vigorous promotion of the use of the renewable energy worldwide, the renewable energy will gradually become the main source of power for countries around the world. The Group hope to grasp these opportunities to actively develop its new energy business, including actively seeking more cooperative distributors to promote its high-quality energy storage products with its own brand "SUNEWTRAL", and identifying suitable areas for the development of solar farms. The Group anticipates that additional fundraising may be required from time to time to support the working capital expenditure to achieve such business growth.

## Chairman's Statement

### APPRECIATION

Lastly, I would like to extend my gratitude to the Board, the management team and our colleagues for their relentless effort under the difficult times. I would also like to thank our shareholders, customers, suppliers and business partners for their great trust and support all the time.

**Acme International Holdings Limited**

**Kwan Kam Tim**

*Chairman and Executive Director*

30 March 2023

# Management Discussion and Analysis

## BUSINESS REVIEW

The Group is principally engaged in providing one-stop design and build solutions for façade works, BMU systems works, and development, design, production and sales of new energy generation and energy storage system (“**Green New Energy Business**”) that was commenced during the year ended 31 December 2022.

Acme Metal Works (International) Limited (“**Acme Metal**”) was principally engaged in providing one-stop design and build solutions for façade works. As Acme Metal has been continuously making losses in recent years and the Board does not perceive that it has any reasonable means or prospect of making any material improvement on its financial performance or operations in the foreseeable future given the negative outlook of the construction industry in Hong Kong, Acme Metal is likely to remain unable to generate sufficient revenue to cover its own operating expenses or its other liabilities. On 27 November 2022, after due and careful consideration, Acme Metal Works (BVI) Limited, being a directly wholly owned subsidiary of the Company, in its capacity as the sole shareholder of Acme Metal, an indirect wholly owned subsidiary of the Company, resolved that Acme Metal could not by reason of its loss and liabilities continue its business and that it should be wound up under section 228(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) (the “**Ordinance**”) by way of creditors’ voluntary liquidation and Messrs. Osman Mohammed Arab and Lai Wing Lun were appointed as the joint and several liquidators of Acme Metal by the sole shareholder’s resolution passed on 27 November 2022, and further confirmed at the creditor’s meeting held on 9 December 2022.

As a result of the voluntary winding-up under the Hong Kong Companies Ordinance, the Group lost control over Acme Metal because the joint and several provisional liquidators have taken over control of the operations of Acme Metal under the statutory power and therefore, Acme Metal was then ceased to be a subsidiary of the Company with effect from 9 December 2022.

For the year ended 31 December 2022, the Group reported a loss attributable to the owners of the Company of approximately HK\$79.5 million, which was mainly consisted of the loss from discontinued operation of approximately HK\$92.5 million offset by the profit from continued operation of approximately HK\$13.0 million.

# Management Discussion and Analysis

## FINANCIAL REVIEW

### Revenue

During the year, the revenue of the Group was approximately HK\$152.2 million, representing a slightly decrease of 6.7% as compared to approximately HK\$163.1 million recorded for the year ended 31 December 2021. The slight decrease was primarily attributable to a large-scale outbreaks of COVID-19 in the first half of 2022, which led to delays in construction plans, resulting in a decrease of revenue from BMU System Business.

The following table sets forth a breakdown of the revenue of the Group by business stream for the year indicated:

	Year ended 31 December	
	2022	2021
	HK\$'000	HK\$'000
BMU Systems Business	150,805	163,079
Green New Energy Business	1,410	–
<b>Total</b>	<b>152,215</b>	<b>163,079</b>

### Gross profit and gross profit margin

The gross profit margin of the BMU Systems Business remains stable at approximately 24.8% and 24.6% for the years ended 31 December 2022 and 2021, respectively. The Green New Energy Business of the Group has been successfully launched and recorded a gross profit margin of approximately 14.0% for the Year.

The following table sets forth a breakdown of the gross profit of the Group by business stream for the year indicated:

	Year ended 31 December			
	2022		2021	
	Gross profit	Gross profit	Gross profit	Gross profit
	HK\$'000	margin	HK\$'000	margin
		%		%
BMU Systems Business	37,393	24.8	40,065	24.6
Green New Energy Business	197	14.0	–	–
<b>Total</b>	<b>37,590</b>	<b>24.7</b>	<b>40,065</b>	<b>24.6</b>

### Other income

The other income of the Group for the Year increased to approximately HK\$1.0 million from approximately HK\$0.1 million for the year ended 31 December 2021. The increase in other income mainly consisted of the government grant under the employment support scheme received by the Group in 2022.



## Management Discussion and Analysis

### Other losses, net

The net of other losses of the Group mainly represented the net foreign exchange differences and a forfeiture of pledged deposits during the Year.

### Administrative expenses

The administrative expenses of the Group primarily consist of (i) employee benefit expenses for its administrative and management personnel; (ii) insurance expenses; (iii) entertainment expenses; (iv) office expenses; (v) travelling expenses; (vi) depreciation expenses; (vii) bank charges; (viii) legal and professional fees; (ix) auditor's remuneration; and (x) other expenses, which primarily include repair and maintenance expenses, storage charges and etc.

The administrative expenses of the Group increased by approximately HK\$2.5 million to approximately HK\$17.7 million for the Year, as compared to approximately HK\$15.2 million for the year ended 31 December 2021. The increase in administrative expenses was mainly due to the Group's new business development during the Year.

### Finance income and Finance costs

The finance income of the Group represents the interest income from bank deposits, and the finance costs of the Group represent the interest expenses arising from borrowings and, to a lesser extent, its lease liabilities.

The net of finance costs of the Group for the Year significantly increased to HK\$2.4 million from HK\$0.5 million for the year ended 31 December 2021, which was mainly due to the increase in borrowings drawn by the Company.

### Income tax expenses

The Group's operation is based in Hong Kong which is subject to Hong Kong profit tax calculated at 16.5%. During the Year, the Group's subsidiaries in the PRC and Macau are subject to corporate income tax at a standard rate of 25% and complementary tax at a standard rate of 12%, respectively. As compared to the year ended 31 December 2021, the income tax expenses of the Group for the Year slightly decreased from HK\$5.1 million to HK\$4.6 million mainly due to the decrease in profit from continuing operations before tax of the Group.

## LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 December 2022 and 2021, the Group's monetary assets, including cash and cash equivalents, pledged deposits, time deposit and restricted deposits were approximately HK\$48.9 million and HK\$96.1 million, respectively.

In October 2021, the Group entered into a loan agreement with a former shareholder of the Company, Mr. Mak Kim Hung ("**Mr. Mak**"), in which Mr. Mak had agreed to make available a loan facility up to an aggregate amount of HK\$10 million to finance the general operation of the Group. The loan was denominated in HK\$, unsecured, interest bearing at 5.5% per annum, and repayable by 28 February 2022. In February 2022, the Group entered into a supplemental loan agreement with Mr. Mak to extend the repayment date to 30 June 2023, with the other terms remaining unchanged.

In November 2021, the Group entered into a loan agreement with a shareholder, Mr. Kwan Kam Tim ("**Mr. Kwan**"), in which Mr. Kwan had agreed to make available a loan facility up to an aggregate amount of HK\$10 million to finance the general operation of the Group. The loan was denominated in HK\$, unsecured, interest bearing at 5.5% per annum, and repayable by 30 June 2022. During the Year, the Group entered into four supplemental loan agreements with Mr. Kwan to increase the loan facility up to an aggregate amount of HK\$38 million and extend the repayment date to 30 June 2024, with the other terms remaining unchanged.

## Management Discussion and Analysis

In August 2022, the Group entered into a loan agreement with a substantial shareholder, Treasure Ship Holding Limited (“**Treasure Ship**”), in which Treasure Ship had agreed to make available a loan facility up to an aggregate amount of HK\$10 million to finance the general operation of the Group. The loan was denominated in HK\$, unsecured, interest bearing at 5.5% per annum, and repayable by 18 August 2023. During the Year, the Group entered into a supplemental loan agreements with Treasure Ship to extend the repayment date to 30 June 2024, with the other terms remaining unchanged.

As at 31 December 2022 and 2021, the Group’s total borrowings amounted to approximately HK\$45.6 million and HK\$49.3 million, respectively. The borrowings as at 31 December 2022 were denominated in Hong Kong Dollars (2021: same) and carried at interest rates of 5.50% per annum (2021: 5.50% to 6.50% per annum).

As at 31 December 2022 and 2021, the Group had unutilised credit facilities of HK\$39.1 million and HK\$28.2 million, respectively.

The Group recorded gearing ratios (total debt, being the total of borrowings and lease liabilities, as at the year ended divided by total equity attributable to shareholder as at the year ended and multiplied by 100%) of approximately 56.3% and 34.9% as at 31 December 2022 and 2021, respectively.

### TREASURY POLICIES

The Group has adopted a prudent financial management approach towards its treasury policies and thus maintained a healthy liquidity position throughout the Year. 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 from time to time. Surplus cash will be invested appropriately so that the Group will have adequate cash for its business operation and business development.

### FOREIGN EXCHANGE RISK AND HEDGING

The Group mainly operates in Hong Kong and majority of the operating transactions such as revenue, expenses, monetary assets and liabilities are denominated in Hong Kong Dollars. As such, the Directors are of the view that the Group’s risk in foreign exchange is insignificant and that the Group should have sufficient resources to meet foreign exchange requirements as and if they arise. Therefore, the Group did not engage in any derivatives contracts to hedge its exposure to foreign exchange risk during the Year.

### MATERIAL ACQUISITIONS AND DISPOSALS

The Group did not have any material acquisitions or disposals of assets, subsidiaries, associated companies or joint ventures during the Year.

### SIGNIFICANT INVESTMENTS HELD

Except for investment in subsidiaries, the Group did not have any significant investments in equity interest as at 31 December 2022.

# Management Discussion and Analysis

## FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

As at 31 December 2022, the Group has no plan for any material investments or capital assets.

## PLEDGE OF ASSETS

As at 31 December 2022, pledged deposits in the sum of approximately HK\$2.8 million (2021: HK\$65.4 million) were placed with banks as securities for certain banking facilities of the Group.

## CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

Details of the capital commitments and contingent liabilities are set out in Note 31 to the consolidated financial statements.

## CHANGE IN INFORMATION OF DIRECTORS

With effect from 16 May 2022, Mr. Chin Wai Keung Richard, an independent non-executive Director of the Company has resigned as an executive director of Huiyin Group Holdings Limited, a company formerly listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) (stock code: 1178).

With effect from 30 December 2022, Prof Hons. Lau Chi Pang, *BBS, J.P.* has been appointed as an independent non-executive director of Freetech Road Recycling Technology (Holdings) Limited, a company listed on the Stock Exchange (stock code: 6888).

## PRINCIPAL RISKS AND UNCERTAINTIES

The Directors believe that there are certain risks and uncertainties involved in the operations, some of which are beyond the Group’s control. Description of the principal risks and uncertainties faced by the Group can be found throughout this annual report. The Directors believe the major significant risks relating to the business are as follows:

- the Group’s revenue mainly relies on successful tenders of or acceptance of its quotations for construction projects which are non-recurring in nature and any failure of the Group to secure projects from its existing customers and/or new customers in the future would affect the Group’s business operation and financial results;
- the Group relies substantially on subcontractors to help to complete the projects;
- the Group depends on key management personnel with relevant knowledge, experience and expertise; and
- the Group determines the price of its quotation or tender based on the estimated time and costs to be involved in a project and the actual time and costs incurred may deviate from its estimate due to unexpected circumstances, thereby leading to cost overruns and adversely affecting the Group’s operations and financial results.

## ANALYSIS OF FINANCIAL KEY PERFORMANCE INDICATORS

The financial key performance indicators and analysis of the Group business are set out in “**Five Year Financial Summary**” on pages 163 to 164 and “**Management Discussion and Analysis**” on pages 6 to 10 of this annual report.

# Biographical Details of Directors and Senior Management

## EXECUTIVE DIRECTORS

**Mr. Kwan Kam Tim (關錦添)**, aged 68, is the chairman of the Board and was appointed as a Director on 19 February 2019 and was re-designated as an executive Director on 14 March 2020. Mr. Kwan also acted as the chief executive officer of the Company (the “**CEO**”) during 30 December 2021 to 27 May 2022. He is one of the founding shareholders of the Group and is primarily responsible for formulating overall business strategies of the Group and overseeing the Board. Mr. Kwan is the sole director of RR (BVI) Limited, which is the registered and beneficial owner holding 19.23% of the issued shares of the Company as at 31 December 2022.

Mr. Kwan has over 41 years of experience in the construction industry in Hong Kong. Mr. Kwan obtained a certificate in mechanical engineering craft in July 1973 and a general certificate for the General Course in the preparation for admission to Technical Courses in July 1974 from The Morrison Hill Technical Institute.

Mr. Kwan had entered into a service contract with the Company for a term of three years commencing from the Listing Date and shall continue thereafter until terminated by either party giving to the other not less than three months’ notice in writing, but is subject to retirement from office and re-election at the annual general meetings (“**AGM**”) in accordance with the articles of association of the Company (“**Articles of Association**”). No director’s fee will be payable to Mr. Kwan but he is entitled to the reimbursement of all reasonable out-of-pocket expenses incurred in relation to the discharge of his duties to the Company for his appointment as executive Director, which was determined by the Board based on the recommendations of the remuneration committee of the Company, with reference to his duties and responsibilities with the Company and the market rate for his position.

**Mr. Yip Wing Shing (葉永聖)**, aged 47, was appointed as an executive Director on 3 September 2021. Mr. Yip holds a Bachelor’s Degree in Law from Peking University and a Master’s Degree in Business Administration from The Hong Kong University of Science and Technology. He has over 20 years of extensive experience in fields such as corporate consulting and management, risk investment and private equity investment.

Mr. Yip had been engaged in the businesses of financial investment, financial consulting, risk-related investment as well as consulting and management for listed companies in Hong Kong in his early years. He had also been a founding member of a business consulting and management consulting firm, which provided consulting services for listed companies. From 2012 to 2016, Mr. Yip served as the investment director at Shenzhen Oriental Fortune Capital Investment Management Co., Ltd.. From 2017 to 2018, Mr. Yip served as the deputy general manager at 深圳市前海梧桐併購投資基金管理有限公司 (Shenzhen Qianhai Wutong M&A Investment Fund Management Co., Ltd.\*). Besides, Mr. Yip was also a founding partner of 深圳市前海東方盛鼎創業投資基金管理有限公司 (Shenzhen Qianhai Oriental Shengding Venture Capital Fund Management Co., Ltd.\*) (“**Shenzhen Qianhai**”), and had served as the legal representative of Shenzhen Qianhai. During the period from December 2018 to August 2021, Mr. Yip also served as the general manager of Shenzhen Qianhai.

Mr. Yip has entered into a service contract with the Company for a term of three years commencing from 3 September 2021 and shall continue thereafter until terminated by either party giving to the other not less than three months’ notice in writing, but is subject to retirement from office and re-election at the AGM in accordance with the Articles of Association. No director’s fee will be payable to Mr. Yip but he is entitled to the reimbursement of all reasonable out-of-pocket expenses incurred in relation to the discharge of his duties to the Company for his appointment as executive Director, which was determined by the Board based on the recommendations of the remuneration committee of the Company, with reference to his duties and responsibilities with the Company and the market rate for his position.

## Biographical Details of Directors and Senior Management

**Mr. Gao Shufang** (高書方), aged 53, was appointed as an executive Director on 23 November 2021. Mr. Gao holds a bachelor's degree from the Dalian University of Technology and a master's degree in business administration from the Chinese University of Hong Kong. Mr. Gao has more than 25 years of experience in financial management, corporate governance, investment and other fields.

Mr. Gao currently serves as the vice chairman (副理事長) and chairman (主任委員) of the accounting committee of Hong Kong-Mainland International Investment Society, the chairman of Shenzhen Qianhai Yueshi Information Technology Co., Ltd. (深圳前海粵十信息技術有限公司), and the executive director of Tianci International Inc. (天賜國際股份有限公司), a company listed on the U.S. OTCQB over-the-counter market.

From 2012 to 2016, he served as the president of Ocean China Group Holdings Limited (海華集團控股有限公司). From 2016 to 2017, he served as the chief executive officer of Aceso Life Science Group Limited (stock code: 474), a company listed on the Main Board of the Stock Exchange. From October 2018 to September 2019, Mr. Gao was the deputy general manager of Tibet Huayu Mining Co., Ltd. (stock code: 601020), a company listed on the Shanghai Stock Exchange. From September 2020 to July 2021, Mr. Gao served as the non-independent director and executive deputy general manager of Sichuan Golden Summit (Group) Joint-Stock Co., Ltd. (四川金頂(集團)股份有限公司) (stock code: 600678), a company listed on the Shanghai Stock Exchange.

Mr. Gao has entered into a service contract with the Company for a term of three years commencing from 23 November 2021 and shall continue thereafter until terminated by either party giving to the other not less than three months' notice in writing, but is subject to retirement from office and re-election at the AGM in accordance with the Articles of Association. No director's fee will be payable to Mr. Gao but he is entitled to the reimbursement of all reasonable out-of-pocket expenses incurred in relation to the discharge of his duties to the Company for his appointment as executive Director, which was determined by the Board based on the recommendations of the remuneration committee of the Company, with reference to his duties and responsibilities with the Company and the market rate for his position.

**Ms. Leung Ng Mui May** (梁五妹), aged 61, was appointed as a Director on 5 March 2019 and was re-designated as an executive Director on 14 March 2019. She is primarily responsible for supervising and managing the overall financial reporting, accounting operations and financial control matters of the Group.

Ms. Leung passed The London Chamber of Commerce & Industry International Qualification Level 3 Examination in 1989, Accounting Technician Examinations of the Hong Kong Association of Accounting Technicians in June 1999 and completed her Professional Part 2 examinations of corporate reporting from The Association of Chartered Certified Accountants in December 2001.

Ms. Leung had entered into a service contract with the Company for a term of three years commencing from the Listing Date and shall continue thereafter until terminated by either party giving to the other not less than three months' notice in writing, but is subject to retirement from office and re-election at the AGM in accordance with the Articles of Association. No director's fee will be payable to Ms. Leung but she is entitled to the reimbursement of all reasonable out-of-pocket expenses incurred in relation to the discharge of her duties to the Company for her appointment as executive Director, which was determined by the Board based on the recommendations of the remuneration committee of the Company, with reference to her duties and responsibilities with the Company and the market rate for her position.

# Biographical Details of Directors and Senior Management

## INDEPENDENT NON-EXECUTIVE DIRECTORS

**Prof. Hons. Lau Chi Pang**, *BBS, J.P.* (劉智鵬), aged 62, was appointed as an Independent Non-Executive Director (“INED”) on 18 October 2019. He is responsible for supervising and providing independent advice to the Board.

Prof. Lau joined Lingnan University as an Assistant Lecturer since September 1993 and is currently a professor in the department of History, the associate vice-president (academic affairs and internal relations). He has also been a co-ordinator of the Hong Kong and South China Historical Research Programme of Lingnan University since August 2005. Prof. Lau also served as an independent non-executive director of Shengjing Bank Co., Ltd. (a company listed on the Main Board, stock code: 2066) from December 2014 to August 2018. Prof. Lau is currently an independent non-executive director of Future Bright Mining Holdings Limited (a company listed on the Main Board, stock code: 2212 and Freetech Road Recycling Technology (Holdings) Limited (a company listed on the Main Board, stock code: 6888) since September 2018 and December 2022, respectively).

Since 2006, he has held various positions including chairman and advisor in various public advisory and statutory bodies and non-profit organisations. Prof. Lau has been an ex-officio member of the Heung Yee Kuk since April 2018, a member of the Advisory Council on the Environment since January 2017, the chairman of the Advisory Committee on Built Heritage Conservation since May 2016, a Justice of the Peace since July 2013 and an advisor of the Museum Expert Advisers for the Leisure and Cultural Services Department since April 2006.

Prof. Lau is also a current member of the China People’s Political Consultative Conference and a current council member of the seventh Hong Kong Legislative Council.

Prof. Lau received a bachelor’s degree in Arts from The University of Hong Kong in November 1984, a master’s degree in philosophy from The University of Hong Kong in November 1987, and a doctoral degree in philosophy from the department of History of University of Washington in August 2000.

Prof. Lau had entered into an appointment letter with the Company for a term of three years commencing from the Listing Date renewable automatically for successive terms of one year each until terminated by either party giving to the other not less than three months’ notice in writing, but is subject to retirement from office and re-election at the AGM in accordance with the Articles of Association. Prof. Lau is entitled to a director’s fee of HK\$144,000 per annum as an independent non-executive Director, which was determined by the Board based on the recommendations of the remuneration committee of the Company, with reference to his duties and responsibilities with the Company and the market rate for his position.

**Mr. Chin Wai Keung Richard** (錢偉強), aged 73, was appointed as an INED on 25 August 2021. He has over 40 years of management experience in trading, contracting and finance businesses. Mr. Chin served as an executive director of Huiyin Holdings Group Limited (stock code: 1178), a company listed on the Main Board of The Stock Exchange of Hong Kong Limited from June 2020 to October 2020, and from December 2020 to May 2022.

He was an executive director of Mansion International Holdings Limited (stock code: 8456), a company listed on GEM of the Stock Exchange, from November 2019 to July 2020. He was an executive director of Farnova Group Holdings Limited (stock code: 8153), a company listed on GEM of the Stock Exchange, from August 2014 to October 2018.

## Biographical Details of Directors and Senior Management

He was the chairman and an executive director of Union Asia Enterprise Holdings Limited (stock code: 8173), a company listed on GEM of the Stock Exchange, between 2006 and 2009. Mr. Chin was the deputy chairman and the chief executive officer of Richly Field China Development Limited (stock code: 313), a company listed on Main Board of the Stock Exchange, in between 2002 and 2004. In December 2000, Mr. Chin was an executive director of CMBC Capital Holdings Limited (stock code: 1141), a company listed on the Main Board of the Stock Exchange, and was re-designated as a non-executive director in December 2001. The said company had subsequently gone through a debt restructuring exercise with a group of bankers and the creditors, which was completed around May 2002.

Mr. Chin had entered into an appointment letter with the Company for a term of three years commencing from the 25 August 2021 renewable automatically for successive terms of one year each until terminated by either party giving to the other not less than three months' notice in writing, but is subject to retirement from office and re-election at the AGM in accordance with the Articles of Association. Mr. Chin is entitled to a director's fee of HK\$144,000 per annum as an INED, which was determined by the Board based on the recommendations of the remuneration committee of the Company, with reference to his duties and responsibilities with the Company and the market rate for his position.

**Prof. Mo Lai Lan (巫麗蘭)**, aged 64, was appointed as an INED on 1 November 2021. She obtained her bachelor and doctor of philosophy (PhD) degrees in Accountancy from the Chinese University of Hong Kong and master of business administration (MBA) degree from University of Birmingham in the United Kingdom. She is a fellow member of the Association of Chartered Certified Accountants (ACCA) and a member of the Hong Kong Institute of Certified Public Accountants (HKICPA). Prof. Mo joined City University of Hong Kong in 2011 as Professor of Accountancy and is currently the Associate Director of the Research Centre for Sustainable Hong Kong (CSHK), a strategic applied research center established at the City University of Hong Kong which aims at conducting impactful research in response to real-life sustainability challenges in Hong Kong and the region. Previously, Prof. Mo served as Professor and Head of the Department of Accountancy at Lingnan University from 2006 to 2011. She also had teaching and research experiences with other prominent research universities. Prior to joining the academia, Prof. Mo worked at a leading international certified public accountants firm as a professional auditor and a listed company as an internal auditor. Prof. Mo was a member of the Auditing & Assurance Standards Committee of the HKICPA from 2012 to 2017, a member of the Greater Bay Area Committee of the HKICPA in 2021, and a member of Board of Review (Inland Revenue Ordinance, Hong Kong) from 2015 to 2020. Currently, she is a member of the Financial Reporting Review Panel of the Accounting and Financial Reporting Council and a Specialist of the Hong Kong Council for Accreditation of Academic & Vocational Qualifications (HKCAAVQ). Prof. Mo's research focuses on audit quality, tax compliance and corporate governance. At present, Prof. Mo also serves as an independent non-executive director of Chinasoft International Limited (stock code: 354), a company listed on the Main Board of the Stock Exchange.

Prof. Mo had entered into an appointment letter with the Company for a term of three years commencing from the 1 November 2021 renewable automatically for successive terms of one year each until terminated by either party giving to the other not less than three months' notice in writing, but is subject to retirement from office and re-election at the AGM in accordance with the Articles of Association. Prof. Mo is entitled to a director's fee of HK\$25,000 per month as an INED, which was determined by the Board based on the recommendations of the remuneration committee of the Company, with reference to her duties and responsibilities with the Company and the market rate for her position.



# Biographical Details of Directors and Senior Management

## SENIOR MANAGEMENT

**Mr. Poon Pui Kit (潘培傑)**, aged 48, is the CEO of the Company and a director of Acme Gondola, an operating subsidiary of the Group. He is primarily responsible for supervising and managing the daily operations of Acme Gondola. Mr. Poon has over 23 years of experience in gondola design, marketing and project management of gondola business. Mr. Poon obtained a higher diploma in manufacturing engineering from the Hong Kong Technical College (Chai Wan) (currently known as the Hong Kong Institute of Vocational Education (Chai Wan)) in June 1997.

Mr. Poon joined the Group in January 2001 as the senior project manager of Acme Gondola. He was subsequently promoted to project director of the Group in May 2019 and was appointed as the CEO of the Company in May 2022.

**Mr. Yu Chim Shun (于霽遜)**, aged 36, is the financial controller and the joint company secretary of the Company (the “**Joint Company Secretary**”). He joined the Group as an assistant financial controller in October 2018 and promoted to financial controller in May 2020. He was appointed as the Joint Company Secretary with effect from 14 February 2022. He is primarily responsible for financial reporting, financial control matters, and corporate secretarial matters of the Group. Mr. Yu has more than 12 years of experience in accounting and auditing fields in Hong Kong.

Mr. Yu obtained a Bachelor’s Degree in Commerce (major in accounting) from Macquarie University in September 2009. He is a member of CPA Australia and the Hong Kong Institute of Certified Public Accountants.

**Mr. Lam Tsz Chung (林子聰)**, aged 49, is appointed as the Joint Company Secretary in August 2021. Mr. Lam having practised law in Hong Kong for more than 20 years, he is a practising Hong Kong solicitor.

Mr. Lam obtained a Bachelor of Laws and a Postgraduate Certificate of Laws from the University of Hong Kong in 1995 and 1996 respectively. He also obtained a Master of Laws from City University of Hong Kong and a Master of Science (Financial Analysis) from the Hong Kong University of Science and Technology. He was formerly the chief legal counsel of Gome Finance Technology Co., Ltd. (formerly known as Sino Credit Holdings Limited), which shares are listed on Stock Exchange (Stock Code: 00628). Mr. Lam was the non-executive director and company secretary of Yin He Holdings Limited (a listed company in Hong Kong until its delisting on 25 July 2022) and was company secretary of China Uptown Group Company Limited (Stock Code: 2330). He is also a consultant of Messrs. C. W. Lau & Co. holding a practising certificate issued by the Law Society of Hong Kong.



# Corporate Governance Report

The Board is pleased to present this corporate governance report for the Year.

## CORPORATE GOVERNANCE PRACTICES

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the Shareholders of the Company (the “**Shareholders**”) and to enhance corporate value and accountability. The Company has adopted the Corporate Governance Code set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) (the “**CG Code**”) as its own code of corporate governance. To the best knowledge of the Directors, the Company had complied with the code provisions as set out in the CG Code throughout the Year, except the following deviation:

### Code provision C.2.1

Under code provision C.2.1 of the CG Code, the roles of the chairman and the chief executive officer should be separate and should not be performed by the same individual. Mr. Kwan Kam Tim acted as the chairman of the Board and the CEO of the Company until his resignation as the CEO and the appointment of Mr. Poon Pui Kit as the CEO with effect from 27 May 2022. Having considered the composition of the Board at the time, comprising four executive Directors and three independent non-executive Directors, and that all major decisions are made with prior consultation with the members of the Board, the Board was of the view that the balance of power and authority of the Board was not impaired prior to the change of CEO. Nonetheless, the change of CEO was undertaken to further facilitate the implementation of the Group’s business strategies, maximise the effectiveness of the Group’s operation and enhance corporate governance.

The Company will continue to review and enhance its corporate governance practices to ensure on-going compliance with the CG Code.

## BOARD OF DIRECTORS

### Responsibilities and Role of the Board

The Board is responsible for the overall leadership of the Group, oversees the Group’s strategic decisions and monitors business and performance. The Board has delegated the authority and responsibility for day-to-day management and operation of the Group to the senior management of the Group. To oversee the particular affairs of the Company, the Board has established three Board committees, including the audit committee (“**Audit Committee**”), the remuneration committee (“**Remuneration Committee**”), and the nomination committee (“**Nomination Committee**”) (collectively, “**Board Committees**”). The Board has delegated to the Board Committees the responsibilities as set out in their respective terms of reference.

All Directors shall ensure that they carry out duties in good faith, in compliance with applicable laws and regulations, and in the interests of the Company and Shareholders at all times.

The Company has arranged appropriate liability insurance covering any legal actions against the Directors. The insurance coverage will be reviewed on an annual basis.

# Corporate Governance Report

## Board composition

On 31 December 2022, the Board consists of seven Directors, including four executive Directors, and three INEDs. The Board is comprised of Mr. Kwan Kam Tim (the chairman of the Board), Mr. Yip Wing Shing and Mr. Gao Shufang and Ms. Leung Ng Mui May as executive Directors; Prof. Hons. Lau Chi Pang, *BBS, J.P.*, Mr. Chin Wai Keung Richard and Prof. Mo Lai Lan as INEDs. The biographical details of each of the Directors are set out in the section headed “**Biographical Details of Directors and Senior Management**” of this annual report.

Save as disclosed in the section headed “**Biographical Details of Directors and Senior Management**” in this annual report, none of the Directors or members of senior management has other relationship (including financial, business, family or other material relationship) with each other.

During the Year, the Board has met at all times the requirements under Rules 3.10(1) and 3.10(2) of the Listing Rules relating to the appointment of at least three INEDs with at least one INED possessing appropriate professional qualifications or accounting or related financial management expertise. The Company has also complied with Rule 3.10A of the Listing Rules relating to the appointment of INEDs representing at least one-third of the Board.

The executive Directors are responsible for the leadership and control of the Company, overseeing the Group’s businesses, strategic decisions and performances and are collectively responsible for promoting the success of the Company by directing and supervising its affairs.

The INEDs participate in Board meetings to bring in independent judgment to bear on issues of strategy, policy, performance, accountability, resources, key appointments and standards of conducts and scrutinise the Company’s performance in achieving agreed corporate goals and objectives.

The Company has received an annual confirmation of independence in writing from each of the INEDs pursuant to Rule 3.13 of the Listing Rules. Based on such confirmations, the Company considers that all the INEDs are independent and have met the independence guidelines as set out in Rule 3.13 of the Listing Rules during the Year and up to the date of this annual report.

## Diversity of the Board

The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance. The Board comprises an appropriate proportion of Directors who have direct experience in the Group’s core markets, and has a balance of skills, experience and diversity of perspectives to enhance the quality of its performance, reflecting the Group’s strategy.

The Board has a balanced mix of knowledge and experience, including management and strategic development, construction project management, accounting and financial management, and public body and non-profit organisation advisory. Furthermore, all Board appointments will be considered against selection criteria.

## Corporate Governance Report

The Company believes that the diversity of its Board members will be immensely beneficial for the enhancement of the Company's performance. Pursuant to the Board diversity policy adopted by the Company (the "**Board Diversity Policy**"), selection of Board candidate will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge, industry and regional experience. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

The Nomination Committee will discuss and where necessary, agree on the measurable objectives for achieving diversity on the Board and recommend them to the Board for adoption. The Company aims to maintain an appropriate balance of diversity perspectives of the Board that is relevant to the Company's business growth.

In identifying and selecting suitable candidates to serve as a Director, the Nomination Committee would consider the above criteria necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendations to the Board. The Board has reviewed the implementation and effectiveness of the Company's Board Diversity Policy pursuant to code provision B.1.3 of the CG Code, and having considered the Board comprised of two female Directors and five male Directors as at the date of this report, the Board is of the view that the Board diversity is satisfactory and will continue to maintain a diverse Board in accordance with the Board Diversity Policy.

The Company also strives to maintain gender diversity in its workforce generally. As at 31 December 2022, the number of female employees of the Group accounted for 29.31% of the total workforce. The Company will continue to promote gender diversity among all its staff and will review its policies on staff recruitment and management from time to time in accordance with the Company's diversity and recruitment policies, and business development and needs.

### Induction and continuous professional development

All newly appointed Directors will be provided with necessary induction training and information to ensure that they have a proper understanding of the Company's operations and businesses as well as their responsibilities under relevant statutes, laws, rules and regulations.

The Company also arranges regular seminars to provide all Directors with updates on latest development and changes in the Listing Rules and other relevant legal and regulatory requirements from time to time.

The Directors are also provided with regular updates on the Company's performance, position and prospects to enable the Board as a whole and each Director to discharge their duties.

The Company encourages all Directors to seek continuous professional development and thus develop and update their knowledge and skills.

# Corporate Governance Report

According to the information provided by the Directors, they undertook training as follows during the Year:

	<b>Nature of courses for continuous professional development</b>
Name of directors	
Mr. Kwam Kam Tim	A, B
Mr. Yip Wing Shing	A, B
Mr. Gao Shufang	A, B
Ms. Leung Ng Mui May	A, B
Prof. Hons. Lau Chi Pang, <i>BBS, J.P.</i>	A, B
Mr. Chin Wai Keung Richard	A, B
Prof. Mo Lai Lan	A, B

Notes:

- A: Attending training sessions, including but not limited to, seminars, briefings, conferences, forums and workshops
- B: Read documents covering a wide range of topics, including corporate governance, director responsibilities, Listing Rules and other relevant laws and regulations.

## Appointment and Re-election of Directors

Each of the executive Directors has entered into a service contract with the Company for a specific term of three years (subject always to re-election as and when required under the Articles of Association) until termination.

Each of the INEDs has entered into an appointment letter with the Company for an initial term of three years (subject always to re-election as and when required under the Articles of Association) until termination.

The Articles of Association provide that any Director appointed by the Board to fill a casual vacancy shall hold office only until the first general meeting of the members of the Company after his/her appointment and shall then be subject to re-election at such meeting. Besides, any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following AGM and shall then be eligible for re-election.

In accordance with the Articles of Association, at every AGM of the Company one-third of the Directors, or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third, shall retire from office by rotation. This is provided that every Director shall be subject to retirement by rotation at least once every three years. A retiring Director shall remain in office until the close of the meeting at which he retires and shall be eligible for re-election thereafter. The Company at any AGM at which any Directors retire may fill the vacated office by electing the same number of persons to be Directors.

The Articles of Association set out the procedures and process for the appointment, re-election and removal of Directors.

# Corporate Governance Report

## REMUNERATION POLICY

The Group's remuneration policies are based on the merit, qualifications and competence of individual employees and are reviewed by the Remuneration Committee periodically. The emoluments of the Directors are recommended by the Remuneration Committee and are decided by the Board, having regard to the Group's operating results, individual performance and comparable market statistics.

## Board Meetings

The Company adopts the practice of holding Board meetings regularly, at least four times per year, and at approximately quarterly intervals. An AGM shall be called by not less than 21 days' notice in writing and any extraordinary general meeting shall be called by not less than 14 days' notice in writing.

For other Board and Board Committee meetings, reasonable notice is generally required to be given. The agenda and accompanying board papers shall be dispatched to the Directors or Board Committee members at least 3 days before the meeting to ensure that they have sufficient time to review the relevant papers and are adequately prepared for the meeting.

When Directors or Board Committee members are unable to attend a meeting, they will be advised of the matters to be discussed and given an opportunity to make their views known to the chairman prior to the meeting. Minutes of meetings are kept by the company secretary with copies circulated to all Directors or Board Committee members for information and records.

Minutes of the Board meetings and Board Committee meetings are recorded and in sufficient detail about the matters considered by the Board and the Board Committees and the decisions reached are noted, including concerns raised by the Directors/Board Committee members. Draft and final versions of the minutes of each Board meeting and Board Committee meeting are sent to the Directors/Board Committee members for comment within a reasonable time after the date on which the meeting is held. Minutes of the Board meetings are open for inspection by Directors.

## Delegation by the Board

The Board reserves its right to decide all major matters of the Company, including approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant financial and operational matters. Directors could have recourse to seek independent professional advice in performing their duties at the Company's expense and are encouraged to access and consult with the Company's senior management independently.

The daily management, administration and operation of the Group are delegated to the senior management. The delegated functions and responsibilities are periodically reviewed by the Board. Approval has to be obtained from the Board prior to any significant transactions entered into by the management.

# Corporate Governance Report

## Chairman and Chief Executive Officer

The chairman of the Board is primarily responsible for formulating overall business strategies of the Group and overseeing the Board, and the CEO is primarily responsible for the overall management of day-to-day operations and business development of the Group.

During the Year, Mr. Kwan Kam Tim acted as the chairman of the board and CEO until his resignation as the CEO with effect from 27 May 2022. Mr. Poon Pui Kit was appointed as the CEO in replacement of Mr. Kwan with effect from 27 May 2022.

## Corporate Governance Function

The Board is responsible for performing the functions set out in the code provision A.2.1 of the CG Code. The Board recognises that corporate governance should be the collective responsibility of the Directors which includes:

1. to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
2. to review and monitor the training and continuous professional development of Directors and senior management;
3. to develop, review and monitor the code of conduct and compliance manual applicable to employees and Directors;
4. to develop, review and monitor the Company's policies and practices on corporate governance and make recommendations to the Board and report to the Board on matters;
5. to review the Company's compliance with the CG Code and disclosure in the corporate governance report; and

The Board has performed the above functions during the Year.

## Audit Committee

The Audit Committee was established on 18 October 2019 with written terms of reference in compliance with the CG Code. The written terms of reference of the Audit Committee are published on the respective websites of the Stock Exchange and the Company. As at 31 December 2022, the Audit Committee comprises three the INEDs, namely Prof. Mo Lai Lan, Mr. Chin Wai Keung Richard and Prof. Hons. Lau Chi Pang, *BBS, J.P.*. Prof. Mo Lai Lan is the chairlady of the Audit Committee.

The primary duties of the Audit Committee include, among others:

- making recommendations to the Board on the appointment, reappointment and removal of the external auditor, and approving the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal;
- reviewing and monitoring on the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with the applicable standards;

## Corporate Governance Report

- monitoring the integrity of the Company's financial statements and annual report, interim report and, if prepared for publication, quarterly reports, and reviewing significant financial reporting judgments contained in them;
- reviewing the Company's financial controls, risk management and internal control systems and the Group's financial and accounting policies and practices;
- discussing the risk management and internal control systems with management to ensure that management has performed its duty to have effective systems, including the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting functions;
- considering major investigation findings on risk management and internal control matters as delegated by the Board or on its own initiative and management's response to these findings; and
- performing the Company's corporate governance functions.

During the Year, the Audit Committee held three meetings with the Company's senior management and independent auditors to (i) consider the independence and work scope of the independent auditors; (ii) review and discuss the Group's financial reporting; and (iii) review the risk management and internal control systems, the effectiveness of the Company's internal audit and risk control functions, the Group's interim and annual financial statements and the opinions and reports of independent auditors, and submit the report to the Board for approval.

### Remuneration Committee

The Remuneration Committee was established on 18 October 2019 with written terms of reference in compliance with the CG Code. The written terms of reference of the Remuneration Committee are published on the respective websites of the Stock Exchange and the Company. As at 31 December 2022, the Remuneration Committee comprises two INEDs, namely Prof. Hons. Lau Chi Pang, *BBS, J.P.* and Mr. Chin Wai Keung Richard, and one executive Director, Mr. Kwan Kam Tim. Prof. Hons. Lau Chi Pang, *BBS, J.P.* is the chairman of the Remuneration Committee.

The primary duties of the Remuneration Committee include, among others:

- making recommendations to the Board on the Company's policy and structure for the remuneration of all Directors and senior management and on the establishment of a formal and transparent procedure for developing the remuneration policy;
- reviewing and approving the management's remuneration by reference to the Board's corporate goals and objectives;
- either: (i) to determine, with delegated responsibility, the remuneration packages of individual executive Directors and senior management; or (ii) to make recommendations to the Board on the remuneration packages of individual executive Directors and senior management.

## Corporate Governance Report

The remuneration of the members of the senior management by band for the Year is set out below:

Emolument bands (HK\$)	Number of persons
HK\$Nil to HK\$500,000	1
HK\$500,001 to HK\$1,000,000	1
HK\$1,000,001 to HK\$1,500,000	1
HK\$2,500,001 to HK\$3,000,000	2
HK\$7,000,000 to HK\$7,500,000	1
	6

### Nomination Committee

The Nomination Committee was established on 18 October 2019 with written terms of reference in compliance with the CG Code. The written terms of reference of the Nomination Committee are published on the respective websites of the Stock Exchange and the Company. As at 31 December 2022, the Nomination Committee comprises two INEDs, namely Prof. Hons. Lau Chi Pang, *BBS, J.P.*, and Mr. Chin Wai Keung Richard, one executive Director, Mr. Kwan Kam Tim. Prof. Hons. Lau Chi Pang, *BBS, J.P.*, is the chairman of the Nomination Committee.

The primary duties of the Nomination Committee include, among others:

- reviewing the structure, size and composition (including the skills, knowledge, experience and diversity of perspectives) of the Board at least annually and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy;
- identifying individuals suitably qualified to become Board members and selecting or making recommendations to the Board on the selection of individuals nominated for directorships;
- assessing the independence of the INEDs;
- making recommendations to the Board on the appointment or re-appointment of Directors and succession planning for the Directors (in particular the chairman and the chief executive); and
- reviewing the Board Diversity Policy and the measurable objectives that the Board has set for implementing such policy, and the progress on achieving the objectives and disclosing the Board Diversity Policy or a summary of the Board Diversity Policy in the corporate governance report of the Company.



# Corporate Governance Report

## Meeting Attendance

The attendance of Directors at Board meetings and meetings of the Board committees and general meetings during the year ended 31 December 2022, as well as the number of such meetings held, is set out as follows:

### Meetings attended/held

Directors	Board	Audit Committee	Remuneration Committee	Nomination Committee	General Meetings
<i>Executive Directors</i>					
Mr. Kwan Kam Tim	10/10	N/A	2/2	1/1	1/1
Mr. Yip Wing Shing	10/10	N/A	N/A	N/A	1/1
Mr. Gao Shufang	10/10	N/A	N/A	N/A	1/1
Ms. Leung Ng Mui May	10/10	N/A	N/A	N/A	1/1
<i>Independent Non-Executive Directors</i>					
Prof. Hons. Lau Chi Pang, <i>BBS, J.P.</i>	9/10	3/3	2/2	1/1	0/1
Mr. Chin Wai Keung	10/10	3/3	2/2	1/1	1/1
Prof. Mo Lai Lan	10/10	3/3	N/A	N/A	1/1

## DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING IN RESPECT OF FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements for the Year which give a true and fair view of the affairs of the Company and the Group and of the Group's results and cash flows. The Directors were not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Group's ability to continue as a going concern.

The statement by the auditor regarding their reporting responsibilities on the consolidated financial statements of the Company is set out in the Independent Auditor's Report of this annual report.

## External Auditors' Remuneration

PricewaterhouseCoopers are re-appointed as the external auditors of the Company upon the recommendation of the Audit Committee.

An analysis of the remuneration paid to the external auditors of the Company, PricewaterhouseCoopers, in respect of audit services and non-audit services for the year ended 31 December 2022 is set out below:

Emolument bands (HK\$)	Fee Paid/Payable
Audit services relating to:	
– Annual audit services for the year ended 31 December 2022	HK\$2,250,000
Non-audit services relating to:	
– Tax services	HK\$40,000
<b>Total</b>	<b>HK\$2,290,000</b>

# Corporate Governance Report

## Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as its own code of conduct regarding Directors’ securities transactions. Having made specific inquiries with all the Directors, each of the Directors has confirmed that he/she complied with the Model Code during the Year.

## RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges its overall responsibility for maintaining an adequate and effective risk management and internal control systems of the Group and reviewing their effectiveness.

The Company has established a risk management policy to address potential risks associated with its business operations, including strategic risks, operational risks and legal compliance risks. Procedures have been set up for, inter alia, identifying, analysing, categorising, mitigating and monitoring risks, and safeguarding assets against unauthorised use or disposition, maintaining proper accounting records and ensuring reliability of financial information, ensuring compliance with relevant legislation and regulations and protecting the interests of the Shareholders. Such systems are designed to manage, rather than eliminate the risk of failure to achieve business objectives, and aims to provide a reasonable, as opposed to an absolute assurance against material misstatement or loss. Under its framework, general management, finance and accounting departments are primarily responsible for the design, implementation and maintenance of the risk management and internal control systems, while the Board and the Audit Committee oversee the actions of management and monitor the effectiveness of these systems and resolve any material internal control defects (as appropriate) so as to safeguard the Group’s assets.

During the Year, the Company conducted a review and assessment of risk management and has engaged an independent internal control consulting firm to perform an overall assessment on the Group’s internal control system including the areas of financial, operation, compliance and risk management with the aims of, among other matters, improving the Group’s corporate governance and ensuring compliance with the applicable laws and regulations. Based on its internal control review, the independent internal control consulting firm recommended certain internal control improvement measures to the Group and the Group has adopted them.

In order to maintain sound and effective risk management and internal control systems, the Company has established and maintained stringent internal control procedures including the adoption of a corporate governance manual. Internal reporting guidelines have been developed at all department levels of the Company for identifying potential events of non-compliance, and all employees have been encouraged by management to report promptly any potential or actual non-compliance.

During the Year, the Board appointed a professional consulting firm with the responsibility to conduct internal audit function and assess risks of the Company and perform the agreed-upon procedures in relation to the internal controls of the business of the Group. The Board considers that the Group’s risk management and internal control are adequate and effective. The Board expects that a review of the risk management and internal control systems will be performed annually.

## Handling of Inside Information

With a view to identifying, handling and disseminating inside information in compliance with the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the “**SFO**”), procedures including notification of regular blackout period and securities dealing restrictions to relevant Directors and employees, identification of project by code name and dissemination of information to stated purpose and on a need-to-know basis have been implemented by the Group to guard against possible mishandling and/or unauthorised use of inside information within the Group.

# Corporate Governance Report

## COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Company considers that effective and on-going communications with Shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company also recognises the importance of transparency and timely disclosure of corporate information, which will enable Shareholders and investors to evaluate the performance of the Group. Therefore, the Company has the responsibility to maintain an on-going dialogue with the shareholders to provide them with the information necessary to evaluate the performance of the Company.

The general meetings of the Company provide a forum for constructive communication between the Board, senior management and the Shareholders. The chairman of the Board as well as chairman of the Audit Committee, the Remuneration Committee and the Nomination Committee or, in their absence, other members of the respective committees, shall be available to answer questions at shareholders' meetings.

The Company also communicates with the Shareholders, investors and general public through the annual report, interim report and other corporate announcements.

To promote effective communication, the Company maintains a website at [www.acmehld.com](http://www.acmehld.com), where up-to-date information and updates on the Company's structure, Board of Directors, business developments and operations, financial information, corporate governance practices, results of the Company (annual and interim), press releases and other information are posted.

## SHAREHOLDERS' RIGHTS

The Board and management shall ensure shareholders' rights and all shareholders are treated equally and fairly. Pursuant to the Articles of Association, any shareholder entitled to attend and vote at a general meeting of the Company is entitled to appoint another person as his/her proxy to attend and vote instead of him/her. Shareholders holding not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company shall have the right, by written requisition to the Board or the secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition.

To safeguard the shareholder interests and rights, a separate resolution should be proposed for each substantially separate issue at shareholder meetings, including the election of individual Directors. All resolutions put forward at shareholders' meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of the Stock Exchange after each shareholders' meeting.

Shareholders may put forward their written enquiries to the Board. In this regard, Shareholders may send their enquiries or requests as mentioned to the following:

Head office: Unit 3007-3008, 30/F, West Tower, Shun Tak Centre, 168-200 Connaught Road Central,  
Sheung Wan, Hong Kong

Principal Place of business: Unit A, 15/F., Infotech Centre, 21 Hung To Road, Kwun Tong, Hong Kong

Fax: (852) 2350 0101

Telephone: (852) 2350 0102

## Corporate Governance Report

Pursuant to article 58 of the Articles of Association, Shareholder(s) holding not less than one-tenth of the paid up capital of the Company which carry the right of voting at general meetings of the Company can make a written requisition to convene an extraordinary general meeting. The requisition must state the objects of the meeting, and must be signed by the relevant shareholder(s) and deposited at the registered office of the Company. Such extraordinary general meeting shall be held within 2 months after the deposit of such requisition. If within 21 days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

There are no provisions in the Articles of Association for Shareholders to put forward proposals at general meetings of the Company. Shareholders who wish to put forward proposals may request the Company to convene an extraordinary general meeting in accordance with the procedures set out above.

### CONSTITUTIONAL DOCUMENTS

The constitutional documents of the Company are available on the websites of the Company ([www.acmehld.com](http://www.acmehld.com)) and the Stock Exchange. There has been no change to the constitutional documents of the Company since the Listing Date.

### JOINT COMPANY SECRETARIES

Mr. Lung Shei Kei (“**Mr. Lung**”) resigned as the Joint Company Secretary with effect from 14 February 2022. Following the resignation of Mr. Lung as the Joint Company Secretary, Mr. Yu Chim Shun (“**Mr. Yu**”) was appointed as the Joint Company Secretary with effect from 14 February 2022. For details, please refer to the announcement of the Company dated 14 February 2022.

The joint company secretaries of the Company report to the CEO directly and are responsible to the Board for ensuring that the Board procedures, applicable laws, rules and regulations are followed as well as the Board activities are efficiently and effectively conducted. They are also responsible for ensuring that the Board is fully apprised of the relevant corporate governance developments relating to the Group and facilitating the induction and professional development of the Directors.

According to the Rule 3.29 of the Listing Rules, Mr. Lam and Mr. Yu have taken no less than 15 hours of relevant professional training during the Year. Biographical details of joint company secretaries are set out under “**Biographical Details of Directors and Senior Management**” section in this annual report.

# Environmental, Social and Governance Report

## ABOUT ACME

### Our business and sustainability vision

Acme International Holdings Limited (“**Acme**” or “**the Company**”) and its subsidiaries (collectively, “**the Group**” or “**we**”) are delighted to present our third Environmental, Social and Governance (“**ESG**”) Report with aims to disclose and review the Group’s strategies, measures, performance, and commitments in the area of sustainable development in 2022, while also responds to the stakeholders on their concerns about the Group’s sustainable development. To present our sustainability performance and initiatives in a boarder picture, we have included the subsidiaries of our new energy business in our reporting scope. Meanwhile, we believe that a range of factors, including business related challenges, work ethics, global trends, laws and regulations, etc., are taken into account to constantly promote business growth and to achieve sustainability. We strive to create long-term value for our shareholders.

## 1. ABOUT THIS REPORT

This ESG report (this “**Report**”) details the sustainability strategy, progress, and performance of the Group.

### 1.1 Reporting scope and period

The reporting scope covers the performance and initiatives of the Group’s ESG development on the operations of Acme Gondola Systems Limited and Zhejiang Xinneng Zhonghe Technology Company Limited (“**Xinneng Zhonghe**”) in the covering period from 1 January 2022 to 31 December 2022 (the “**Reporting Year**”, “**2022**”). On 27 November 2022, the Group initiated a winding up of its indirectly-wholly-owned subsidiary, Acme Metal Works (International) Limited (“**Acme Metal**”). Acme Metal represents the whole segment of Façade Work Business and a separate major line of business of the Group. We have included information of the Group and the subsidiaries during the period that we have management control to present our performance in a full picture. Unless otherwise specified, this Report contains information pertaining to the Reporting Year as stated, which is consistent with our financial year.

# Environmental, Social and Governance Report

## 1.2 Reporting basis and principles

This Report has been prepared in accordance with the “Environmental, Social and Governance Reporting Guide” (the “**Reporting Guide**”) set out in Appendix 27 to the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). This Report has been compiled in accordance with all provisions of “mandatory disclosure requirements” and “comply or explain” in the Reporting Guide. The following reporting principles have been adopted in the preparation of this Report:

<b>Materiality</b>	We conducted a comprehensive stakeholder survey in 2022 to better understand our most significant ESG issues. In 2022, a comprehensive stakeholder survey had been conducted to identify our most significant ESG issues. The survey engaged both internal and external stakeholders and the issues of the most importance to both of our business and various stakeholders have been identified as material ESG issues. We focus on these material issues in the Report and ensure a sufficient disclosure of the related information.
<b>Quantitative</b>	We reported our quantitative performance for stakeholders to evaluate the effectiveness of our ESG policies and management systems. Moreover, we disclosed the standards, methodologies, assumptions, and source of conversion factors used for the reporting of key performance indicators (“ <b>KPI</b> ”) where applicable.
<b>Balance</b>	The Report discloses the Group’s progress and challenges in sustainable development management, so as to fully demonstrate our sustainable development performance.
<b>Consistency</b>	We adopted consistent methodologies and reported the changes to the scope and methods to allow for meaningful comparisons of ESG data over time.

## 1.3 Report Disclaimer

All information disclosed in this Report was sourced from the Group’s documents and statistics. The Board of Directors (the “**Board**”) has overall responsibility for the Group’s ESG strategy and reporting. The Board has reviewed and approved this Report before publication. This Report was published in Traditional Chinese and English versions. Should there be any discrepancy between the two versions, the English version shall prevail.

# Environmental, Social and Governance Report

## 2. OUR SUSTAINABILITY APPROACH

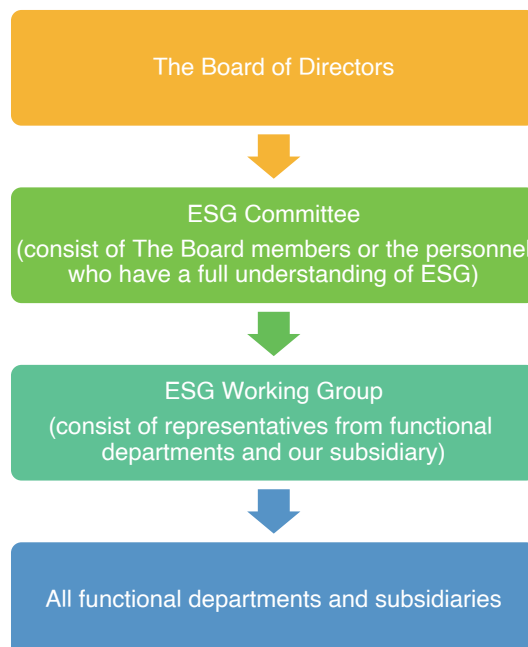
Our commitment to social responsibility goes hand in hand with our pursuit of business growth and success. We believe in fostering strong connections with our stakeholders, while paying close attention to the environmental and social aspects of our operations. This approach reflects our dedication to sustainable development, as we promote the well-being of our community and environment.

### 2.1. ESG Governance

We remain anchored with our environmental and social commitments and have defined clear responsibilities for the Board and a governance structure amongst the Group that lays a solid foundation for our sustainable development.

We firmly believe that a sound governance structure leads to effective management and sustainable development. During the Reporting Year, we have established robust ESG governance framework. We will track, disclose and report detailed process and results of our ESG development progress review in the coming years when feasible.

**The Board** has overall responsibility to oversee the Group's ESG matters, as well as to determine the ESG management priority, approaches, and strategies. The Board oversees the Group's ESG management and provides final approval for the Group's ESG materiality issues, directions and targets. The Board places a huge emphasis on identifying, evaluating, and addressing the key risks in relation to daily operations and ESG, as well as exploring potential opportunities. By regularly reviewing progress and performance related to ESG matters, the Board ensures proper ESG management risk management and internal monitoring systems are in place. The Board is also responsible to approve the disclosure in the ESG reports. The Board Members will keep on continuous development in understanding ESG and its application in our operation, achieve putting of our ESG principles into practice in long run. To ensure the ideas and strategies of sustainability that apply to all levels of the Group are effectively implemented, a top-down approach is adopted.



# Environmental, Social and Governance Report

The Board is the highest decision-making institution in our ESG management structure. ESG Committee and ESG Working Group have been established to better assist and monitor the ESG management.

**The ESG Committee** is authorised by the Board of Directors to participate in the Group’s ESG-related supervision and management. The ESG committee is consist of the Board members, and personnels who have a full understanding of ESG. Its responsibilities include identifying, assessing, and managing material ESG-related issues, coordinating the implementation and execution of all ESG-related tasks, reporting to the Board of Directors on ESG development on a regular basis, communicating the Group’s strategies and specific initiatives in ESG management internally and externally, and submitting ESG related materials to the Board of Directors for approval.

**The ESG Working Group** is composed of representatives from functional departments and our subsidiaries, who are dedicated to facilitating the implementation of ESG strategies in our daily operations.

**All functional departments and subsidiaries** are responsible for the management and data collection of specific ESG issues, and carry out relevant tasks in accordance with the ESG management system and process.

The ESG governance structure enables a timely evaluation on the implemented policies and initiatives in our operation, which encourages a continuous improvement on key ESG targets, performance and progress.

## 2.2 General ESG management approaches

For the sake of striking a balance among business needs, social demands, and environmental impacts, we are committed to embedding sustainable business practices into our operation and to operate in by adhering to the highest ethical standards in the course of business.



We will continuously monitor, review, and improve the Group’s ESG matters, thereby to ensure our approaches to sustainability are always aligning with the join hands of our stakeholders.



## Environmental, Social and Governance Report

We strive to and keep a close eye on the relevant regulations to revise our policies and operations accordingly to prevent any malpractice. For details in relation to our financial performance and corporate governance, please visit our website on <http://www.acmehld.com> and refer to the part of Corporate Governance of our Annual Report.

### 2.3 Engaging with our stakeholders

Our success in today's competitive market depends heavily on the integral role that our stakeholders play in supporting our operations.

We maintain open communication with our stakeholders through regular and structured engagement efforts, aiming to foster strong relationships and build mutual trust. We believe that concerns and opinions from our stakeholders are valuable in strategically improving our sustainability performance. The table below summarises the key stakeholder groups' probable issues of concern and the engagement channels embedded in our operations.

Stakeholders	Probable issues of concern	Communication and responses
<b>HKEx</b>	Compliance with listing rules, timely and accurate announcement.	Meetings, training, roadshows, workshops, programmes, website update and announcements.
<b>Government</b>	Compliance with laws and regulations, prevention of tax evasion, and social welfare.	Interaction and visits, government inspections, tax returns and other information.
<b>Suppliers</b>	Payment schedule, stable demand.	Site visits.
<b>Shareholders/ Investors</b>	Corporate governance system, business strategies and performance, and investment returns.	Organising and participating in seminars, interviews, shareholders' meetings, issuing of financial reports and/or operation reports for investors, media, and analysts.
<b>Media &amp; Public</b>	Corporate governance, Environmental and natural resources management, and human rights.	Issue of newsletters on the Company's website.
<b>Customers</b>	Product quality, delivery times, reasonable prices, service value, labour protection and work safety.	Site visits, and after-sales services.
<b>Employees</b>	Rights and benefits, employee compensation, training and development, work hours, and working environment.	Union activities, trainings, interviews for employees, employee handbooks, internal memos, employee suggestion boxes.
<b>Community</b>	Community environment, employment and community development, and social welfare.	Community activities, employee voluntary activities, community welfare subsidies and charitable donations.

# Environmental, Social and Governance Report

## 2.4 Stakeholders-driven materiality assessment & Matrix

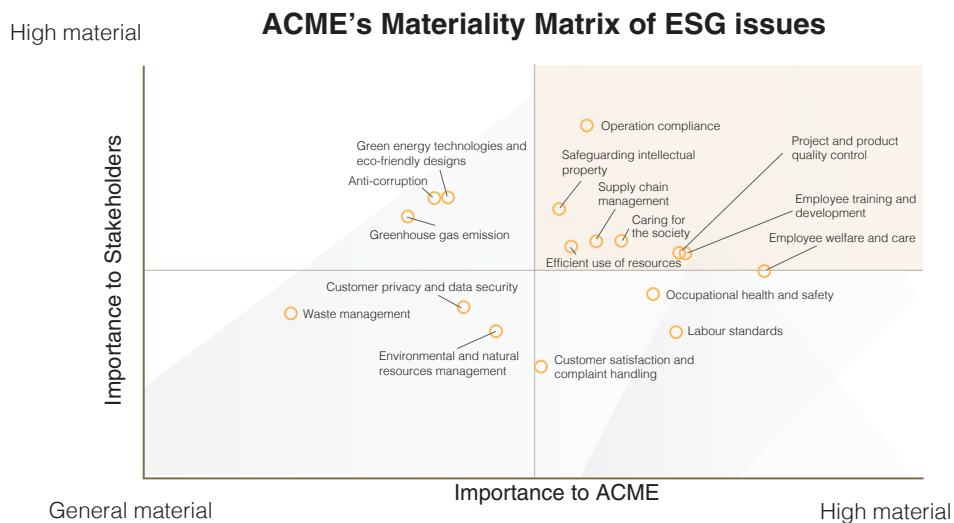
Materiality assessment allows us to prioritise and highlight the material ESG issues for both the Group and our stakeholders. The figure below shows the procedures of our materiality assessment conducted in the Reporting Year:



Our stakeholder groups (e.g. the Board, employees, suppliers) are invited to share their perspectives in ESG and to rate the materiality of the identified 17 ESG issues that would be sufficiently important to themselves as well as the Group’s business operation through online surveys. The results of the materiality assessment were illustrated in two dimensions, namely “Importance to stakeholders” and “Importance to business operation” to prioritise the ESG issues identified.

Based on development trend in the construction industry, along with benchmarking and studies on our stakeholders, we have taken the following considerations while we decide whether the issues should be included in our ESG issues bank, which includes our business development strategies, our financial performance or operations, our stakeholders’ expectation and actions, as well as the current or future environment or society in which we operate. The result of the materiality assessment is subsequently verified by the Board to ensure the result is applicable with our business development. The results of the materiality assessment guide us in formulating our ESG reporting framework and providing insights to our strategic decision-making. We will continuously improve our ESG management approaches along with the join hands of our stakeholders.

The following materiality matrix and list summarise the material issues relevant to us.



# Environmental, Social and Governance Report

According to the analysis result, the Group has prioritised 8 issues as the high materiality issues in the Reporting Year, which are shown in the materiality table below:

## High materiality issues

1. Operation compliance
2. Employee welfare and care
3. Employee training and development
4. Project and product quality control
5. Caring for the society
6. Safeguarding intellectual property
7. Supply chain management
8. Efficient use of resources

## General materiality issues

- Occupational health and safety
- Green energy technologies and eco-friendly designs
- Anti-corruption
- Labour standards
- Greenhouse gas emission
- Customer privacy and data security
- Environmental and natural resources management
- Customer satisfaction and complaint handling
- Waste management

With the inputs and efforts from our stakeholders, we have taken the high materiality ESG issues into considerations of our ESG development. Meanwhile, we have put a particular emphasis on the identified high materiality issues to comply with the “materiality” reporting principles stated in the ESG Reporting Guide, and to respond well to the expectation of our stakeholders. Ample information is also provided for readers to sufficiently understand our performance related general materiality issues. We have summarised the information in the following chapters:



## 2.5 Feedback

We welcome your comments or suggestions regarding our overall sustainability practices and this Report. Your support is the motivating force for our continuous improvement. Please send your feedback and other sustainability enquiries to our head office at [investor@acmehld.com](mailto:investor@acmehld.com).

# Environmental, Social and Governance Report

## 3. OPERATIONAL PRACTICE

The heart of our mission is to unswervingly improve the quality and reliability of the services we offer.

### 3.1 Operation compliance

The Group has established robust risk management structure to ensure compliance with relevant legislation and regulations. We regard compliance management as the basis for maintaining its daily operations and require all departments and subsidiaries to ensure operational compliance and to comply with the Group's policies and the course of business. In the Group, we have acknowledged, emphasised, and strictly abided with the latest ESG-related policies and regulations where we operate. We believe that ESG compliance management is the foundation in our sustainability management.

#### ESG Compliance Management with Laws and Regulations

The following table sets forth the laws and regulations that have a significant impact on the issuer, including but not limited to those social and environmental aspects that our Group confirms are not violated in our operations.

Aspects	Laws and Regulations
Core Business Operation Compliance	
<i>Construction Workers Registration Ordinance (Chapter 583 of the Laws of Hong Kong)</i> <i>Buildings Ordinance (Chapter 123 of the Laws of Hong Kong)</i> <i>Registered Specialist Trade Contractors Scheme in the Construction Industry Council</i> <i>Factories and Industrial Undertakings (Suspended Working Platforms) Regulation (Chapter 59, section 7 of the Laws of Hong Kong)</i>	
Compliance in Social Aspects	
Project Liability and Product Quality	<i>Product Quality Law of the People's Republic of China</i> <i>Law of the People's Republic of China on the Protection of Consumers' Rights and Interests</i> <i>Patent Law of the People's Republic of China</i> <i>Supply of Services (Implied Terms) Ordinance (Chapter 457 of the Laws of Hong Kong)</i> <i>Building Ordinance (Chapter 123 of the Laws of Hong Kong)</i>
Intellectual Property Rights	<i>Specifications for the Administration of Intellectual Property Rights of Enterprises</i> <i>Patent Law of the People's Republic of China</i> <i>Trade Marks Ordinance (Chapter 559 of the Laws of Hong Kong)</i> <i>Trade Descriptions Ordinance (Chapter 362 of the Laws of Hong Kong)</i> <i>Patents Ordinance (Chapter 514 of the Laws of Hong Kong)</i> <i>Copyright Ordinance (Chapter 528 of the Laws of Hong Kong)</i> <i>Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong)</i>

## Environmental, Social and Governance Report

Aspects	Laws and Regulations
Compliance in Social Aspects	
Labour Standard (Relating to compensation and dismissal, recruitment, and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.)	<i>Labour Law of the People's Republic of China</i> <i>Work Safety Law of the People's Republic of China</i> <i>Labour Contract Law of the People's Republic of China</i> <i>Social Insurance Law of the People's Republic of China</i> <i>Law of the People's Republic of China on the Protection of Women's Rights and Interests</i> <i>Law of the People's Republic of China on the Protection of Disabled Persons</i> <i>Employment Promotion Law of the people's Republic of China</i> <i>Dispute Mediation and Arbitration Law of the People's Republic of China</i> <i>Law of the People's Republic of China on the Protection of Minors</i> <i>Guide on Contract Law of the People's Republic of China</i> <i>Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong)</i> <i>Sex Discrimination Ordinance (Chapter 480 of the Laws of Hong Kong)</i> <i>Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong)</i> <i>Disability Discrimination Ordinance (Chapter 487 of the Laws of Hong Kong)</i> <i>Family Status Discrimination Ordinance (Chapter 527 of the Laws of Hong Kong)</i> <i>Race Discrimination Ordinance (Chapter 602 of the Laws of Hong Kong)</i> <i>Minimum Wage Ordinance (Chapter 608 of the Laws of Hong Kong)</i> <i>Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong)</i>
Child Labour and Forced Labour	<i>Provisions on the Prohibition of Using Child Labour Law of the People's Republic of China</i> <i>Employment Ordinance (Chapter 57 of the Laws of Hong Kong)</i> <i>Employment of Children Regulations under the Employment Ordinance (Chapter 57 of the Laws of Hong Kong)</i>
Health and Safety (Relating to providing a safe working environment and protecting employees from occupational hazards)	<i>Law of the People's Republic of China on the Prevention and Control of Occupational Diseases</i> <i>Work Safety Law of the People's Republic of China</i> <i>Fire Safety (Commercial Premises) Ordinance (Chapter 502 of the Laws of Hong Kong)</i> <i>Occupational Safety and Health Ordinance (Chapter 509 of the Laws of Hong Kong)</i>
Marketing and Promotion (Relating to advertising)	<i>Advertising Law of the People's Republic of China</i> <i>Trademark Law of the People's Republic of China</i> <i>Trade Descriptions Ordinance (Chapter 362 of the Laws of Hong Kong)</i>

## Environmental, Social and Governance Report

Aspects	Laws and Regulations
Compliance in Social Aspects	
Information Security (Relating to privacy matters)	<i>Law of the People's Republic of China on the Protection of Consumer Rights and Interests</i> <i>Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong)</i>
Anti-corruption (Relating to bribery, extortion, fraud and money laundering)	<i>Criminal Law of the People's Republic of China</i> <i>Anti-Money Laundering Law of the People's Republic of China</i> <i>Prevention of Bribery Ordinance (Chapter 201 of the Laws of Hong Kong)</i> <i>Independent Commission Against Corruption Ordinance (Chapter 204 of the Laws of Hong Kong)</i>
Compliance in Environmental Aspects	
Relating to air and greenhouse gases emissions, discharges into water and land, and generation of hazardous and non-hazardous waste	<i>Environmental Protection Law of the People's Republic of China</i> <i>Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste</i> <i>Guides on Environmental Protection Tax Law of the People's Republic of China</i> <i>Law of the People's Republic of China on Environmental Impact Assessment</i> <i>The Water Pollution Prevention Law of the People's Republic of China</i> <i>Atmospheric Pollution Prevention and Control Law of the People's Republic of China</i> <i>Law of the People's Republic of China on Prevention and Control of Water Pollution</i> <i>Waste Disposal Ordinance (Chapter 354 of the Laws of Hong Kong)</i> <i>Air Pollution Control (Construction Dust) Regulation (Chapter 311R of the Laws of Hong Kong)</i> <i>Noise Control Ordinance (Chapter 400 of the Laws of Hong Kong)</i> <i>Environmental Impact Assessment Ordinance (Chapter 499 of the Laws of Hong Kong)</i>

### Internal Compliance Checking

We have formulated the Regulatory Compliance Licence Management System to ensure that our operations comply with applicable regulatory requirements.

### Internal compliance regulations in the Compliance Checklist

#### *Compliance with*

- Administrative Licensing: such as the implementation of the responsibility system for safe operation and the licensing system for safe operation;
- Environmental and Safety Behaviors: behaviors in the operation and management of equipment installations and environmental impact;
- Local regulations, local government agreements, operating technology policies, higher authorities, and other relevant requirements.

## Environmental, Social and Governance Report

Regular compliance inspections have been conducted through timely auditing, site inspection, direct observation, review on performance, regular meeting and discussions, to ensure effective and up-to-date compliance measures are in place. We keep written records and supporting documentation for each compliance inspection and follow up on inspection results through our management processes as appropriate.

### 3.2 Project and product quality control

In addition to strict compliance with applicable laws and regulations, we have implemented a comprehensive quality control system that adheres to the ISO 9001:2015 Quality Management Standard. This system enables us to closely monitor our processes and services and ensures that we meet our customers' expectations.

Our qualified design engineers work diligently to ensure that all design and installation works meet the relevant safety standards. To achieve this, we adopt a systematic design process and submit our plans to the Buildings Department for approval before any project commencement. As a contractor, we comply with applicable laws and regulations, and assign designated building professionals to carry out tasks while developing rigorous supervision and quality assurance procedures. In addition, we have established comprehensive management policies, objectives, and assurance measures to ensure safety and quality of our operations.

#### Comprehensive quality control management system

Our Quality Management System (“QMS”) has been accredited with the ISO 9001:2015 certification, and it is documented, implemented, and improved continuously. Our management reviews the overall QMS through annual meeting, which is organised by the top management with members of the QMS Management Review Team nominated by the Group. The main purpose of the review is to ensure the QMS's continuing suitability, adequacy and effectiveness, and the alignment with the strategic direction of the Group. Our process to establish the corresponding quality policies and quality objectives in different projects are the ways to seize the opportunities for improvement and the needs of change for the QMS.

To adhere with ISO 9001:2015, the Plan-Do-Check-Act cycle is our greatest drive to the overall implementation of QMS. Meanwhile, effective leadership is crucial to building a robust quality control culture. Top managers have assigned responsibilities and authority to ensure that the service-providing processes are able to deliver our intended outputs. Nevertheless, in formulating the quality-related policies and communications, we always take into account the compliance obligations regarding safety.

We ensure the timely provision of adequate resources to establish, implement, maintain, and continuously improve our quality management system, with a focus on meeting customer needs and improving customer satisfaction.

# Environmental, Social and Governance Report

## Internal quality assurance

To achieve our quality management objectives and provide guidelines to our staff, we have also developed an internal quality manual. The details are as follows:

Commitments and guidelines on delivery of projects:

- Uphold customers' satisfaction on safety, quality and durability as top priority
- Provide safe and reliable products and services that comply with international recognised quality standards and legal requirements
- Organise appropriate training for employees to enhance the quality of works and services
- Monitor and improve the effectiveness of QMS by conducting periodic internal reviews, data analysis and enhancement

The Quality Policies has been developed according to the Quality Manual with the basis of our fundamental vision, mission, as well as our context, and has been reviewed every two years. The policies are well acknowledged within the Group through induction trainings, refreshment trainings, regular meeting and so on. All staff can access the policies at the common server and the notice boards at head, depot or any sites offices. To ensure service quality, Xinneng Zhonghe entrusts the processing of its products to third parties, and all delivered goods are subject to rigorous inspection by established rules and standards at the factory.

We believe that business success depends on our ability to meet safety regulatory requirements and to meet customer's expectations for quality issues. Based on our sound QMS and the above measures, the Group has not identified any material breach of the relevant laws and regulations in relation to product responsibility on the operations during the Reporting Year.

### 3.3 Intellectual property rights and data privacy

As an operating construction-related and design business, the Group recognises the importance of the protection of both intellectual property rights and data privacy and operates strictly in accordance with the laws and regulations in relation to the protection of personal data of customers and suppliers.

We attach great importance to the certification and patenting of our products. For our professional services in our green energy subsidiary, Xinneng Zhonghe has authentication and certificates recognised across various countries. To protect our intellectual property rights and the interests of our customers and ours, we have formulated the following policies and procedures, as well as data handling processes:



## Environmental, Social and Governance Report

### For Intellectual properties and trademark

- Professional agent will be engaged to verify if the intellectual properties and trademark have already existed to prevent the Group from infringing upon others' ones.
- Regular checks and observations are conducted to monitor any infringement from others occurs so as to protect the Group's own intellectual properties and trademark.
- Licensed software is purchased instead of pirated software.

### For data handling process

- Confidential information is strictly monitored to prevent any direct or indirect information leakage to external parties by any means.
- Unauthorised access to the Group's information system is strictly prohibited.
- Employees are always reminded to adhere to the Employee Handbook regarding the confidentiality clause restricting employees from divulging or communicating any customer or company-related information to any person outside of the Group.

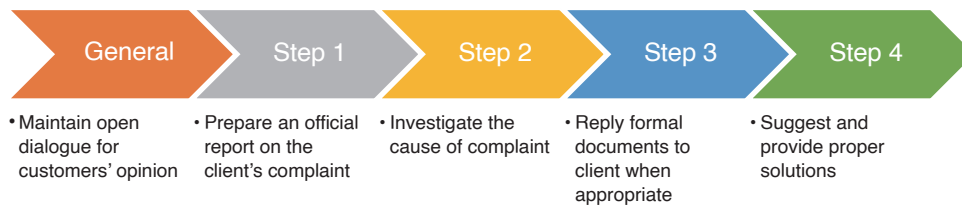
For any third-party organisation engaged by the Group, we formulate strict confidentiality arrangements to ensure that the information is limited to be disclosed under 'Confidentiality Agreement'. All employees and executive directors of the Group are required to sign the contract of confidentiality.

### 3.4 Project and product liability

After completion of construction projects, we have provided liability period to our customers subject to terms set out in the contracts, and while provide warranty services on certain aspects such as glazing and waterproofing works. Meanwhile, we strictly follow the laws and regulations in relation to sales, we as a service provider shall provide prudential and technically reasonable services during the dedicated period. Meanwhile, any deceptive or unfaithful promotion or competition is strictly prohibited in the Group.

## Environmental, Social and Governance Report

Comments and suggestions from customers are one of the key factors that allow continuous improvement of our product and service quality. To ensure that we address all complaints and suggestions in a prompt and effective manner, we have established the *Complaint Handling Procedure* that outlines the necessary actions and approaches for handling different types of complaints. Standardised procedures have also been formulated for managing and resolving customer complaints. Our complaint channels are in place to welcome all customers providing feedbacks through mail, telephone hotline or visit in person. The general complaint handling procedures are as follow:



At Xinneng Zhonghe, each customer is assigned with a dedicated service specialist, who can be reached directly by email or phone for any comments or concerns about our products or services. The service specialists are authorised to negotiate and resolve all issues within their scope of authority. Issues that exceed their authority will be escalated to senior management for resolution and to ensure that our customers receive satisfactory responses. In addition, exclusive agency agreements are signed with customers to protect their rights and interests.

Based on the above comprehensive measures, the Group has not identified any material breach of the relevant laws and regulations in relation to sales services and there are no substantiated complaints relating to the provision and use of products and services that have a significant impact to the Group during the Reporting Year.

## 4. RESPONSIBLE OPERATION

As a responsible institution, the Group has been operating on the principles of honesty, ethics and integrity and advocates the principles of sustainable development by working hand in hand with our business partners to create value for the society.

### 4.1 Anti-corruption

It is our long-standing attitude to combat corruption with integrity.

We prohibit any form of unethical behaviours and follow strictly with the anti-corruption related local laws and regulations. During the Reporting Year, no any material violation on concluded legal case regarding corruption brought against the Group or its employees can be identified.

## Environmental, Social and Governance Report

All forms corruption, including bribery, kickbacks, any kind or in any circumstances from our staff are unacceptable and will not be tolerated. Effective internal Anti-corruption policies and measures have been formulated as below:

### Anti-corruption Policy

All employees are :

- prohibited from accepting all forms of gifts and benefits that are beyond common business hospitality.
- should not offer any forms of bribes or advantages to third parties in exchange for any benefits.

### Whistleblowing Policy

Effective Whistleblowing Policy have been implemented for employees, customers and subcontractors to formalise the procedures on report on any suspected reportable conduct.

- The identity of the whistleblower is kept confidentiality.
- Suspected reportable conduct will be investigated internally and follow up actions will be taken subject to the outcomes of the investigation.

### Various channels on reporting on any suspected malpractices

- The Group values and welcomes employees to report any suspected malpractices through various channels, i.e., emails, website, in person.
- The Group values and welcomes employees to report any suspected malpractices through various channels, i.e., emails, website, in person.

### Regular Anti-corruptions trainings

- Enhance and strengthen employees' understanding and awareness of anti-corruption policies.

During the Reporting Year:

- Materials of 'Compliance and Beyond Training Package on Business Ethics for Listed Companies' offered by ICAC have been used for internal training.
- Reached a 100% on the board engagement in the anti-corruption training.

# Environmental, Social and Governance Report

## 4.2 Responsible supply chain management

We place great emphasis on the procurement and subcontracting principles. In purchasing materials, equipment and services, the Group promotes fair and open competition based on our procurement and subcontracting policies and procedures to ensure that the price, quality, delivery, and services are in line with the best economic benefits.

The Group adheres to the spirit of contract and abides by the principle, purpose, and content of the contract with the suppliers and contractors. As a newly established subsidiary under the Group, Xinneng Zhonghe is still in the initial stages of its business operations. As such, its internal control policies regarding supply chain management are currently under development and revision.

### Supply chain management mechanism

In addition to a suite of procedures related to procurement and subcontracting activities, we have established an overall sustainable supply chain management mechanism that covers the entire process from supplier selection to performance assessment.

Process	Implemented Measures
<b>Selection</b>	It is crucial to ensure that all the suppliers comply with both statutory and contractual requirements regarding site, materials, and equipment safety. The Group selects reputable and reliable suppliers by formal pre-qualification assessments. The relevant department conducts an evaluation and investigation on all suppliers' reputation, operational background, quality, and prices of materials for initial cooperation.
<b>Control strategy</b>	The Group has a transparent and independent procurement and subcontracting process with the goal of promoting competitiveness, which also serves the interests of its shareholders and other stakeholders. The Group expects to establish a vertically integrated supply chain management system by integrating procurement resources, promoting supplier and subcontractor screening and management mechanisms, and proactively providing comprehensive solutions to meet customer needs.
<b>Review and evaluation</b>	A list of approved subcontractors and suppliers has been established and reviewed regularly. Standard appraisals are conducted by the representatives of Project Management Team annually. Updates and eliminations will be made if any suppliers or subcontractors are not to our required standards. If there is any amendment made to the safety and health requirements, the Safety Supervisor will proactively notify the subcontractors and suppliers to alert them about the new updates. All of the stated practices above are well applicable for all our partners.

# Environmental, Social and Governance Report

## Green procurements

When purchasing fixed assets, the Group gives priority to those with green certification. We encourage our subcontractors and suppliers to fulfil corporate social responsibility and adhere to ethical practices in areas such as workplace operations, marketing, public relations, and environmental responsibility. High ethical standards are expected to be maintained in all business activities, and the offering or acceptance of bribes or other improper advantages is strictly prohibited. In addition, we comply with applicable laws and regulations to regularly disclose information about our business activities, organisational structure, financial performance, and other aspects.

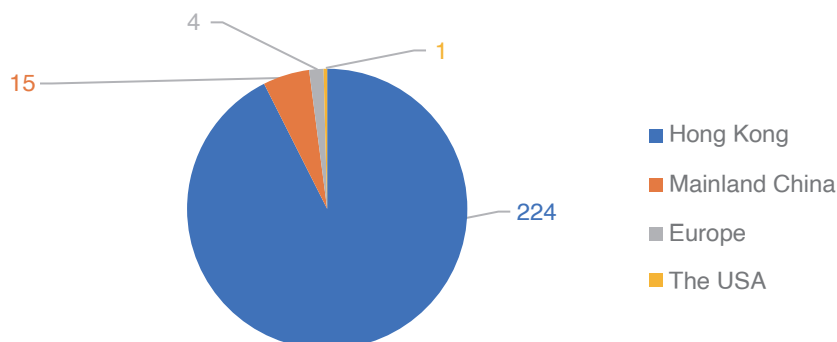
### Case Studies: Choices of Paper procurement

- Paper procurement preference – FSC label
- The Forest Stewardship Council (FSC) is an independent, non-governmental, non-profit organisation dedicated to the conservation and restoration of global forest ecosystems. An FSC certification represents that the products (such as paper) come from responsibly managed forests that provide environmental, social, and economic benefits. FSC ensures that the timber and wood materials used in the products are sourced from FSC-certified forests rather than illegal logging.
- We select FSC label product as a concrete way to support its environmentally responsible and economically sustainable commitments and management of the world's forests.
- Paper Procurement preference – The Singapore Green Label
- Singapore Green Labelling Scheme is administered by the Singapore Environment Council (SEC) since 1999. It is a certification mark that helps the public identify environmentally sustainable products that meet specific ecological standards.
- We select it and promote our employees the awareness of ecological conservation on forest and natural resources.

## Our business partners

We have maintained close ties with 244 partners throughout the Reporting Year, over 90% are local suppliers and subcontractors.

Total number of suppliers and subcontractors



# Environmental, Social and Governance Report

## Aligning with our sustainability value

We value environmental and social related risks in our supply chain to enhance our climate. The Group will continue to explore and to integrate those risks and opportunities in the considerations of quality assessments on subcontractor and suppliers in the future.

We look forward to working with our suppliers, subcontractors, and service providers to go beyond contractual requirements and minimum legal requirements in pursuing environmentally and socially responsible practice objectives in their daily operation towards a sustainable future.

### 4.3 Workplace health and safety

Ensuring the occupational health, safety, and well-being of our employees and subcontractors has always been a central focus for the Group, as evidenced by our core values and internal policies. We follow strictly the laws and regulations, and to report any accident to the Commissioner for Labour and authorities.

#### Safety and health management approach

The Group has established safety and asset management systems, such as the *Occupational Health and Safety Policies*, with an aim of safeguarding the health and safety of our employees, contractors, customers, and the general public. We endeavour to foster a culture that places a high value on health and safety, thereby reducing negative impacts and promoting a healthy workplace. The *Policy Statement* also lays out the guiding principles for safety management, including but not limited to:

- Educating and training our employees regarding their responsibilities and duties;
- Ensuring that our employees and contractors are fully aware of relevant health and safety practices and their obligations;
- Complying with applicable laws and regulations, or setting internal standards that exceed legal compliance;
- Reviewing the status, planning, organisation and implementation of the policy every 1 to 2 years and measuring our safety performance to ensure that it has been understood and maintained at all levels;
- Achieving a high standard of occupational safety and health in compliance with legal requirements as the minimum, and in conformity with the best trade practice for continuous improvement.

The Group strives to provide safe, accident-free workplaces, our Health & Safety Policy applies to all areas of our business.

# Environmental, Social and Governance Report

## On-site safety measures

Our first priority at all times is the safety and health of our site workers and the general public.

In addition to complying with applicable laws and regulations, we adhere strictly to the internal regulations established by our Health and Safety Department at every project site. The implementation of *Legal Compliance and License Management Policy*, *Occupational Health and Safety Policy*, *Construction Site Safety Policy* and the placement of *Site Memo* aim at reducing the number of fatal accident and dangerous occurrence case to zero. Specialised safety procedures and work instructions have provided comprehensive and practical guidelines on managing health and safety. To enhance safety competencies, relevant objectives and targets are established, implemented, and regularly reviewed at relevant business units within our operations.

All site workers must be qualified and licensed to enter the construction sites. Meanwhile, there is at least one Safety Supervisor or senior project manager assigned in each project site to monitor and manage on-site operation safety with “*Compliance Checklist*”. If there are any dissatisfactions or violations in the safety policies, Safety Warning Letter with warnings and administrative penalties will be sent.

To ensure the machines used in the construction sites are always qualified to meet the safety standards, we have entrusted certified engineers to carry out regular and standardised inspections on appliances, including lifting appliances, gears, and the suspended working platform. A weekly check on specific sites and safety evaluations report have been conducted by senior safety supervisor at the safety department to monitor the workplace safety, including employee’s practices, equipment, tools and the safety measures. We have maintained a licence register to monitor the qualification of the site workers in each of the construction sites, so as to maintain health and safety environment situation. Moreover, we encourage safety innovation to promote excellence safety and health.

## Offices safety measures

To promote health and safe at the office area, we have adapted various initiatives. We have established an *Office Safety Inspection Checklist*, covering aspects on working environment, fire prevention and ergonomics with descriptions and status for the management members to review on health and safety concerns at office from time to time. The conducted checklists help the management to identify, review and further improve in maintaining health and safety in office areas.

To ensure each of our employee are able to proactively react to emergency, fire drills and safety inspections will be arranged by Safety Manger from time to time, the activities have been recorded and reported. A safety notice board is placed at office to notify our employees the latest updates on safety issues. To prevent the spread of Coronavirus Disease 2019 (“**COVID-19**”), the epidemic prevention materials such as alcohol hand sanitiser and sprayer, disposable surgical mask and infrared thermometer are well-prepared.

# Environmental, Social and Governance Report

## 4.4 Contributions to the society

We have always emphasised caring for the society in our operation. We have been taking into consideration on how to merge the social needs with our business development. We believe that we are performing social responsibilities and addressing our stakeholders' expectations by providing services with our long-standing responsible and professional attitude. Starting from 2022, our new green energy services are in place to assist achieving sustainability in long run. We will keep on upholding the value of caring for the society in our business development.

Besides, we strive to create long-term value for the community to support the sustainable development of the society. During the Reporting Year, the Group donated a total of HK \$6,000 to support local community development.

We leverage our resources for giving back to the society, and our community investment is focused on youth and industry development. We work closely with the charities and donate annually to the Hong Kong Caritas to support community development projects. In 2022, we sponsored the Vocational Training Council's Outstanding Enterprise Internship Scholarship Scheme to encourage talent development in the construction industry. To have an even greater positive impact on society, we strive to continually strengthen our community programmes and make strategic investments to create social value.



# Environmental, Social and Governance Report

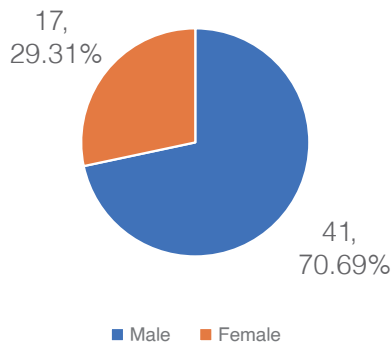
## 5. EMPLOYEE'S WELLBEING

Employees are an integral part of our success. We strive to create a workplace where our employees feel valued and supported and take pride in their contributions to our sustainable development.

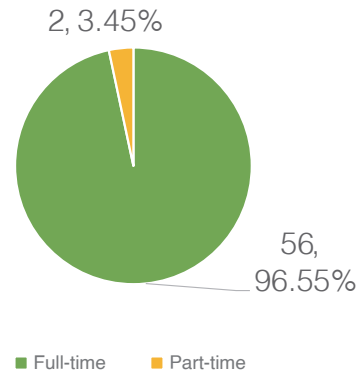
### 5.1 Our people

As of the end of the Reporting Year, the Group has 58 employees. The composition are as follows:

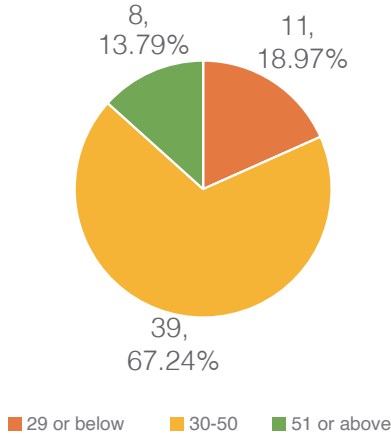
Employment by Gender



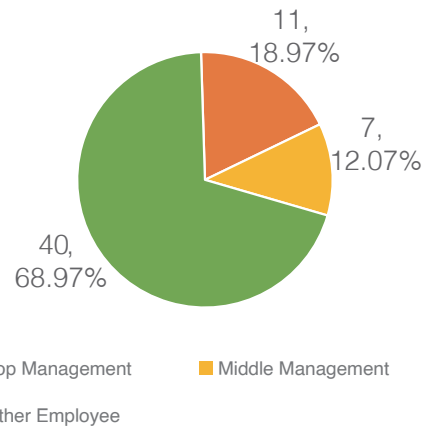
Employment by Employment Type



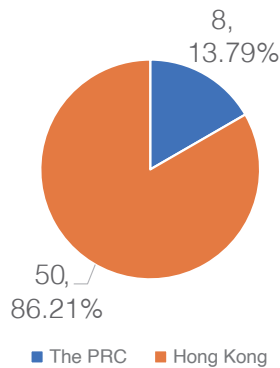
Employment by Age Groups



Employment by Level



Employment by Geographical Locations



# Environmental, Social and Governance Report

## 5.2 Employment and labour standards

The Group actively retains capable talents through reasonable and competitive remuneration and benefits to promote the sustainable development of the Group jointly.

Our human resources policies cover manpower planning, recruitment, compensation, benefits and welfare, staff relations, work arrangement, promotion, and termination, which bond our practices related to employees and ensure we always act in compliance with relevant laws and regulations. The Group also commits to respecting human rights and acknowledges its responsibility as a responsible corporate citizen to promote equal opportunities.

The Group guarantees that no employee is made to work against his/her will, or work as forced labour, or subject to coercion related to work. Recruitment of child labour is strictly prohibited, once discover, immediate dismissal of the employees will be taken. We carefully verify the ID of each candidate to make sure that they meet the requirements of our recruitment policy. We sign Labour Contract with each employee to communicate its employee code of conduct as well as safeguard employee rights and benefits. During the Reporting Year, no material violation on child or forced labour was identified.

### Fair and equal workplace

We strive to create a diverse and inclusive workplace where everyone, regardless of their race, colour, ethnic, national origin, sex, age, marital status, sexual orientation, religious or political beliefs, feels equally involved and supported in all areas of the workplace. These policies are clearly stated in our internal guideline. Operating procedures are established to eliminate all forms of child labour, forced labour and discrimination within our business, such as verifying applicants' identity and eligibility for employment.

We formulate equal opportunities and diversity policies for all employees. No employee is paid less than the minimum wage specified by the government regulations. In addition, monthly salary payments, Mandatory Provident Fund scheme payments, Social Insurance and Housing Provident Fund contributions are made on time. Sufficient coverage of employee compensation insurance is provided.

## 5.3 Employee welfare and care

Through the whistle-blowing mechanism, employees are able to voice out injustice they face. For any reported cases, the Management will investigate into the case immediately, and take further follow-up actions if necessary. The Group will continue to adopt appropriate measures to safeguard the interest of our employees.

Meanwhile, we provide employees five and a half working days per week, with 8 working hours per weekday and 4 working hours per Saturday. Overtime compensation hours and pays are in line with the local laws and regulations. Discretionary bonuses are paid on an annual basis based on the financial achievements of the Group, individual performance, and other relevant factors. The Group has also introduced the key performance indicators assessment scheme to boost performance and operational efficiency.

## Environmental, Social and Governance Report

To promote the social interaction and physical wellbeing of our employees, team-building activities are held regularly during lunchtime or after work. In 2022, the Group set up a designated lounge area for employees to use during work breaks and held a Christmas party to show its appreciation for employees' hard work throughout the year. Xinneng Zhonghe, subsidiary of the Group, organised birthday celebrations for its employees to enhance morale and team coherence.

Seeing talents as a critical asset in our operation, we remain committed to supporting and investing in the well-being and professional development of our current staff.

### 5.4 Employee training and development

Employee empowerment is a top priority for the Group. Our Human Resources Department works as a strategic partner of our business, supporting us to achieve business goals by maximising the value of human capital and facilitating employees to unleash their full potential.

The Group plans to conduct a range of targeted training programmes through various institutions to strengthen employees' skills and knowledge, with an aim to well equip them to cope with its development in the industry. We will provide professional training such as ISO induction training and other regular occupational-related health and safety to every new employee and subcontracted worker. We also plan to develop internal trainings related to our latest green energy business to our employees.

In addition, safety meetings and talks will be held to review if the safety requirements and standards have been met. If any dissatisfactory cases are spotted, additional targeted trainings will be provided to the site workers to enhance their occupational health and safety awareness. Most of our staff possess the Construction Industry Safety Training Certificate and receive annual training outside the Group. We also support our employees to obtain professional qualifications for the advancement of their career development. We encourage employees to maintain open discussions on strengths and improvements of each other.

# Environmental, Social and Governance Report

## 5.5 Employment portfolio summary

Indicator	Unit	2022	
<b>Employee Distribution</b>			
Total Number of Employee	Person	58	
<i>By Gender</i>			
Male	Person	41	
Female	Person	17	
<i>By Employment Type</i>			
Full-time	Person	56	
Part-time	Person	2	
<i>By Employee Categories</i>			
Top Management	Person	11	
Middle Management	Person	7	
Other Employees	Person	40	
<i>By Geographical Locations</i>			
The PRC	Person	8	
HK	Person	50	
<i>By Age Groups</i>			
29 or below	Person	11	
30-50	Person	39	
51 or above	Person	8	
<b>Employee Turnover<sup>1</sup></b>			
Total Number of Employee Turnover	Person	102	
Total Turnover Rate <sup>2</sup>	%	175.86%	
<i>By Gender</i>			
Male	Number of Turnover	Person	74
	Turnover Rate	%	180.49%
Female	Number of Turnover	Person	28
	Turnover Rate	%	164.71%
<i>By Geographical Locations</i>			
The PRC	Number of Turnover	Person	3
	Turnover Rate	%	37.50%
HK	Number of Turnover	Person	99
	Turnover Rate	%	198.00%

<sup>1</sup> The high turnover rate is related to wind-up of the subsidiary in the Reporting Year.

<sup>2</sup> The employee turnover rate is calculated by dividing the number of employee turnover in the category during the Reporting Year by the total number of employees in the category as at the end of the Reporting Year.

## Environmental, Social and Governance Report

Indicator	Unit		2022	
<i>By Age Groups</i>				
29 or below	Number of Turnover	Person	12	
	Turnover Rate	%	109.09%	
30-50	Number of Turnover	Person	68	
	Turnover Rate	%	174.36%	
51 or above	Number of Turnover	Person	22	
	Turnover Rate	%	275.00%	
<b>Employee Health and Safety</b>				
Work-related Fatalities	Number of Person	Rate (%)		
2022	0	0		
2021	0	0		
2020	0	0		
Number of Work-related Injuries	Person	1		
Lost Days Due to Work Injury	Day	9		
<b>Employee Training Distribution<sup>3</sup></b>				
Total Number of Employees Participated in Trainings	Person	7		
<i>By Gender</i>				
Male	Person	5	Rate (%)	71
Female	Person	2	Rate (%)	29
<i>By Employee Categories</i>				
Top Management	Person	7	Rate (%)	100
Middle Management	Person	0	Rate (%)	0
Other Employees	Person	0	Rate (%)	0
<b>Average Employee Training Hours<sup>4</sup></b>				
<i>By Gender</i>				
Male	Hour	0.12		
Female	Hour	0.12		
<i>By Employee Categories</i>				
Top Management	Hour	0.64		
Middle Management	Hour	0		
Other Employees	Hour	0		
<b>Anti-corruption Trainings</b>				
<i>No. of Employee and Board Members</i>				
The Board	Number	7		

<sup>3</sup> The calculation method of the percentage of employee training is: the number of such trained employees/the total number of trained employees.

<sup>4</sup> The calculation of average training hours of employees is based on the total training hours of employees in the category/the total number of employees in the category.

# Environmental, Social and Governance Report

## 6. ENVIRONMENTAL STEWARDSHIP

We have been taking steps to manage and mitigate the environmental impacts of our operations. We aim to be an environmentally sustainable enterprise by further integrating environmental considerations into our business strategies. We manage the possible environmental risks by integrating the environmental protection and conservation considerations into our strategic business planning, project planning and project execution. Environmentally friendly measures and procedures have been put in place and properly implemented.

### 6.1 Environmental and resources management approach

The Group is dedicated to reducing emissions and resources consumption in the course of its daily operations. To translate these commitments into actions, we have implemented initiatives to decrease our carbon footprint, control pollutants, minimise waste through recycling, and adopt responsible practices in the use of energy, water and other natural resources. These initiatives are regularly reviewed through a comprehensive analysis of our environmental key performance indicators related to our operations.

During the Reporting Year, there was no material non-compliance issue with relevant laws and regulations related to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste. The Group will continue to contribute to future sustainable development and be alert to any non-compliance behaviour relating to critical environmental problems.

In the coming future in our ESG development journey, we will work on enhancing our environmental performance by setting up achievable targets and corresponding action plans to minimise our environmental impacts of our operations step-by-step. Nevertheless, we will continue strengthening the efforts of our environmental-conscious green office initiatives with earnest actions from our employees.

### 6.2 Green energy technologies and eco-friendly designs

The Group has launched its green energy technology business, offering solar energy solutions and equipment. Xinneng Zhonghe has completed the registration of its own trademarked brand “SUNEWTRAL” in China, Hong Kong and the European Union, and launched the brand “SUNEWTRAL” globally. As an emerging energy technology company, Xinneng Zhonghe has been well positioned to tap into the field of new energy, and continues to introduce cutting-edge technologies and products to global users through continuous technological innovation and technology iteration. As of we pursuit environmentally sustainable value, we are proactively managing and closely following green energy and future feasibility in application, cooperation, and development in our operation.

# Environmental, Social and Governance Report

## 6.3 Reduction on emissions and pollution

### Air emissions

Our core business activities do not involve in any direct production process, thus no significant amount of gaseous fuel was involved in daily operations. The material pollutants come from the usage of our 2 automobiles, for inevitable transportation for employees, which causes air emissions, including nitrogen oxides (“**NOx**”), sulphur oxides (“**SOx**”) and particulate matters (“**PM**”). As the Group has not owned any vehicles since the winding-up of our subsidiary, the emissions generated were a result of our previous ownership. The Group has implemented eco-friendly measures, with the objective of reducing carbon footprints in our business operations. Below are the emissions reduction measures that we implemented during the period when we owned vehicles:

- All vehicles were under frequent and regular checks and maintenance to ensure no energy inefficiency occurred.
- For transportation logistics, our drivers planned the route ahead with the shortest distance to reduce unnecessary consumption of fuel.
- We also encouraged employees to travel by public transport instead of private cars.

### Greenhouse gas (“GHG”) emissions

The emissions of GHG are directly contributed by the consumption of electricity for operations of the office as well as a warehouse in Hong Kong and the usage of automobiles. Alongside the direct emission sources, there was another indirect emission source noted as the paper waste disposal at landfills in relation to our business operations.

We have implemented several measures to reduce our greenhouse gas emissions so as to demonstrate our determination of maintaining environmental sustainability.

- To encourage our staff to switch off all idle appliances.
- Uses of energy-efficient appliances, as well as the promotion of the use of natural lighting in the office and warehouse.
- Promote office recycling work, including papers; Transportation-related measure as stated.

# Environmental, Social and Governance Report

## Waste management

Due to our business nature, there was no hazardous waste being involved in our operation during the Reporting Year. We will keep on monitoring and recording to take appropriate and responsible handling of hazardous waste if necessary. The non-hazardous wastes are mainly paper waste and domestic waste produced in office operations. To reduce paper waste as well as the impact of paper production on the environment, we prefer to use FSC and Singapore Green Labelling Scheme certified paper and recycle single-sided printing paper for reuse. As part of our commitment to a paperless office, Xinneng Zhonghe has uploaded its documents, including internal policies and business information, to a cloud-based storage service for employees to access electronically.

Nevertheless, we are also committed to decreasing the production of waste by applying the following measures.

<b>Advocating paperless work environment</b>	<ul style="list-style-type: none"> <li>• Encourage to reuse the single-side-printed paper.</li> <li>• Electronic documents and online systems are encouraged instead of printed documents.</li> </ul>
<b>Encouraging Recycling</b>	<ul style="list-style-type: none"> <li>• Wastepaper recycling stations are placed next to each of the printer for recycling purpose.</li> <li>• Return the used toners to the suppliers every month for recycling purpose in order to avoid additional wastes to be produced.</li> </ul>
<b>Avoid the use of disposable materials</b>	<ul style="list-style-type: none"> <li>• Employees are encouraged to reduce the domestic waste. Steam and microwave ovens are placed to encourage employees to bring their own lunches and detergents for cleaning tableware were provided.</li> </ul>

## 6.4 Managing resources consumptions

Electricity and water are the main resources consumed of the Group. We have undertaken carbon reduction measures in our daily operations to reduce carbon footprint. The use of packaging materials is not material to the Group due to our business nature, thus no packaging material consumption can be identified during the Reporting Year.

Meanwhile, The Group takes the initiative to become an environmental-friendly and sustainable enterprise, we will focus on implementing green office initiatives. Xinneng Zhonghe, subsidiary of the Group, has implemented a green office policy that involves posting internal policies and procedures on Cloud Drive and in the office. The company also urges its staff to strictly follow them.

## Energy consumption

The largest contributor to the GHG footprint is the electricity consumed by the offices of the Group. The essentialness of energy conservation has been emphasised by the Group. We encourage our staff to develop an energy-saving habit. Xinneng Zhonghe, subsidiary of the Group, also promotes energy conservation and environmental protection in its offices. This includes installing energy-saving panels and removing unused ceiling spotlights, among other measures, to effectively reduce power and energy consumption.



## Environmental, Social and Governance Report

### Water consumption

The Group strives to conserve water resources and minimise water consumption through various efforts. As the water supply is centrally managed by its respective property management company and there is no separate metre for individual office unit, it is not feasible for us to provide relevant water usage data. We are working actively to improve our resource efficiency, with a particular focus on reducing water consumption in the future. We have now affixed water saving promotion materials over the offices. We are committed to increase the awareness of our employees on saving water. During the Reporting Year, the Group did not encounter any water sourcing issue as the water sourced from governmental bodies and the quantity met our daily business operation needs.

### 6.5 Responding to climate change

The Group recognises the severity of climate change, we strive to optimise business operations in achieving greater energy efficiency, and secure value chain alternatives to cope with climate change.

In the future, we believe that, through supportive coordination of our ESG Working Group and ESG Committees, risks and opportunities related to climate change, as well as the policies and initiatives formulation for relevant risk mitigation, adaptation and disclosures, will be continuously explored in the Group's strategical development in our sustainable development pathway. We strive to adopt precautionary measures to ensure that the Group is well prepared for any potential impact and to further build up our business climate resilience.

### Identifying potential risks and opportunities

The Group has been closely monitoring the impacts of climate change. As physical risk, climate change increases the occurrence of extreme weather-related events such as typhoons and heavy rains. This risk may upset the project operation plans and influence the stability of the site's equipment, such as suspended working platforms. Meanwhile, the extreme weather may bring business opportunities in temporary inspection and maintenance projects on buildings or construction sites.

As we take advantage of the opportunities presented by climate change, our new energy business will continue to respond to rising demand for energy transformation in the market by offering high-quality clean energy and professional services.

The Group will proactively investigate other climate change transitional risks such as policy risk, technology risk and reputational risk, as well as any potential losses caused by climate-related disasters caused by the Group.

### Mitigating and responding to the potential risks

The Group strives to mitigate the stated potential risks with strategies and prevention measures. We have formulated policy in relation to several emergency scenarios on extreme weather conditions. Different contingency arrangements are set up regarding various weather conditions. Once the information related to a typhoon signal is received from Hong Kong Observatory, it will be disseminated through phone calls. The project manager will inform all staff to take appropriate safety measures in advance to ensure the equipment operates normally under typhoons or torrential rains.

# Environmental, Social and Governance Report

## 6.6 Environmental key performance summary

<b>Environmental Data<sup>5</sup></b>			
<b>Air Emissions<sup>6</sup></b>			
<b>KPI</b>	<b>2022</b>	<b>2021</b>	<b>Units</b>
NO <sub>x</sub>	0.85	0.93	Kg
SO <sub>x</sub>	0.02	0.02	Kg
PM <sub>10</sub>	0.06	0.08	Kg
<b>Greenhouses Gases Emissions (GHG)</b>			
<b>KPI</b>	<b>2022</b>	<b>2021</b>	<b>Unit</b>
Scope 1 <sup>7</sup> – Direct emissions from mobile combustion sources	3.51	3.83	Tonnes CO <sub>2</sub> e
Scope 2 <sup>8</sup> – Indirect emissions from electricity consumption	50.20	60.77	Tonnes CO <sub>2</sub> e
Scope 3 <sup>9</sup> – Indirect emissions from paper waste disposed at landfills and business air travel by employees	5.03	22.21	Tonnes CO <sub>2</sub> e
Total Greenhouse Gas Emissions	58.74	86.82	Tonnes CO <sub>2</sub> e
Intensity <sup>10</sup>	1.01	0.69	Tonnes CO <sub>2</sub> e/employee
<b>Waste<sup>11</sup></b>			
<b>KPI</b>	<b>2022</b>	<b>2021</b>	<b>Unit</b>
Non-hazardous waste produced	1.26	5.02	Tonnes
Intensity	0.02	0.04	Tonnes/employee
<b>Resources Usage</b>			
<b>KPI</b>	<b>2022</b>	<b>2021</b>	<b>Unit</b>
Water <sup>12</sup>	N/A	N/A	Cubic Metres
Total Energy Consumptions	140.6	177.2	MWh
Intensity	2.4	1.4	MWh/employee
<i>Direct Energy</i>			
Petroleum <sup>13</sup>	12.8	13	MWh
Total Direct Energy	12.8	13	MWh
<i>Indirect Energy</i>			
Electricity <sup>14</sup>	127.83	164.2	MWh
Total Indirect Energy	127.83	164.2	MWh

## Environmental, Social and Governance Report

- <sup>5</sup> The data has shown in two years for meaningful comparison, which refers to the Reporting Year “2022” (From 1 January 2022 to 31 December 2022), and the last Reporting Year “2021” (From 1 January 2021 to 31 December 2021) respectively. As stated in Reporting scope of the Report, there are variations in reporting scope due to business development. Major differences between the data of the periods, unless otherwise stated, are related to the the inclusion of available data of Xinneng Zhonghe in the Reporting Period.
- <sup>6</sup> Air emissions are from the use of vehicles. The data of air emissions is calculated air pollutant emissions from vehicles during the period we owned vehicles. All vehicles were sold in the Reporting Year. The calculation method of air emission of vehicles refers to the *Technical Guide for Air Pollutant Emission Inventory for On-road Vehicles (Trial Implementation)* issued by the Ministry of Ecology and Environment of the People’s Republic of China.
- <sup>7</sup> Scope 1 GHG emissions are from the combustion of fuel of vehicle. The calculation method of GHG emission of vehicles refers to the *Guidelines for Accounting and Reporting Greenhouse Gas Emission China Land Transportation Enterprises (Trial)* issued by the National Development and Reform Commission of the People’s Republic of China and the *Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purposes) in Hong Kong 2010 Edition* issued by the Environmental Protection Department and the Electrical and Mechanical Services Department of Hong Kong.
- <sup>8</sup> Scope 2 GHG emissions are from indirect GHG emissions generated in the production process of purchased power. The GHG emissions in Mainland China are calculated based on *the Notice on Doing a Good Job in 2023-2025 Reporting and Management of Greenhouse Gas Emissions of Power Generation Enterprises* published by the General Office of the Ministry of Ecology and Environment of PRC., and the calculation of GHG emissions caused by power use in Hong Kong adopts to the emission factors in the *Sustainability Report of CLP Power Hong Kong Limited in 2022* for office located in Kowloon.
- <sup>9</sup> Scope 3 GHG emissions are from indirect GHG emissions generated in paper waste disposed at landfills and business air travel by employees. The calculation method of GHG emission is based on *How to prepare an ESG Report Appendix 2: Reporting Guidance on Environmental KPIs* issued by the HKEX and methodology to calculate the emissions from air travel are based on *Carbon emissions calculator* on The International Civil Aviation Organization (“**ICAO**”). In 2021, there is no record of business air travel by employees. The decrease of scope 3 emissions is related to the reduced amount of paper disposed at landfills.
- <sup>10</sup> The total amount of employees in 2022 are 58, and the total amount of employees in 2021 are 128 respectively.
- <sup>11</sup> As our business nature, there is zero hazardous wastes recorded on the reporting scope in the Reporting Year. The non-hazardous waste generated refers to domestic wastes and office wastepaper generated from Hong Kong office.
- <sup>12</sup> The water resources data of the offices are unavailable to conduct, as the water supply and discharge are solely controlled by the building management. The water consumption data has shown in “Not Available (N/A)”.
- <sup>13</sup> The fuel consumption was attributed to the fuel consumed during the period we owned vehicles. All vehicles were sold in the Reporting Year. The conversion factor used for converting fuel consumption data from litre to kWh unit is sourced from the Energy Statistics Manual from the International Energy Agency.

# Report of the Directors

The Directors hereby present their annual report together with the audited consolidated financial statements for the Year.

## PRINCIPAL ACTIVITIES

The Company is an investment holding company and through its subsidiaries, is principally engaged in the provision of design and build solutions for facade works that the Group discontinued its operation during the year ended 31 December 2022, provision of design and build solutions for BMU systems and development, design, production and sales of new energy generation and energy storage system that was commenced during the year ended 31 December 2022.

Upon the appointment of liquidators by the sole shareholder's resolution passed on 27 November 2022 and was confirmed at the creditor's meeting held on 9 December 2022, Acme Metal engaged in the Façade Works Business ceased to be a subsidiary of the Company and its financial results was then ceased to be consolidated from the Group.

## RESULTS OF OPERATIONS

The financial results of the Group for 2022 are set out in the consolidated income statement and consolidated statement of comprehensive income on pages 76 to 77 of this annual report.

## FIVE-YEAR FINANCIAL SUMMARY

The summary of the results and of the assets and liabilities of the Group for the last five financial years are set out on pages 163 to 164 of this annual report. The summary shall not constitute a part of the audited consolidated financial statements.

## DIVIDEND POLICY

The Board intends to strike a balance between maintaining sufficient capital to grow the business of the Group and rewarding the Shareholders. The declaration and payment of any dividends by the Company would be subject to the Board's decision and any final dividend for a financial year of the Company would be subject to the Shareholders' approval. The decision to declare or to pay any dividend, and the amount of any dividends, will depend on the Group's earnings, financial condition, cash requirements and availability, and any other factors the Board may consider relevant. These factors and the payment of dividends is at the discretion of the Board and the Board reserves the right to change its plan on any future payment of dividends. The payment of dividend is also subject to any restrictions under the laws of Hong Kong and the Cayman Islands and the Articles of Association.

### Dividend

The Board does not recommend payment of final dividend for the Year (2021: Nil).

# Report of the Directors

## BUSINESS REVIEW

The review of the business of the Group for the Year and the discussion on the Group's business development are set out in the "**Management discussion and analysis**" section and "**Chairman's Statement**" section on pages 6 to 10, and pages 4 to 5 of this annual report, respectively. The Group's key relationship with its stakeholders (including employees, customers and suppliers) who have a significant impact on the Group and on which the Group's success depends, is set out in this annual report. Principal risks and uncertainties facing the Group are set out in the "**Management discussion and analysis**" section on page 10 of this annual report. These discussions form part of the Report of the Directors.

## Environmental, Social and Governance Policies

The Group is committed to protecting the environment, fulfilling social responsibility and promoting employee benefits and development to achieve sustainable growth of its business.

For more details of the Group's performances in environmental and social aspects, please refer to the "**Environmental, Social and Governance Report**" section of this annual report.

## Compliance with Relevant Laws and Regulations

During the Year, the Group was not aware of material non-compliance with the relevant laws and regulations that had a significant impact on the business and operations of the Group.

## Closure of Register of Members

The register of members of the Company will be closed from Wednesday, 24 May 2023 to Tuesday, 30 May 2023 (both days inclusive), during which period no transfer of shares will be registered, for purpose of determining the right to attend and vote at the AGM. All transfer of the Company's shares together with the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong no later than 4:30 p.m. on Tuesday, 23 May 2023 in order for the holders of the shares to qualify to attend and vote at the AGM or any adjournment thereof.

## PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group during the year ended 31 December 2022 are set out in note 15 to the consolidated financial statements.

## MAJOR CUSTOMERS AND SUPPLIERS

During the Year, the five largest customers of the Group accounted for about 65.6% of the revenue of the Group and the largest customer accounted for about 22.2% of the revenue of the Group.

During the Year, the five largest suppliers of the Group accounted for about 68.7% of the purchase of the Group and the largest supplier accounted for about 28.7% of the purchase of the Group.

To the best of the knowledge of the Directors, none of the Directors, their close associates (as defined in the Listing Rules) or any shareholder (which to the knowledge of the Directors owns more than 5% of the Company's issued share capital) had an any beneficial interest in these major customers or suppliers.

## Report of the Directors

### BANK BORROWINGS

Details of the bank borrowings of the Group are set out in note 27 to the consolidated financial statements.

### SHARE CAPITAL

Details of the movements in share capital of the Company during the year ended 31 December 2022 are set out in note 24 to the consolidated financial statements.

### RESERVES

Details of the movement in the reserves of the Group and of the Company during the year ended 31 December 2022 are set out in notes 24 and 34 to the consolidated financial statements, respectively.

### DISTRIBUTABLE RESERVES

As at 31 December 2022, the Company's distributable reserve were HK\$118.5 million (2021: HK\$324.7 million).

### DIRECTORS

During the year and up to the date of this annual report, the Board currently consists of the following seven Directors:

#### Executive Directors

Mr. Kwan Kam Tim (*Chairman*)

Mr. Yip Wing Shing

Mr. Gao Shufang

Ms. Leung Ng Mui May

#### Independent Non-Executive Directors

Prof. Hons. Lau Chi Pang, *BBS, J.P.*

Mr. Chin Wai Keung Richard

Prof. Mo Lai Lan

In accordance with the provisions of the Articles of Association, Mr. Kwan Kam Tim, Ms. Leung Ng Mui May and Prof. Hons. Lau Chi Pang, *BBS, J.P.* will retire and, being eligible, will offer themselves for re-election at the Company's forthcoming AGM.

## Report of the Directors

### DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY OF ITS ASSOCIATED CORPORATIONS

As at 31 December 2022, the interests and short positions of Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, are as follows:

#### Long position in shares and underlying shares of the Company

Name of Director	Capacity/Nature of interest	Number of shares interested	Percentage of shareholding <sup>(1)</sup>
Mr. Kwan Kam Tim <sup>(2)</sup>	Interest in a controlled corporation	120,000,000	19.23%

Notes:

- The calculation is based on the total number of 624,000,000 shares in issue as at 31 December 2022.
- RR (BVI) Limited is the registered and beneficial owner holding 19.23% of the issued shares of the Company. The issued share capital of RR (BVI) Limited is wholly owned by Mr. Kwan. Under the SFO, Mr. Kwan is deemed to be interested in the 120,000,000 shares held by RR (BVI) Limited.

Save as disclosed above, as at 31 December 2022, none of the Directors and the chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations, as recorded in the register required to be kept under section 352 of the SFO or required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

## Report of the Directors

### SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

So far as the directors are aware, as at 31 December 2022, the interest and short positions of the persons, other than a director or chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO are as follows:

#### Long position in shares of the Company

Number of shareholder	Capacity	Number of Shares held/ interested in	Percentage of shareholding <sup>(1)</sup>
Mr. Lin Zhang <sup>(2)</sup>	Interest in controlled corporation	138,440,000	22.19%
Treasure Ship Holding	Beneficial owner	138,440,000	22.19%
RR (BVI) Limited	Beneficial owner	120,000,000	19.23%
Ms. Ma Lai Ling <sup>(3)</sup>	Interest of spouse	120,000,000	19.23%
Mr. Liao Shigang <sup>(4)</sup>	Beneficial owner	44,865,000	7.19%
	Interest of spouse	12,500,000	2.00%
Ms. Zhao Yuzhu <sup>(4)</sup>	Beneficial owner	12,500,000	2.00%
	Interest of spouse	44,865,000	7.19%
Mr. Teng Rongsong <sup>(5)</sup>	Interest in controlled corporation	40,000,000	6.41%
Timeness Vision Limited <sup>(5)</sup>	Interest in controlled corporation	40,000,000	6.41%

Notes:

- The calculation is based on the total number of 624,000,000 shares in issue as at 31 December 2022.
- 138,440,000 shares are beneficially held by Treasure Ship Holding Limited, the entire issued share capital of which is beneficially held by Mr. Lin Zhang.
- Ms. Ma Lai Ling is the spouse of Mr. Kwan and is deemed, or taken to be, interested in all Shares in which Mr. Kwan has interest in under the SFO.
- Mr. Liao Shigang is the beneficial owner of 44,865,000 shares. Ms Zhao Yuzhu, being Mr. Liao Shigang's wife, is the beneficial owners of 12,500,000 shares. Mr. Liao Shigang is therefore deemed to be interested in the Shares owned by Ms. Zhao Yuzhu. Ms. Zhao Yuzhu is also therefore deemed to be interested in the Shares owned by Mr. Liao Shigang.
- 40,000,000 shares are beneficially held by Trinity Gate Limited, the entire issued share capital of which is, beneficially held by Timeness Vision Limited, whose entire issued share capital is beneficially held by Mr. Teng Rongsong.

Save as disclosed above, as at 31 December 2022, the Company had not been notified of any persons (other than a Director or chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company that were recorded in the register required to be kept under section 336 of the SFO.



## Report of the Directors

### SHARE OPTION SCHEME

#### Pre-IPO Share Option Scheme

A pre-IPO share option scheme (“**Pre-IPO Share Option Scheme**”) was adopted by the Company on 21 March 2019 and will expire on 21 March 2029 to recognise the contribution of certain members of the Board and chief executives of the Group to the growth of the Group and/or to the listing of the Shares on the Stock Exchange (the “**Listing**”) by granting options to them as incentive or reward, and to attract, retain and motivate the employees of the Group to contribute to the Group and/or strive for future development and expansion of The Group. No options have been exercised during the year and up to the date of this annual report.

The total number of shares in respect of all options granted under the Pre-IPO Share Option Scheme is 23,400,000 shares, representing approximately 3.75% of the issued shares as at the date of this report. No further options will be offered or granted under the Pre-IPO Share Option Scheme, as the right was terminated upon the Listing.

During the Year, the Company and each of the grantees of the Pre-IPO Share Option have mutually agreed to cancel the Pre-IPO Share Option Scheme. As of the date of cancellation, all of the Pre-IPO Share Options have not been vested, exercised or lapsed.

The following table sets forth a summary of the grantees who have been granted options under the Pre-IPO Share Option Scheme:

Name of grantee	Position of grantee	Date of grant	Exercise price per share	Number of	Number of	Number of
				share options granted as at 1 January 2022	share options cancelled during the Year	share options granted as at 31 December 2022
Ms. Leung Ng Mui	Executive director	21 March 2019	HK\$0.115	3,900,000	(3,900,000)	–
Mr. Poon Pui Kit	Chief executive officer	21 March 2019	HK\$0.115	11,700,000	(11,700,000)	–
Mr. Wong Lap Sun	General manager	21 March 2019	HK\$0.115	3,900,000	(3,900,000)	–
Mr. Lau Bing Shing	General manager and project director	21 March 2019	HK\$0.115	3,900,000	(3,900,000)	–

Save as disclosed above, as at 31 December 2022, none of the Directors or their spouses or children under 18 years of age were granted any rights to subscribe for any equity or debt securities of the Company or any of its associated corporations under the Pre-IPO Share Option Scheme.

Details of the share options granted under the Pre-IPO Share Option Scheme in current year is set out in Note 24 to the consolidated financial statements.

## Report of the Directors

### Share Option Scheme

On 18 October 2019, the Company adopted a share option scheme ("**Scheme**") for the primary purpose of motivating the Eligible Persons (as defined below) to optimise their future contributions to the Group and/or to reward them for their past contributions, attracting and retaining or otherwise maintaining on-going relationships with such Eligible Persons who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of the Group, and additionally in the case of Executives (as defined below), enabling the Group to attract and retain individuals with experience and ability and/or rewarding them for their past contributions. Subject to the terms of the Scheme, the Board shall be entitled at any time during the life of the Scheme to offer the grant of any options ("**Options**") to subscribe for such number of shares to any Eligible Person as the Board may in its absolute discretion select. The basis of eligibility shall be determined by the Board from time to time.

Persons satisfying any of the following ("**Eligible Persons**") may be offered with options by the Board, at its absolute discretion:

- (a) any executive director of, manager of, or other employee holding an executive, managerial, supervisory or similar position in any member of the Group ("**Executive**");
- (b) any proposed employee, any full-time or part-time employee, or a person for the time being seconded to work full-time or part-time for any member of the Group;
- (c) a Director or proposed Director (including an INED of any member of the Group);
- (d) a direct or indirect shareholder of any member of the Group;
- (e) a supplier of goods or services to any member of the Group;
- (f) a client, consultant, business or joint venture partner, franchisee, contractor, agent or representative of any member of the Group;
- (g) a person or entity that provides design, research, development or other support or any advisory, consultancy, professional or other services to any member of the Group; and
- (h) a close associate (as defined in the Listing Rules) of any of the persons referred to in paragraphs (a) to (g) above.

The Board shall set out the terms in the offer on which the option is to be granted. The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other schemes of the Company must not exceed 30% of the shares in issue from time to time. No options shall be granted under the Scheme at any time if such grant shall result in the scheme limit being exceeded.

The total number of shares which may be issued upon exercise of all options to be granted under the Scheme and any other schemes of the Company shall not in aggregate exceed 10% of the total number of shares in issue as at the date of the Company's shares listing on the Stock Exchange on 8 November 2019 which was 52,000,000, representing 8.33% of the total number of shares in issue as at the date of this report. The Company may seek approval of its shareholders in general meeting for refreshing such 10% limit.

## Report of the Directors

The maximum number of shares issued and to be issued upon exercise of the options granted to each Eligible Person (including both exercised and outstanding options) in any 12-month period shall not exceed 1% of the shares in issue for the time. Any further grant of share options in excess of this limit is subject to Shareholders' approval in a general meeting.

Any grant of options to any Director, chief executive or substantial shareholder (as such term as defined in the Listing Rules) of the Company, or any of their respective associates under the Scheme is subject to the prior approval of the INEDs (excluding INEDs who or whose associates is the grantee of an options). Where any grant of options to a substantial shareholder or an INED, or any of their respective associates, would result in the shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant (i) representing in aggregate over 0.1% of the shares in issue on the date of such grant; and (ii) having an aggregate value, based on the closing price of the shares as stated in the daily quotations sheets issued by the Stock Exchange on the date of grant, in excess of HK\$5.0 million, such further grant of the options shall be subject to prior approval of the shareholders with such person and his associates abstaining from voting in favour of general meeting.

An offer for the grant of option must be accepted within 28 days from the offer date. Options granted shall be taken up upon payment of HK\$1 as consideration for the grant of option. Options may be exercised at any time from the date which option is deemed to be granted and accepted and expired on the date as the Board in its absolute discretion determine and which shall not exceeding a period of 10 years from the date on which the share options are deemed to be granted and accepted but subject to the provisions for early termination thereof contained in the Scheme.

The subscription price is determined by the Board, and shall not be less than whichever is the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of offer; and (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheet for the five business days immediately preceding the offer date; and (iii) the nominal value of share of the Company.

The Scheme shall be valid and effective for a period of 10 years commencing from 18 October 2019. As at the date of this report, the remaining life of the Scheme is approximately 6 years and 6 months. No share options were granted, forfeited, exercised or expired since the adoption of the Scheme.

### **BIOGRAPHICAL DETAILS OF THE DIRECTORS AND THE SENIOR MANAGEMENT**

Biographical details of the Directors and the senior management of the Group are set out in this annual report in the section headed "**Biographical Details of Directors and Senior Management**" on pages 11 to 15.

### **DIRECTORS' SERVICE CONTRACTS**

#### **Executive Directors**

Each of the executive Directors has entered into a service contract with the Company for a specific term of three years (subject always to re-election as and when required under the Articles of Association) until termination.

#### **Independent non-executive Directors**

Each of the INEDs has entered into an appointment letter with the Company for a specific term of three years (subject always to re-election as and when required under the Articles of Association) until termination.

# Report of the Directors

## COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

The emoluments of the Directors and senior management of the Group are decided by the Board with reference to the recommendation given by the Remuneration Committee, having regard to the Group's operating results, individual performance and comparable market statistics.

For the year ended 31 December 2022, no emoluments were paid by the Group to any Director or any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. There was no arrangement under which a Director waived or agreed to waive any emoluments during the year ended 31 December 2022.

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

Except as disclosed above, no other payments have been made or are payable, for the year ended 31 December 2022, by the Group to or on behalf of any of the Directors.

Save as disclosed above, no Director proposed for re-election at the forthcoming AGM has a service contract with the Company which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

## EQUITY-LINKED AGREEMENTS

Save as disclosed in "Share Option Scheme" above, the Group has not entered into any other equity-linked agreements during the year ended 31 December 2022.

## MANAGEMENT CONTRACTS

Other than the Directors' service contracts and appointment letters, no contract concerning the management and administration of the whole or any substantial part of the business of the Group was entered into or in existence as at the end of the year or at any time during the year ended 31 December 2022.

## PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association, or the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

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

Save as disclosed in this annual report, no transactions, arrangements or contracts of significance in relation to which the Company, its holding company or subsidiaries was a party and in which a Director or his connected entities had a material interest, whether directly or indirectly, subsisted during or at the end of the year ended 31 December 2022.

## Report of the Directors

### PERMITTED INDEMNITY PROVISION

A permitted indemnity provision (as defined in the Hong Kong Companies Ordinance) in relation to the directors' and officers' liability insurance is currently in force and was in force during the year and up to the date of this annual report.

### DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year ended 31 December 2022 and as at 31 December 2022, none of the Directors or their respective associates (as defined in the Listing Rules) had any interest in a business that competed or was likely to compete, either directly or indirectly, with the business of the Group, other than being a director of the Company and/or its subsidiaries.

### NON-COMPETITION UNDERTAKINGS

In order to avoid any possible future competition between the Group and Mr. Kwan (the **"Former Controlling Shareholder"**), the Former Controlling Shareholder as covenantor executed a deed of non-competition dated 18 October 2019 (**"Deed of Non-Competition"**) in favour of the Company (for itself and as trustee for its subsidiaries), pursuant to which, the covenantor confirms, inter alia, that other than its/his/her interests in the Company, none of them is engaged in any business which, directly or indirectly, competes or may compete with the business of the Group, or has any interests in such business.

The non-competition undertakings given by a controlling shareholder under the Deed of Non-competition will terminate automatically if (i) such controlling shareholder and/or his/its close associates, individually or taken as a whole, ceases to hold, whether directly or indirectly, at least 30% of the shares of the Company; or the shares of the Company cease to be listed on the Stock Exchange. On 22 April 2022, Mr. Kwan held 180,000,000 shares of the Company, representing 22.43% of the issued shares of the Company. He had ceased to be as the controlling shareholder and the obligations of Mr. Kwan under the Deed of Non-Competition were released on 22 April 2022.

Although the obligations of Mr. Kwan under the Deed of Non-Competition were released on 22 April 2022, the Former Controlling Shareholder has made an annual written declaration confirming his/its compliance with the terms of the Deed of Non-Competition. The INEDs had reviewed the status of compliance and the confirmation provided by the Former Controlling Shareholder. On the basis that: (i) the Company has received the confirmation from the Former Controlling Shareholder regarding the Deed of Non-Competition; (ii) there was no competing business reported by the Former Controlling Shareholder; and (iii) there was no particular situation rendering the full compliance of the Deed of Non-Competition being questionable, the INEDs are of the view that the Deed of Non-Competition has been complied with and been enforced by the Company in accordance with the terms.

### MATERIAL LEGAL PROCEEDINGS

The Group was not involved in any material legal proceeding during the year ended 31 December 2022.

### EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2022, the Group had 58 full-time employees (2021: 128 employees). The Group enters into employment contracts with its employees to cover matters such as position, term of employment, wages, employee benefits and liabilities for breaches and grounds for termination.

## Report of the Directors

Remuneration of the Group's employees (including the Directors) is generally structured by reference to market terms and individual merits. Salaries are reviewed annually with reference to market conditions and the performance, qualifications and experience of individual employees.

Discretionary bonuses are paid on an annual basis based on the results of the Group, individual performance and other relevant factors. The Company has also introduced the key performance indicators assessment scheme to boost performance and operational efficiency.

The Company has also adopted two share option schemes, detail in the section headed "**Share Option Scheme**" in this annual report to recognise and reward the eligible employees for their contributions to the business and development of the Group.

### RETIREMENT BENEFITS SCHEMES

The Group strictly complies with the requirements of the Mandatory Provident Fund Schemes Ordinance in making mandatory contributions for its staff. The mandatory provident fund scheme (the "**MPF Scheme**") is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Scheme Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the MPF Scheme, the employer and its employees are each required to make contributions to the MPF Scheme at rates specified in the rules. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions. There were no forfeited contributions utilised to offset employers' contributions for the Year. As at the end of reporting period, no forfeited contribution under the MPF Scheme is available to reduce the contribution payable in future years.

### TAX RELIEF AND EXEMPTION OF HOLDERS OF LISTED SECURITIES

The Company is not aware of any tax relief or exemption available to the Shareholders by reason of their holding of the Company's securities.

### DONATIONS

Charitable and other donations made by the Group amounted to HK\$6,000 for the year ended 31 December 2022 (2021: HK\$13,000).

### SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the minimum public float required under the Listing Rules during the Year and up to the date of this annual report.

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

Neither the Company, nor any of its subsidiaries, had purchased, sold or redeemed any of the Company's listed securities during the Year.

## Report of the Directors

### RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS

On 27 September 2018, Acme Metal, as tenant entered into a tenancy agreement (the “**Tenancy Agreement**”) with Hope Harvest Limited (“**Hope Harvest**”), a related company incorporated in Hong Kong with limited liability and was owned as to 37.5% by Mr. Kwan, 37.5% by Mr. Mak and 25% by an independent third party, as landlord, pursuant to which Hope Harvest agreed to lease to Acme Metal a property for storage purposes, with a saleable floor area of 3,780 sq.ft. The Tenancy Agreement has a term of two years which commenced from 27 September 2018 and expired on 26 September 2020 at a monthly rent of HK\$40,000 (exclusive of management fees, rates, government rent and all other outgoing charges). On 26 September 2020, Hope Harvest and Acme Metal entered into a renewal agreement (the “**2020 Renewed Agreement**”) to renew the Tenancy Agreement for a term of 3 years commenced from 27 September 2020 and ending on 26 September 2023 at a monthly rent of HK\$40,000 (exclusive of management fees, rates, government rent and all other outgoing charges). The 2020 Renewed Agreement was early terminated on 26 November 2022.

The rent payable by Acme Metal to Hope Harvest under the Tenancy Agreement and the 2020 Renewed Agreement was determined on an arm’s length basis with reference to the prevailing market conditions and the prevailing market rent for similar properties in the vicinity at the relevant time.

The transactions contemplated under the Tenancy Agreement and the 2020 Renewed Agreement constitute de minimis connected transaction under Rule 14A.76(1)(c) of the Listing Rules, and are exempt from the reporting, annual review, announcement and independent shareholders’ approval requirements.

All related party transactions of the Group during the year ended 31 December 2022 as disclosed in note 32 to the consolidated financial statements, were not connected transactions or continuing connected transactions which are subject to reporting requirement under Chapter 14A of the Listing Rules.

### AUDIT COMMITTEE

The Audit Committee has reviewed the audited consolidated financial statements of the Group for the year ended 31 December 2022.

### AUDITOR

The consolidated financial statements for the year ended 31 December 2022 have been audited by PricewaterhouseCoopers, who will retire, and being eligible, offer themselves for re-appointment. A resolution to re-appoint PricewaterhouseCoopers will be proposed at the forthcoming AGM.

On behalf of the board of Directors

By order of the Board of

**Acme International Holdings Limited**

**Mr. Kwan Kam Tim**

*Chairman and Executive Director*

Hong Kong, 30 March 2023

# Independent Auditor's Report



羅兵咸永道

## To the Members of Acme International Holdings Limited

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

### OPINION

#### What we have audited

The consolidated financial statements of Acme International Holdings Limited (the "Company") and its subsidiaries (the "Group"), which are set out on pages 76 to 162, comprise:

- the consolidated statement of financial position as at 31 December 2022;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

#### Our opinion

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 2022, 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



# Independent Auditor's Report

## Independence

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.

## 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.

The key audit matter identified in our audit is related to accounting for construction contracts.

Key Audit Matter	How our audit addressed the Key Audit Matter
------------------	--

### Accounting for construction contracts

Refer to Note 2.22(a), Note 4(a), Note 4(b), Note 5, Note 20, Note 23 and Note 29(d) to the consolidated financial statements.

For the year ended 31 December 2022, the Group recognised revenue and gross profit from construction contracts in continuing operations of HK\$150,805,000 and HK\$37,393,000, and revenue and gross loss from construction contracts in discontinued operation of HK\$81,143,000 and HK\$67,124,000, respectively. Contract assets and contract liabilities relating to construction contracts amounted to HK\$64,268,000 and HK\$4,016,000 respectively as at year end.

The Group recognises revenue on construction contracts over time by measuring the progress towards complete satisfaction of the performance obligations. At the end of each reporting period, such progress is measured based on the Group's efforts or inputs to the satisfaction of a performance obligation relative to the total expected efforts or inputs to the satisfaction of that performance obligation for each construction contract. When there are unavoidable costs of meeting the obligations under a construction contract which exceed the economic benefits expected to be received under it, the present obligation under the onerous construction contract will be recognised and measured as a provision.

We obtained an understanding of management's internal controls over the business process of accounting for construction contracts, evaluated and validated key controls including but not limited to the development of budget revenue and costs and subsequent revision, measurement of progress towards complete satisfaction of performance obligations and estimation of provision for onerous construction contracts.

We assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and the level of other inherent risk factors associated with the accounting estimates for construction contracts.

We also focused our work on the following procedures to assess management's accounting of a selection of construction contracts:

- We inspected the signed contracts with customers to check the contract terms including scope of work and total consideration. Where applicable, we inspected correspondence with the customers to confirm the variation orders to contract works requested by customers;

## Independent Auditor's Report

### Key Audit Matter

Accordingly, the revenue recognition of construction contracts requires management to make significant judgement and estimates for each project with respect to the total expected project costs, variation to forecast revenue and associated costs due to contract modifications, and measurement of progress towards complete satisfaction of the performance obligation, which also affect the amounts of contract assets and contract liabilities to be recognised. Judgement is also required for management to identify whether there are any onerous contracts for which estimation of provision is necessary.

Our audit focused on this area because the accounting for construction contracts is subject to a high degree of estimation uncertainty and subjectivity in management's judgement and estimates as mentioned above.

### How our audit addressed the Key Audit Matter

- We reviewed the approved project budgets by comparing the budget items against the contract terms and historical experience of similar projects. We also inspected supporting documents on a sampling basis, including supplier invoices and delivery notes of construction materials consumed, invoices from subcontractors and payroll records on staff costs incurred, to validate the actual construction costs incurred of the selected projects;
- We discussed the status of the projects with the Group's quantity surveyors and project managers to understand the nature and obtain the supporting documents of any material variation orders to the original contracts, revisions made to the estimated revenue and costs, and onerous contracts identified which were expected to result in unavoidable costs of meeting the obligations under the construction contracts over the economic benefits to be received;
- We agreed the progress towards complete satisfaction of performance obligation with reference to the proportion of construction costs incurred for work performed at the year end to the estimated total construction costs and then tested the arithmetical accuracy of management's calculations for the accounting of contract revenue, contract costs, contract assets/contract liabilities and provision for onerous contracts of the selected construction contracts.

We found that the key judgements and estimates used by management in the accounting for construction contracts are supported by the audit evidence available.

## Independent Auditor's Report

### OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than 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 THE AUDIT COMMITTEE 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.

The Audit Committee is 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. We report our opinion solely to you, as a body, 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 HKSAAs 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 HKSAAs, we exercise professional judgment and maintain professional scepticism 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 the Audit Committee 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 the Audit Committee 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 the Audit Committee, 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 this independent auditor's report is Chan Wai Ching.

**PricewaterhouseCoopers**  
*Certified Public Accountants*

Hong Kong, 30 March 2023

# Consolidated Income Statement

	Note	Year ended 31 December	
		2022 HK\$'000	2021 HK\$'000 (Restated) (Note 2.1)
Revenue	5	152,215	163,079
Cost of sales	8	(114,625)	(123,014)
Gross profit		37,590	40,065
Other income	6	970	114
Other losses, net	7	(326)	(357)
Administrative expenses	8	(17,702)	(15,212)
Impairment of financial and contract assets	3.1(c)	(762)	–
<b>Operating profit</b>		<b>19,770</b>	<b>24,610</b>
Finance income	10	44	34
Finance costs	10	(2,402)	(464)
Finance costs, net	10	(2,358)	(430)
<b>Profit before income tax</b>		<b>17,412</b>	<b>24,180</b>
Income tax expenses	11	(4,642)	(5,073)
<b>Profit from continuing operations</b>		<b>12,770</b>	<b>19,107</b>
Loss from discontinued operation (attributable to equity holders of the Group)	23	(92,553)	(206,570)
<b>Loss for the year</b>		<b>(79,783)</b>	<b>(187,463)</b>
Loss is attributable to:			
– Owners of the Company		(79,544)	(187,463)
– Non-controlling interests		(239)	–
		(79,783)	(187,463)
<b>Earnings per share from continuing operations attributable to owners of the Company for the year</b>			
– Basic and diluted (HK cents)	12	2.08	3.42
<b>Loss per share attributable to owners of the Company for the year</b>			
– Basic and diluted (HK cents)	12	(12.75)	(33.58)

The above consolidated income statement should be read in conjunction with the accompanying notes.

# Consolidated Statement of Comprehensive Income

	Note	Year ended 31 December	
		2022 HK\$'000	2021 HK\$'000 (Restated) (Note 2.1)
<b>Loss for the year</b>		(79,783)	(187,463)
<b>Other comprehensive loss:</b>			
<i>Item that may be reclassified to consolidated income statement</i>			
Exchange differences on translation of foreign operations		(2)	–
Other comprehensive loss for the year		(2)	–
<b>Total comprehensive loss for the year</b>		(79,785)	(187,463)
Total comprehensive loss for the year is attributable to:			
Owners of the Company		(79,545)	(187,463)
Non-controlling interests		(240)	–
		(79,785)	(187,463)
Total comprehensive loss for the year attributable to owners of the Company arises from:			
– Continuing operations		13,008	19,107
– Discontinued operation		(92,553)	(206,570)
		(79,545)	(187,463)

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

# Consolidated Statement of Financial Position

	Note	As at 31 December	
		2022 HK\$'000	2021 HK\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	15	2,686	4,462
Intangible asset	16	–	680
Deposits and prepayments	21	357	925
		3,043	6,067
<b>Current assets</b>			
Inventories	18	10,954	29,571
Trade and retention receivables	19	28,847	62,091
Contract assets	20	64,268	156,639
Deposits, prepayments and other receivables	21	4,752	10,698
Pledged deposits	22	2,786	65,374
Time deposit	22	1,806	–
Restricted deposits	22	13,090	8,461
Cash and cash equivalents	22	31,203	22,294
		157,706	355,128
<b>Total assets</b>		<b>160,749</b>	<b>361,195</b>
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	24 (a)	6,240	6,240
Reserves	24 (b)	78,437	147,997
Capital and reserves attributable to owners of the Company		84,677	154,237
Non-controlling interests		490	–
<b>Total equity</b>		<b>85,167</b>	<b>154,237</b>

## Consolidated Statement of Financial Position

	Note	As at 31 December	
		2022 HK\$'000	2021 HK\$'000
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	27	34,989	–
Lease liabilities	25	1,548	2,262
Deferred income tax liabilities	28	18	18
Provisions	29	484	1,252
		37,039	3,532
<b>Current liabilities</b>			
Trade, bills and retention payables	26	15,854	124,584
Contract liabilities	20	4,016	6,381
Other payables and accruals	26	6,536	7,216
Income tax liabilities		690	1,301
Borrowings	27	10,660	49,300
Lease liabilities	25	787	2,247
Provisions	29	–	12,397
		38,543	203,426
<b>Total liabilities</b>		<b>75,582</b>	<b>206,958</b>
<b>Total equity and liabilities</b>		<b>160,749</b>	<b>361,195</b>

The consolidated financial statements on pages 76 to 162 were approved by the Board of Directors on 30 March 2023 and were signed on its behalf:

**Mr. Kwan Kam Tim**  
Director

**Ms. Leung Ng Mui May**  
Director

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.



# Consolidated Statement of Changes in Equity

	Attributable to owners of the Company					
	Share capital HK\$'000	Share premium HK\$'000	Share-based payment reserve HK\$'000	Other reserves HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
<b>Balances as at 1 January 2021</b>	5,200	99,743	7,672	37,524	167,715	317,854
<b>Comprehensive loss</b>						
Loss for the year	-	-	-	-	(187,463)	(187,463)
<b>Total comprehensive loss</b>	-	-	-	-	(187,463)	(187,463)
<b>Transaction with owners in their capacity as owners</b>						
Placing and subscription of new shares (Note 24 (a))	1,040	18,490	-	-	-	19,530
Share-based payment expenses (Note 24 (c))	-	-	4,316	-	-	4,316
<b>Total transaction with owners in their capacity as owners</b>	1,040	18,490	4,316	-	-	23,846
<b>Balances as at 31 December 2021</b>	6,240	118,233	11,988	37,524	(19,748)	154,237

## Consolidated Statement of Changes in Equity

	Attributable to owners of the Company							Non-controlling interests	Total
	Share capital	Share premium	Share-based payment reserve	Exchange reserves	Other reserves	Accumulated losses	Total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000		
<b>Balances as at 1 January 2022</b>	6,240	118,233	11,988	-	37,524	(19,748)	-	154,237	
<b>Comprehensive loss</b>									
Loss for the year	-	-	-	-	-	(79,544)	(239)	(79,783)	
<b>Other comprehensive loss</b>									
Exchange differences on translation of foreign operations	-	-	-	(1)	-	-	(1)	(2)	
<b>Total comprehensive loss</b>	-	-	-	(1)	-	(79,544)	(240)	(79,785)	
<b>Transaction with owners in their capacity as owners</b>									
Share-based payment expenses (Note 24 (c))	-	-	9,985	-	-	-	-	9,985	
Reclassification of share-based payment reserve to accumulated losses	-	-	(21,973)	-	-	21,973	-	-	
Capital injection by non-controlling interests	-	-	-	-	-	-	730	730	
<b>Total transaction with owners in their capacity as owners</b>	-	-	(11,988)	-	-	21,973	730	10,715	
<b>Balances as at 31 December 2022</b>	6,240	118,233	-	(1)	37,524	(77,319)	490	85,167	

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

# Consolidated Statement of Cash Flows

	Note	Year ended 31 December	
		2022 HK\$'000	2021 HK\$'000
<b>Cash flows from operating activities</b>			
Cash used in operations	30(a)	(18,836)	(65,695)
Income tax paid		(5,254)	(4,415)
Net cash used in operating activities		(24,090)	(70,110)
<b>Cash flows from investing activities</b>			
Purchases of property, plant and equipment		(441)	(142)
Increase in time deposit		(1,806)	–
Winding up of a subsidiary	23(ii)	(621)	–
Interest received		133	78
Net cash used in investing activities		(2,735)	(64)
<b>Cash flows from financing activities</b>			
Proceeds from borrowings	30(b)	114,388	107,558
Repayments of borrowings	30(b)	(94,085)	(63,757)
Principal elements of lease payments	30(b)	(1,981)	(2,114)
Decrease/(increase) in pledged deposits		26,811	(3,062)
Increase in restricted deposits		(7,404)	(5,531)
Interest paid		(2,286)	(1,970)
Net proceeds from placing and subscription of new shares	24(a)	–	19,530
Capital injection by non-controlling interests		730	–
Net cash generated from financing activities		36,173	50,654
<b>Net increase/(decrease) in cash and cash equivalents</b>			
Cash and cash equivalents at beginning of the year		22,294	42,135
Effect of foreign exchange rate changes		(439)	(321)
Cash and cash equivalents at end of the year	22	31,203	22,294

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

# Notes to the Consolidated Financial Statements

## 1 GENERAL INFORMATION

Acme International Holdings Limited (the “Company”) was incorporated in the Cayman Islands on 17 August 2018 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of the Company’s registered office is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman KY1-1111, Cayman Islands.

The Company is an investment holding company and its subsidiaries (collectively the “Group”) are principally engaged in the provision of design and build solutions for façade works (“Façade Works Business”) that the Group discontinued its operation during the year ended 31 December 2022, provision of design and build solutions for building maintenance unit (“BMU”) systems (“BMU Systems Business”) and development, design, production and sales of new energy generation and energy storage system (“Green New Energy Business”) that was commenced during the year ended 31 December 2022.

The Company’s shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited.

The consolidated financial statements are presented in thousands of Hong Kong dollars (“HK\$’000”), unless otherwise stated.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### 2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) and requirements of the Hong Kong Companies Ordinance Cap. 622.

The consolidated financial statements have been prepared under the historical cost convention.

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4.

## Notes to the Consolidated Financial Statements

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 2.1 Basis of preparation (Continued)

On 27 November 2022, the Group initiated a winding up of its indirectly-wholly-owned subsidiary, Acme Metal Works (International) Limited ("Acme Metal"). Acme Metal represents the whole segment of Façade Works Business and a separate major line of business of the Group. For the presentation of the consolidated financial statements for the years ended 31 December 2022 and 2021, it was regarded as discontinued operation and certain comparative figures have been restated. Refer to Note 23 for details.

##### (a) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2022:

HKFRS 16 (Amendments)	Covid-19-Related Rent Concessions Beyond 30 June 2021
HKFRS 3, HKAS 16 and HKAS 37 (Amendments)	Narrow-Scope Amendments
Annual Improvements Project (Amendments)	Annual Improvements to HKFRSs 2018-2020
Accounting Guideline 5 (Revised)	Revised Accounting Guideline 5 Merger Accounting for Common Control Combinations

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

## Notes to the Consolidated Financial Statements

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 2.1 Basis of preparation (Continued)

- (b) New standards and amendments to existing standards not yet adopted by the Group  
The following are new standards and amendments to existing standards that have been published and are mandatory for the Group's accounting periods beginning after 1 January 2022 or later periods, but have not been early adopted by the Group:

		<b>Effective for accounting year beginning on or after</b>
HKAS 1 and HKFRS Practice Statement 2 (Amendments)	Disclosure of Accounting Policies	1 January 2023
HKAS 8 (Amendments)	Definition of Accounting Estimates	1 January 2023
HKAS 12 (Amendments)	Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction	1 January 2023
HKFRS 17	Insurance Contracts (New Standard)	1 January 2023
HKFRS 17	Amendments to HKFRS 17	1 January 2023
HKFRS 17	Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information	1 January 2023
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-Current (Amendments)	1 January 2024
HKAS 1 (Amendments)	Non-current Liabilities with Covenants	1 January 2024
HKFRS 16 (Amendments)	Lease Liability in a Sale and Leaseback	1 January 2024
HK Interpretation 5 (2020)	Hong Kong Interpretation 5 (Revised) – Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause (HK Int 5 (Revised))	1 January 2024
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (amendments)	To be Determined

The Group is in the process of assessing potential impact of the above other new standards and amendments to existing standards that is relevant to the Group upon initial application. The management of the Group plans to adopt these new standards and amendments to existing standards when they become effective.

# Notes to the Consolidated Financial Statements

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.2 Principles of consolidation and equity accounting

#### 2.2.1 Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity where the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group. Refer to Note 2.25.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated income statement, statement of comprehensive income, statement of changes in equity and statement of financial position respectively.

#### 2.2.2 Joint venture

Interest in a joint venture is accounted for using the equity method, after initially being recognised at cost in the consolidated statement of financial position.

#### 2.2.3 Equity method

Under the equity method of accounting, the investment is initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from the joint venture are recognised as a reduction in the carrying amount of the investment.

Where the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its joint venture are eliminated to the extent of the Group's interest in that entity. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity-accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investment is tested for impairment in accordance with the policy described in Note 2.7.

# Notes to the Consolidated Financial Statements

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.2 Principles of consolidation and equity accounting (Continued)

#### 2.2.4 Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the Company.

When the Group ceases to consolidate for an investment because of a loss of control, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified permitted by applicable HKFRSs.

#### 2.2.5 Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred;
- liabilities incurred to the former owners of the acquired business;
- equity interests issued by the Group;
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.



# Notes to the Consolidated Financial Statements

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.2 Principles of consolidation and equity accounting (Continued)

#### 2.2.5 Business combinations (Continued)

The excess of the:

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

#### 2.2.6 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

### 2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker ("CODM"), who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Executive Directors who make strategic decisions.

# Notes to the Consolidated Financial Statements

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.4 Foreign currency translation

#### (a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are presented in Hong Kong Dollars, which is the Company's functional and the Group's presentation currency.

#### (b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement.

All foreign exchange gains and losses are presented in the consolidated income statement within other losses, net.

#### (c) Group companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position.
- income and expenses for each income statement and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

# Notes to the Consolidated Financial Statements

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.5 Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance costs are charged in the consolidated income statement during the financial period in which they are incurred.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives, as follows:

Furniture and fixtures	20%
Leasehold improvements	Shorter of lease terms or estimated useful life

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.7).

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognised within other losses, net in the consolidated income statement.

### 2.6 Intangible asset

#### Software

Acquired computer software is shown at historical cost. This asset has a finite useful life and is carried at cost less accumulated amortisation and impairment losses.

The Group amortises intangible asset with a limited useful life using the straight-line method over the following period:

– Computer software	10 years
---------------------	----------

# Notes to the Consolidated Financial Statements

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.7 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are at least tested annually for impairment. Assets which are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

### 2.8 Discontinued operation

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operation is presented separately in the consolidated income statement.

### 2.9 Financial assets

#### (a) Classification

The Group classifies its financial assets as those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

The Group reclassified debt instruments when and only when its business model for managing those assets changes.

See Note 17 for details about each type of financial assets.

#### (b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

#### (c) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

# Notes to the Consolidated Financial Statements

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.9 Financial assets (Continued)

(c) Measurement (Continued)

*Debt instruments*

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. The Group classifies its debt instruments as the following measurement category:

- (i) Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other losses, net together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

(d) Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 3.1(c) details how the Group determines whether there has been a significant increase in credit risk.

For trade and retention receivables, the Group applies the simplified approach permitted in HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

### 2.10 Inventories

Inventories comprise raw materials used for construction are stated at the lower of cost and net realisable value. Costs are assigned to individual items of inventory on the basis of first-in-first-out. Costs of purchased raw materials are determined after deducting discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

## Notes to the Consolidated Financial Statements

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 2.11 Trade and retention and other receivables

Trade and retention receivables are amounts due from customers for services performed in the ordinary course of business. If collection of trade and retention and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If no, they are presented as non-current assets.

Trade and retention and other receivables are recognised initially at fair values and subsequently measured at amortised cost using the effective interest method, less provision for impairment. See Note 2.9(c) for further information about the Group's accounting for trade and retention and other receivables and Note 2.9(d) for a description of the Group's impairment policies.

#### 2.12 Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

#### 2.13 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

#### 2.14 Trade, bills and retention and other payables

Trade, bills and retention payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade, bills and retention and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade, bills and retention and other payables are recognised initially at fair values and subsequently measured at amortised cost using the effective interest method.

#### 2.15 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated income statement over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

# Notes to the Consolidated Financial Statements

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.15 Borrowings (Continued)

Borrowings are removed from the consolidated statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, or recognised in profit or loss as finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

### 2.16 Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings, pending their expenditure on qualifying assets, is deducted from the borrowing costs eligible for capitalisation.

Other borrowing costs are expensed in the period in which they are incurred.

### 2.17 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

#### (a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

#### (b) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

## Notes to the Consolidated Financial Statements

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 2.17 Current and deferred income tax (Continued)

(b) Deferred income tax (Continued)

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

#### 2.18 Employee benefits

(a) Pension obligations

The Group participates in defined contribution plans for their employees in Hong Kong. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. For defined contribution plans, the Group pays contribution to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

The Group also participates in defined contribution plans organised by relevant government authorities for its employees in the People's Republic of China (the "PRC") and contributes to these plans based on certain percentage of the salaries of the employees on a monthly basis, up to a maximum fixed monetary amount, as stipulated by the relevant government authorities. The government authorities undertake to assume the retirement benefit obligations payable to all existing and future retired employees under these plans.

(b) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the reporting date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.



# Notes to the Consolidated Financial Statements

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.18 Employee benefits (Continued)

(c) Bonus plans

The Group recognises a liability and an expense for bonuses, based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(d) Share-based payments

Share-based compensation benefits are provided to employees via the Pre-IPO Share Option Scheme. Information relating to the scheme is set out in Note 24(c).

*Pre-IPO Share Option Scheme*

The fair value of options granted under the Pre-IPO Share Option Scheme is recognised as an employee benefits expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (for example, the entity's share price),
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period), and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save or hold shares for a specific period of time).

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited directly to equity.

The grant by the Group of options over its equity instruments to employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date at fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity in the parent entity accounts.

# Notes to the Consolidated Financial Statements

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.18 Employee benefits (Continued)

(d) Share-based payments (Continued)  
*Pre-IPO Share Option Scheme (Continued)*

When a grant of equity instruments is cancelled during the vesting period (other than a grant cancelled by forfeiture when the vesting conditions are not satisfied), the Company accounts for the cancellation as an acceleration of vesting and recognises immediately the amount that otherwise would have been recognised for services received over the remainder of the vesting period.

### 2.19 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

### 2.20 Warranty provision

The Group estimates the related provision for future warranty claims based on historical warranty claim information, as well as recent trends that might suggest that past cost information may differ from future claims. The assumptions made in relation to the current period are consistent with those in the prior year. The estimation basis is reviewed on an ongoing basis and revised where appropriate.

### 2.21 Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the consolidated financial statements. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

# Notes to the Consolidated Financial Statements

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.22 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the services rendered in the ordinary course of the Group's activities.

If contracts involve the sale of multiple services, the transaction price will be allocated to each performance obligation based on their relative stand-alone selling prices. If the stand-alone selling prices are not directly observable, they are estimated based on expected cost plus a margin or adjusted market assessment approach, depending on the availability of observable information.

Revenues are recognised when or as the control of the good or service is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the good or service may be transferred over time or at a point in time.

Control of the good or service is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as the Group performs; or
- 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.

If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction or that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the asset. Specific criteria where revenue is recognised are described below.

The progress towards complete satisfaction of the performance obligation is measured based on one of the following methods that best depict the Group's performance in satisfying the performance obligation:

- direct measurements of the value transferred by the Group to the customer; or
- the Group's efforts or inputs to the satisfaction of the performance obligation relative to the total expected efforts or inputs.

# Notes to the Consolidated Financial Statements

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.22 Revenue recognition (Continued)

#### (a) Revenue from construction services

The Group provides façade works construction services and building maintenance unit systems construction services. Revenue from the construction services is recognised over time as the Group's performance creates or enhances an asset or work in progress that the customer controls as the asset is created or enhanced. Thus, the Group satisfies a performance obligation over time. The Group uses costs incurred relative to total estimated costs to determine the extent of progress towards completion, which is referred as to "cost-to-cost method". Costs included in measuring progress in the "cost-to-cost method" if they represent progress under the contract include direct materials, direct labor, allocations of costs related directly to contract activities if those depict the transfer of control to the customer, etc. Costs that are not related to the contract or that do not contribute towards satisfying a performance obligation are not included in measuring progress.

Construction costs are recognised as cost of sales by reference to the extent of progress towards completion of the contract activity at the end of the reporting period. When there are unavoidable costs of meeting the obligations under a construction contract which exceed the economic benefits expected to be received under it, the present obligation under the onerous construction contract will be recognised as an expenses in cost of sales immediately and measured as a provision. If the Group is not able to reasonably determine the outcome of the performance obligation or its progress towards satisfaction of the obligation, the Group recognises revenue over time as the work is performed, but only to the extent of costs incurred as long as the Group expects to at least recover its costs.

The Group accounts for a modification if the customer to a contract approves a change in the scope and/or price of a contract. A contract modification is approved when the modification creates or changes the enforceable rights and obligations of the customer to the contract. If the customer has approved a change in scope, but has not yet determined the corresponding change in price, the Group estimates the change to the contract price as variable consideration.

The estimated amount of the variable consideration is included in the contract price only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable considerations is subsequently resolved.

#### (b) Maintenance services income

The Group provides maintenance services for building maintenance unit systems. Revenue is recognised over the period that services are rendered by the Group as the customer simultaneously receives and consumes the benefits as the Group performs.

# Notes to the Consolidated Financial Statements

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.22 Revenue recognition (Continued)

(c) Sales of new energy generation and energy storage system

The Group engages in development, design, production and sale of new energy generation and energy storage system. Revenue is recognised when control of the products has transferred, being when the products are delivered to the customer, the customer has accepted the products, the collection of the related consideration is probable and there is no unfulfilled obligation that could affect the customer's acceptance of the products.

### 2.23 Contract assets and contract liabilities

Upon entering into a contract with a customer, the Group obtains rights to receive consideration from the customer and assume performance obligations to transfer goods or services to the customer. The combination of those rights and performance obligations give rise to a net asset or net liability depending on the relationship between the remaining rights and the performance obligations. The contract is an asset and recognised as contract assets if the measure of the remaining conditional rights to consideration exceeds the satisfied performance obligations. Conversely, the contract is a liability and recognised as contract liabilities if consideration received (or an amount of consideration is due) from the customer exceeds the measure of the remaining unsatisfied performance obligations.

### 2.24 Interest income

Interest income on financial assets at amortised cost calculated using the effective interest method is presented as finance income where it is earned from financial assets that are held for cash management purposes, see Note 10 below.

### 2.25 Earnings/loss per share

(i) Basic earnings/loss per share

Basic earnings/loss per share is calculated by dividing:

- the profit/loss attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares by the weighted average number of ordinary shares outstanding during the financial year.

(ii) Diluted earnings/loss per share

Diluted earnings/loss per share adjusts the figures used in the determination of basic earnings/loss per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

## Notes to the Consolidated Financial Statements

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 2.26 Leases

Leases are recognised as a right-of-use asset (included in property, plant and equipment) and a corresponding liability at the date at which the leased asset is available for use by the Group.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the group under residual value guarantees;
- the exercise price of a purchase option if the group is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received,
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third-party financing, and
- makes adjustments specific to the lease, such as term, country, currency and security.

# Notes to the Consolidated Financial Statements

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.26 Leases (Continued)

If a readily observable amortising loan rate is available to the individual lessee (through recent financing or market data) which has a similar payment profile to the lease, then the group entities use that rate as a starting point to determine the incremental borrowing rate.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less without a purchase option.

### 2.27 Dividend distribution

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

### 2.28 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Note 6 provides further information on how the Group accounts for government grants.

# Notes to the Consolidated Financial Statements

## 3 FINANCIAL RISK MANAGEMENT

### 3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, cash flow and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out under policies approved by the Directors. The Directors provide principles for overall risk management.

#### (a) Foreign exchange risk

The Group operates in Hong Kong with most of the transactions denominated and settled in Hong Kong Dollars ("HK\$"), Euros ("EUR"), United States Dollars ("US\$"), Great British Pound ("GBP") and Chinese Renminbi ("RMB"). Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities denominated in a currency that is not the entity's functional currency.

Management closely monitors foreign currency exchange exposure and will take measures to minimise the currency translation risk. It mainly includes managing the exposures arisen from purchases made by group entities in currencies other than their own functional currencies. The Group also manages its foreign exchange risk by performing regular reviews of the Group's net foreign exchange exposure.

Under the current pegging arrangement between HK\$ and US\$, the Directors of the Company consider foreign exchange risk as insignificant.

At 31 December 2022, if RMB had strengthened/weakened by 5%, with all other variables held constant, the pre-tax loss for the year ended 31 December 2022 would have been approximately HK\$2,000 higher/lower (2021: HK\$166,000 higher/lower), mainly as a result of foreign exchange differences as at 31 December 2022 on translation of RMB-denominated monetary net liabilities of the Group (2021: Same).

At 31 December 2022, if EUR had strengthened/weakened by 5%, with all other variables held constant, the pre-tax loss for the year ended 31 December 2022 would have been approximately HK\$465,000 lower/higher (2021: HK\$413,000 lower/higher), mainly as a result of foreign exchange differences as at 31 December 2022 on translation of EUR-denominated monetary net assets of the Group (2021: Same).

At 31 December 2022, if GBP had strengthened/weakened by 5%, with all other variables held constant, the pre-tax loss for the year ended 31 December 2022 would have been approximately HK\$2,000 lower/higher (2021: HK\$2,000 lower/higher), mainly as a result of foreign exchange differences as at 31 December 2022 on translation of GBP-denominated monetary net assets of the Group (2021: Same).



## Notes to the Consolidated Financial Statements

### 3 FINANCIAL RISK MANAGEMENT (Continued)

#### 3.1 Financial risk factors (Continued)

(b) Cash flow and fair value interest rate risk

The Group's cash flow and fair value interest rate risk primarily relates to bank balances and borrowings (including bank borrowings, loans from shareholders and other loans). Borrowings issued at fixed rates expose the Group to fair value interest rate risk. In the opinion of the Directors, the expected change in fair values as a result of change in market interest rates will not have adverse financial impact to the Group, thus no sensitivity analysis is presented.

As at 31 December 2022, the Group does not have borrowings at variable rates (2021: Same). While bank balances at variable rates expose the Group to cash flow interest-rate risk, the sensitivity analysis below has been determined based on the exposure to interest rates for its variable-rate bank balances. The analysis is prepared assuming the variable-rate bank balances as at 31 December 2021 and 2022 were outstanding for the years.

If interest rates had been 100 basis points higher/lower for variable-rate bank balances and all other variables were held constant, the effects to the Group's pre-tax loss for the year ended 31 December 2022 would have been approximately HK\$98,000 lower/higher (2021: HK\$103,000 lower/higher). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank balances (2021: Same).

(c) Credit risk

(i) *Risk management*

Credit risk is managed on a group basis. The Group's financial assets are trade and retention receivables, other financial assets at amortised cost (including deposits and other receivables), cash and cash equivalents, pledged, time and restricted deposits. The amounts of those assets stated in the consolidated statement of financial position represent the Group's maximum exposure to credit risk in relation to financial assets.

The Group's credit risk is concentrated on a number of major and long established customers. As at 31 December 2022, trade and retention receivables from the customer with largest revenue during the year accounted for 12% (2021 (restated): 36%) and from the customers with top five largest revenue during the year accounted for approximately 29% (2021 (restated): 49%) of the Group's total trade and retention receivables. The Group has policies in place to ensure that sales are made to customers with appropriate credit histories and to limit the amount of credit exposure to any individual customer.

The Group's other financial assets at amortised cost are considered to be low risk. Management has closely monitored the credit qualities and the collectability.

## Notes to the Consolidated Financial Statements

### 3 FINANCIAL RISK MANAGEMENT (Continued)

#### 3.1 Financial risk factors (Continued)

(c) Credit risk (Continued)

(ii) *Impairment of financial assets and contract assets*

The Group has the following assets that are subject to the expected credit loss model:

- trade and retention receivables
- contract assets
- other financial assets carried at amortised cost

While cash and cash equivalents, pledged, time and restricted deposits are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

**(a) Trade and retention receivables and contract assets**

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade and retention receivables and contract assets. To measure the expected credit losses, trade and retention receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled contract work and have substantially the same risk characteristics as the trade and retention receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for trade and retention receivables are a reasonable approximation of the loss rates for the contract assets.

An impairment analysis is performed at each reporting date using the probability of default approach to measure expected credit losses. The probabilities of default rates are estimated based on comparable companies with published credit ratings. The calculation reflects the probability weighted outcome and reasonable and supportable information that is available at the reporting date about past events, current conditions and forward looking credit risk information. The Group has identified the Gross Domestic Product (“GDP”) and inflation rate in Hong Kong to be the most relevant factors, and accordingly adjusted the loss rates based on the expected changes in these factors in the future period.

## Notes to the Consolidated Financial Statements

### 3 FINANCIAL RISK MANAGEMENT (Continued)

#### 3.1 Financial risk factors (Continued)

(c) Credit risk (Continued)

(ii) Impairment of financial assets and contract assets (Continued)

##### (a) Trade and retention receivables and contract assets (Continued)

As at 31 December 2022, the expected credit loss rate and loss allowances for trade and retention receivables and contract assets is 1.6% and HK\$459,000 (2021: close to zero) and 0.5% and HK\$303,000 (2021: close to zero), respectively.

The movements of the loss allowances for trade and retention receivables and contract assets are as follows:

	Trade and retention receivables		Contract assets	
	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Opening loss allowances at 1 January</b>	–	–	–	–
Increase in loss allowances recognised in profit or loss during the year	459	–	303	–
<b>Closing loss allowance at 31 December</b>	459	–	303	–

Trade and retention receivables and contract assets are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments. Impairment losses on trade and retention receivables and contract assets are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

## Notes to the Consolidated Financial Statements

### 3 FINANCIAL RISK MANAGEMENT (Continued)

#### 3.1 Financial risk factors (Continued)

(c) Credit risk (Continued)

(ii) *Impairment of financial assets and contract assets* (Continued)

**(b) Other financial assets at amortised cost**

Other financial assets at amortised cost include deposits and other receivables. Impairment on other financial assets are measured as either 12-month expected credit losses or lifetime expected credit loss, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses. Management has closely monitored the credit qualities and the collectability of the other financial assets at amortised cost and considers that the expected credit loss is immaterial with the expected credit loss rate being close to zero.

(d) Liquidity risks

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents and the availability of funding through an adequate amount of available financing, including bank borrowings, loans from shareholders and loan facilities obtained from other lenders. The Group manages its liquidity risk by monitoring its working capital requirements including closely monitoring the turnover days of receivables and keeping credit lines available.

Management monitors rolling forecasts of the Group's bank facilities and cash and cash equivalents on the basis of expected cash flows. The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient cash balances and adequate credit facilities to meet its liquidity requirements in the short and long-term.

The tables below analyse the Group and the Company's financial liabilities into relevant maturity groupings based on the remaining period at each of the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows (including interest payments completed using contracted rates). Where the loan agreement contains a repayable on demand clause which gives the lender the unconditional right to call the loan at any time, the amounts repayable are classified in the earliest time bracket in which the lender could demand repayment. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

## Notes to the Consolidated Financial Statements

### 3 FINANCIAL RISK MANAGEMENT (Continued)

#### 3.1 Financial risk factors (Continued)

- (d) Liquidity risks (Continued)  
The Group

	On demand and within 1 year HK\$'000	Within 1 year HK\$'000	Over 1 year HK\$'000	Total HK\$'000
<b>As at 31 December 2022</b>				
Trade, bills and retention payables	–	11,990	3,864	15,854
Other payables	–	3,858	–	3,858
Borrowings				
– principal portion	10,000	–	33,400	43,400
– interest portion	933	–	4,342	5,275
Lease liabilities	–	947	1,668	2,615
	10,933	16,795	43,274	71,002
<b>As at 31 December 2021</b>				
Trade, bills and retention payables	–	107,767	16,817	124,584
Other payables	–	3,649	–	3,649
Borrowings				
– principal portion	49,300	–	–	49,300
– interest portion	787	–	–	787
Lease liabilities	–	2,460	2,336	4,796
	50,087	113,876	19,153	183,116

## Notes to the Consolidated Financial Statements

### 3 FINANCIAL RISK MANAGEMENT (Continued)

#### 3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debts.

The Group monitors capital on the basis of the net debt-to-equity ratio. This ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowings (including borrowings and lease liabilities) less cash and cash equivalents. Total equity is calculated as equity as shown in the consolidated statement of financial position.

	As at 31 December	
	2022 HK\$'000	2021 HK\$'000
Borrowings (Note 27)	45,649	49,300
Lease liabilities (Note 25)	2,335	4,509
Less: cash and cash equivalents (Note 22)	(31,203)	(22,294)
Net debt	16,781	31,515
Total equity	85,167	154,237
Net debt to equity ratio	20%	20%

There is no change on net debt to equity ratio as at 31 December 2022.

## Notes to the Consolidated Financial Statements

### 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group make estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

#### (a) Measurement of progress towards complete satisfaction of performance obligation, contract modification and variable consideration

The Group recognises its revenue from construction contract according to the progress towards complete satisfaction of the performance obligation. The progress towards complete satisfaction of the performance obligation is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation relative to the total expected efforts or inputs. Because of the nature of the activity undertaken in construction contracts, the date at which the contract activity is entered into and the date when the activity is completed usually fall into different accounting periods. The Group reviews and revises the estimates of contract revenue, construction costs, amount of contract modifications and variable consideration prepared for each construction contract as the contract progresses. Management regularly reviews the progress of the contracts and the corresponding costs of the contract revenue. Such significant estimate may have impact on the profit or loss recognised in each period.

#### (b) Estimation of provision for onerous construction contracts

The Group's management estimates the amount of provision for onerous construction contracts based on the management budgets prepared for the construction works. Budgeted construction income is determined in accordance with the terms set out in the relevant contracts. Budgeted construction costs which mainly comprise subcontracting charges, costs of materials and staff costs are prepared by management on the basis of quotations provided by the major contractors, suppliers and vendors involved, and the experience of the management. Management conducts periodic review on the management budgets by reviewing the actual amounts incurred. Items that will subject to significant variances and impact the amount of provision of onerous construction contracts include the changes in estimations or the actual costs incurred for materials, staff costs, the amount of variation orders and claims as compared to management's budget and such provision for onerous construction contracts will be recognised immediately in the consolidated income statement. Such significant estimate may have impact on the profit or loss recognised in each period.

## Notes to the Consolidated Financial Statements

### 5 REVENUE AND SEGMENT INFORMATION

Management has determined the operating segments based on the information reviewed by the CODM. The CODM, who is responsible for allocating resources and assessing performance of the operating segment, has been identified as the Executive Directors of the Company.

Operating segments are reported in the manner consistent with the internal reporting provided to the CODM. The Group is subject to similar business risk, and resources are allocated based on what is beneficial to the Group in enhancing the value as a whole.

The Group is principally engaged in the following:

- Façade Works Business – provision of design and build solutions for façade works that the Group discontinued its operation during the year ended 31 December 2022;
- BMU Systems Business – provision of design and build solutions for BMU systems; and
- Green New Energy Business – development, design, production and sale of new energy generation and energy storage system that was commenced during the year ended 31 December 2022.

The total non-current assets other than financial instruments and deferred tax assets broken down by location of assets, is shown as follows:

	As at 31 December	
	2022 HK\$'000	2021 HK\$'000
Hong Kong	2,675	6,067
The PRC	44	–
	<b>2,719</b>	<b>6,067</b>

Segment assets mainly exclude right-of-use assets for properties, intangible asset, pledged deposits, time deposit, restricted deposits, cash and cash equivalents and other assets that are managed on a central basis.

Segment liabilities mainly exclude borrowings, lease liabilities, income tax payable, deferred tax liabilities, and other liabilities that are managed on a central basis.

Unallocated corporate expenses represent costs that are used for all segments, including depreciation expenses of HK\$2,125,000 (2021: HK\$2,242,000), amortisation expenses of HK\$72,000 (2021: HK\$79,000) and corporate expenses of HK\$9,422,000 (2021: HK\$6,169,000).



## Notes to the Consolidated Financial Statements

### 5 REVENUE AND SEGMENT INFORMATION (Continued)

- (a) Revenue from customers contributing over 10% of the total revenue of the Group for the year is as follows:

	Year ended 31 December	
	2022	2021
	HK\$'000	HK\$'000
		(Restated)
		(Note 2.1)
Continuing operations:		
Customer A	33,829	20,641
Customer B	30,219	19,966
Customer C	18,325	16,623
	82,373	57,230

- (b) Revenue by customers' geographical location

The Group's revenue from external customers by geographical location, which is determined by location of the customers is as follows:

	Year ended 31 December	
	2022	2021
	HK\$'000	HK\$'000
		(Restated)
		(Note 2.1)
Continuing operations:		
– Hong Kong	145,165	147,178
– Macau	5,640	15,901
– Malaysia	1,393	–
– Mainland China	17	–
	152,215	163,079
Discontinued operation:		
– Hong Kong	81,143	213,485

## Notes to the Consolidated Financial Statements

### 5 REVENUE AND SEGMENT INFORMATION (Continued)

#### (b) Revenue by customers' geographical location (Continued)

The Executive Directors assess the performance of the operating segments based on their underlying profit/(loss), which is measured by profit/(loss) before income tax, excluding finance income, finance costs, depreciation on right-of-use assets of properties, amortisation of intangible asset and other corporate items, which are managed on a central basis.

	Discontinued operations Façade Works Business*		BMU Systems Business		Green New Energy Business		Continuing operations Subtotal		Total	
	Year ended		Year ended		Year ended		Year ended		Year ended	
	31 December		31 December		31 December		31 December		31 December	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from external customer recognised at a point in time	-	-	-	-	1,410	-	1,410	-	1,410	-
Revenue from external customer recognised over time	81,143	213,485	150,805	163,079	-	-	150,805	163,079	231,948	376,564
	81,143	213,485	150,805	163,079	1,410	-	152,215	163,079	233,358	376,564
Segment gross (loss)/profit	(67,124)	(180,174)	37,393	40,065	197	-	37,590	40,065	(29,534)	(140,109)
Segment results	(88,630)	(193,350)	29,875	27,942	(598)	-	29,277	27,942	(59,353)	(165,408)
Unallocated other operating income									48	94
Unallocated corporate expenses									(11,619)	(8,490)
Finance income									165	78
Finance costs									(4,382)	(1,970)
Loss before income tax									(75,141)	(175,696)
Income tax expenses									(4,642)	(11,767)
Loss for the year									(79,783)	(187,463)
Other segment information:										
Additions to property, plant and equipment	-	56	389	86	52	-	441	86	441	142
Depreciation	-	577	63	43	8	-	71	43	71	620

\* The Façade works Business has been classified as discontinued operation, and the related revenue and expenses are presented as a single amount in the consolidated income statement as "loss from discontinued operation".

## Notes to the Consolidated Financial Statements

### 5 REVENUE AND SEGMENT INFORMATION (Continued)

#### (b) Revenue by customers' geographical location (Continued)

	Discontinued operations Façade Works Business		BMU Systems Business		Green New Energy Business		Continuing operations Subtotal		Total	
	As at 31 December		As at 31 December		As at 31 December		As at 31 December		As at 31 December	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	-	128,927	108,686	130,863	648	-	109,334	130,863	109,334	259,790
Unallocated assets									51,415	101,405
Total assets									160,749	361,195
Segment liabilities	-	121,762	24,911	28,387	105	-	25,016	28,387	25,016	150,149
Unallocated liabilities									50,566	56,809
Total liabilities									75,582	206,958

### 6 OTHER INCOME

	Year ended 31 December	
	2022	2021
	HK\$'000	HK\$'000
		(Restated)
		(Note 2.1)
Government grants (Note)	960	-
Sundry income	10	114
	970	114

Note:

During the year ended 31 December 2022, government grants amounting to HK\$960,000 (2021: Nil) were recognised in relation to the subsidies from the Hong Kong Government under the Anti-epidemic Fund. As at 31 December 2022, there were no unfulfilled conditions and other contingencies attached to the receipts of those grants (2021: N/A).

## Notes to the Consolidated Financial Statements

### 7 OTHER LOSSES, NET

	Year ended 31 December	
	2022 HK\$'000	2021 HK\$'000 (Restated) (Note 2.1)
Foreign exchange differences, net	88	(359)
Forfeiture of pledged deposits (Note 22)	(414)	–
Others	–	2
	(326)	(357)

### 8 EXPENSES BY NATURE

	Year ended 31 December	
	2022 HK\$'000	2021 HK\$'000 (Restated) (Note 2.1)
Construction costs recognised in cost of sales (Note a)	114,625	123,014
Entertainment expenses	212	97
Office expenses	492	58
Employee benefit expenses recognised in administrative expenses (including directors' emoluments) (Note 9)	9,411	8,910
Depreciation of property, plant and equipment (Note 15)	203	43
Insurance expenses	1,155	970
Auditor's remuneration		
– Audit	2,250	2,000
– Non-audit	40	40
Rental expenses – short term leases (Note 25)	102	–
Legal and professional fees	2,841	2,364
Bank charges	143	131
Travelling expenses	311	229
Other expenses	542	370
	132,327	138,226

## Notes to the Consolidated Financial Statements

### 8 EXPENSES BY NATURE (Continued)

	Year ended 31 December	
	2022 HK\$'000	2021 HK\$'000 (Restated) (Note 2.1)
Representing:		
Cost of sales	114,625	123,014
Administrative expenses	17,702	15,212
	<b>132,327</b>	<b>138,226</b>

Note:

- (a) Construction costs mainly included costs of construction materials, subcontracting charges, staff costs (refer to Note 9), testing, insurance and transportation.

### 9 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	Year ended 31 December	
	2022 HK\$'000	2021 HK\$'000 (Restated) (Note 2.1)
Wages, salaries, bonuses and allowances	20,322	19,951
Pension costs – defined contribution plans (Note a)	679	492
Share-based payment expenses (Note 24(c))	6,635	2,891
Other employee benefits	827	142
	<b>28,463</b>	<b>23,476</b>
Less: amounts included in construction costs	<b>(19,052)</b>	<b>(14,566)</b>
	<b>9,411</b>	<b>8,910</b>

Note:

- (a) During the year ended 31 December 2022, no forfeited contributions were utilised by the Group to reduce its contributions for the current year (2021: Same). As at 31 December 2022, no forfeited contributions were available for utilisation by the Group to reduce future contributions (2021: Same).

## Notes to the Consolidated Financial Statements

### 10 FINANCE COSTS, NET

	Year ended 31 December	
	2022 HK\$'000	2021 HK\$'000 (Restated) (Note 2.1)
Finance income		
Interest income from bank deposits	44	34
Finance costs		
Interest expense on lease liabilities (Note 25)	(20)	–
Interest expense on bank borrowings	(287)	(310)
Interest expense on loans from shareholders (Note 32(a))	(2,095)	(154)
	(2,402)	(464)
Finance costs, net	(2,358)	(430)

### 11 INCOME TAX EXPENSES

Hong Kong profits tax has been provided at the rate of 16.5% (2021: 16.5%) on the estimated assessable profit for the year ended 31 December 2022.

During the year ended 31 December 2022, the Group's subsidiary in Macau is subject to complementary tax at a standard rate of 12% (2021: 12%).

The Group's subsidiary incorporated in the PRC is subject to Corporate Income Tax ("CIT") in accordance with the Law of the PRC on Corporate Income Tax (the "CIT Law"). Under the CIT Law, the income tax rate applicable to this subsidiary is 25% (2021: N/A).

No overseas profits tax has been calculated for the Group's entities that are incorporated in the BVI or the Cayman Islands as they are tax exempted in their jurisdictions.

## Notes to the Consolidated Financial Statements

### 11 INCOME TAX EXPENSES (Continued)

The amount of taxation charged to the consolidated income statements represented:

	Year ended 31 December	
	2022 HK\$'000	2021 HK\$'000 (Restated) (Note 2.1)
Current income tax		
– Hong Kong profits tax	4,612	5,058
– Macau complementary tax	–	20
– PRC CIT	–	–
– Adjustments for current tax of prior years	30	(10)
Deferred income tax expenses (Note 28)	–	6,699
	4,642	11,767
Income tax expense is attributable to:		
Continuing operations	4,642	5,073
Discontinued operation	–	6,694
	4,642	11,767

## Notes to the Consolidated Financial Statements

### 11 INCOME TAX EXPENSES (Continued)

The taxation on the Group's loss before income tax differs from the theoretical amount that would arise using the applicable tax rate as follows:

	Year ended 31 December	
	2022 HK\$'000	2021 HK\$'000 (Restated) (Note 2.1)
Profit from continuing operations before income tax	17,412	24,180
Loss from discontinued operation before income tax	(92,553)	(199,876)
Loss before income tax	(75,141)	(175,696)
Tax calculated at tax rates applicable to profits of the respective subsidiaries	(10,689)	(29,024)
Income not subject to tax	(417)	(65)
Expenses not deductible for taxation purposes	3,889	2,660
Under/(over)-provision in prior years	30	(10)
Tax losses not recognised (Note (a))	12,017	38,511
Tax concession (Note (b))	(165)	(165)
Special complementary tax incentives (Note (c))	(23)	(140)
	4,642	11,767

Note (a):

Deferred income tax assets are recognised for tax losses carry forwards to the extent that realisation of the related tax benefit through the future taxable profits is probable. As at 31 December 2022, the Company did not recognise deferred tax assets of HK\$37,000 (2021: HK\$44,331,000) in respect of losses amounting HK\$149,000 (2021: HK\$268,673,000) that can be carried forward against future taxable income. These tax losses have not been recognised due to uncertainty of future realisation and will be expired in 2027 (2021: has no expiry date).

Note (b):

For the year ended 31 December 2022, tax concession relates to tax reduction to tax payable under Two-Tiered Profits Tax Rates Regime capped at HK\$165,000 (2021: HK\$165,000) for one of the Hong Kong incorporated entities of the Group.

Note (c):

According to Macau complementary tax law, Macau complementary tax is levied at progressive rates ranging from 3% to 9% on the taxable income above MOP32,000 but below MOP300,000, and thereafter at a fixed rate at 12%. In addition, according to the budget and approved by the Legislative Assembly, the tax-free income threshold for complementary tax was increased from MOP32,000 to MOP600,000 for income derived in the tax year 2022 and taxable income over MOP600,000 is taxed at 12% (2021: Same). The Group has obtained such tax incentives amounting to HK\$23,000 for the year ended 31 December 2022 (2021: HK\$140,000).



## Notes to the Consolidated Financial Statements

### 12 EARNINGS/LOSS PER SHARE

#### (a) Basic

Basic earnings/loss per share is calculated by dividing the profit/(loss) attributable to the owners of the Company by the weighted average number of ordinary shares in issue during the year.

	Year ended 31 December	
	2022	2021
Profit from continuing operations attributable to owners of the Company (HK\$'000)	13,009	19,107
Weighted average number of ordinary shares in issue (thousands)	624,000	558,181
Basic earnings per share from continuing operations	2.08	3.42
Loss from discontinued operation	(92,553)	(206,570)
Weighted average number of ordinary shares in issue (thousands)	624,000	558,181
Loss per share from discontinued operation	(14.83)	(37.00)
Basic loss per share (HK cents)	(12.75)	(33.58)

#### (b) Diluted

Diluted earnings/loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all potentially dilutive shares.

For the year ended 31 December 2022, there is no potential dilutive shares and the diluted earnings/loss per share is the same as the basic earnings/loss per share.

For the year ended 31 December 2021, the Company has one type of potentially dilutive shares, the Pre-IPO Share Option. For the Pre-IPO Share Option, calculation was performed to determine the number of shares that could have been acquired at fair value (determined as the average market price of the Company's shares for the period) based on the monetary value of the subscription rights attached to the outstanding share options.

Diluted earnings/loss per share for the year ended 31 December 2021 is the same as the basic earnings/loss per share as the conversion of potential ordinary shares in relation to the outstanding Pre-IPO Share Options does not have an anti-dilutive effect on the basic earnings/loss per share.

## Notes to the Consolidated Financial Statements

### 13 BENEFITS AND INTERESTS OF DIRECTORS

#### (a) Directors' emoluments

The remunerations of each Director of the Company paid/payable by the Group for the years ended 31 December 2021 and 2022 are set out below:

	Fees HK\$'000	Salaries, other allowances and benefits in kind HK\$'000	Discretionary bonuses HK\$'000	Defined contribution pension costs HK\$'000	Total HK\$'000
<b>Year ended 31 December 2022</b>					
<b>Executive Directors</b>					
Mr. Kwan Kam Tim	–	2,146	172	–	2,318
Ms. Leung Ng Mui May	–	2,846	100	15	2,961
Mr. Yip Wing Shing	–	240	–	12	252
Mr. Gao Shufang	–	360	–	20	380
<b>Independent Non-Executive Directors</b>					
Prof. Hons. Lau Chi Pang, <i>BBS, J.P.</i>	144	–	–	–	144
Mr. Chin Wai Keung	144	–	–	–	144
Prof. Mo Lai Lan	300	–	–	–	300
	588	5,592	272	47	6,499

## Notes to the Consolidated Financial Statements

### 13 BENEFITS AND INTERESTS OF DIRECTORS (Continued)

#### (a) Directors' emoluments (Continued)

	Fees HK\$'000	Salaries, other allowances and benefits in kind HK\$'000	Discretionary bonuses HK\$'000	Defined contribution pension costs HK\$'000	Total HK\$'000
<b>Year ended 31 December 2021</b>					
<b>Executive Directors</b>					
Mr. Kwan Kam Tim	-	2,154	170	-	2,324
Mr. Mak Kim Hung (Note (i))	-	2,256	86	15	2,357
Ms. Leung Ng Mui May	-	1,959	100	18	2,077
Mr. Yip Wing Shing (Note (ii))	-	79	-	4	83
Mr. Gao Shufang (Note (iii))	-	38	-	-	38
<b>Independent Non-Executive Directors</b>					
Mr. Keung Kwok Hung (Note (iv))	120	-	-	-	120
Mr. Tse Wai Kit (Note (v))	144	-	-	-	144
Prof. Hons. Lau Chi Pang, <i>BBS, J.P.</i>	144	-	-	-	144
Mr. Chin Wai Keung (Note (vi))	51	-	-	-	51
Prof. Mo Lai Lan (Note (vii))	50	-	-	-	50
	509	6,486	356	37	7,388

#### Notes:

- (i) Mr. Mak Kim Hung resigned as the Company's chief executive officer and executive director on 10 November 2021. Mr. Kwan Kam Tim acted as the chairman of the Board and the chief executive officer of the Company until his resignation of the chief executive officer and the appointment of Mr. Poon Pui Kit as the chief executive officer with effect from 27 May 2022.
- (ii) Mr. Yip Wing Shing was appointed as an executive director on 3 September 2021.
- (iii) Mr. Gao Shufang was appointed as an executive director on 23 November 2021.
- (iv) Mr. Keung Kwok Hung resigned as an independent non-executive director on 1 November 2021.
- (v) Mr. Tse Wai Kit resigned as an independent non-executive director on 30 December 2021.
- (vi) Mr. Chin Wai Keung was appointed as an independent non-executive director on 25 August 2021.
- (vii) Prof. Mo Lai Lan was appointed as an independent non-executive director on 1 November 2021.

There was no arrangement under which a Director waived or agreed to waive any emoluments during the year (2021: Nil).

## Notes to the Consolidated Financial Statements

### 13 BENEFITS AND INTERESTS OF DIRECTORS (Continued)

#### (b) Directors' retirement benefits and termination benefits

Save as disclosed in Note 13(a), the Directors did not receive any other retirement benefits or termination benefits during the year ended 31 December 2022 (2021: Nil).

#### (c) Consideration provided to third parties for making available Directors' services

During the year ended 31 December 2022, no consideration was provided to or receivable by third parties for making available Directors' services (2021: Nil).

#### (d) Information about loans, quasi-loans and other dealings in favour of Directors, controlled bodies corporate by and connected entities with such directors

Save as disclosed in Note 27(b) and Note 32(a), during the years ended 31 December 2021 and 2022, there were no loans, quasi-loans and other dealing arrangements in favour of directors, controlled bodies corporate by and connected entities with such directors.

#### (e) Director's material interests in transactions, arrangements or contracts

Save as disclosed in Note 32, no significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of each of the year ended 31 December 2022 (2021: Nil) or at any time during the year ended 31 December 2022 (2021: Nil).

## Notes to the Consolidated Financial Statements

### 13 BENEFITS AND INTERESTS OF DIRECTORS (Continued)

#### (f) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group include 2 (2021: 2) Directors for the year ended 31 December 2022, whose emoluments are reflected in the analysis presented above. The emoluments payable the remaining 3 (2021: 3) individuals during the year ended 31 December 2022, are as follows:

	Year ended 31 December	
	2022 HK\$'000	2021 HK\$'000
Wages, salaries, bonuses, share options and allowances	4,433	4,908
Share-based payment expenses	8,375	3,563
Pension costs – defined contribution plans	51	54
	12,859	8,525

The emoluments fell within the following bands:

	Year ended 31 December	
	2022 HK\$'000	2021 HK\$'000
<b>Emolument bands</b>		
HK\$1,500,001 to HK\$2,000,000	–	–
HK\$2,000,001 to HK\$2,500,000	–	2
HK\$2,500,001 to HK\$3,000,000	2	–
HK\$3,000,001 to HK\$3,500,000	–	–
HK\$3,500,001 to HK\$4,000,000	–	–
HK\$4,000,001 to HK\$4,500,000	–	1
HK\$7,000,001 to HK\$7,500,000	1	–
	3	3

## Notes to the Consolidated Financial Statements

### 14 SUBSIDIARIES

The Group's principal subsidiaries at 31 December 2022 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the Group, and the proportion of ownership interests held equals the voting rights held by the Group. The country of incorporation or registration is also their principal place of business.

Name of entity	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital/registered capital	Ownership interest held by the Group	
				2022 %	2021 %
<b>Directly owned:</b>					
Acme Gondola Systems (BVI) Limited	BVI, limited liability company	Investment holding, BVI	1 Ordinary share of US\$1 each	100	100
Omen Global Enterprises Limited	BVI, limited liability company	Investment holding, BVI	100 Ordinary shares of US\$1 each	100	100
<b>Indirectly owned:</b>					
Acme Gondola Systems Limited	Hong Kong, limited liability company	Provision of design and build solutions for BMU systems, Hong Kong	100,000 Ordinary shares, HK\$100,000	100	100
Acme Gondola Systems (Macau) Limited	Macau, limited liability company	Provision of design and build solutions for BMU systems, Macau	25,000 Ordinary shares, MOP25,000	100	100
Zhejiang Xinneng Zhonghe Technology Co., Ltd. (浙江信能中和科技有限公司) (Note (i))	Mainland China, limited liability company	Development, design, production and sale of new energy generation and energy storage system, the PRC	RMB10,000,000	60	60
Green Global Development Limited	Hong Kong, limited liability company	Investment holding, Hong Kong	20,000 ordinary shares, HK\$5,338,900	100	100

Note:

- (i) Registered as sino-foreign owned enterprises under PRC law, the company became a subsidiary of the Group on 14 March 2022. Refer to Note 31 (b)(i) for details.

## Notes to the Consolidated Financial Statements

### 15 PROPERTY, PLANT AND EQUIPMENT

	Right-of- use assets HK\$'000	Leasehold improvements HK\$'000	Furniture and fixtures HK\$'000	Total HK\$'000
<b>As at 1 January 2021</b>				
Cost	6,892	2,111	5,707	14,710
Accumulated depreciation	(5,723)	(2,111)	(5,107)	(12,941)
Net book amount	1,169	–	600	1,769
<b>Year ended 31 December 2021</b>				
Opening net book amount	1,169	–	600	1,769
Additions	5,413	–	142	5,555
Depreciation	(2,242)	–	(620)	(2,862)
Closing net book amount	4,340	–	122	4,462
<b>As at 31 December 2021</b>				
Cost	12,305	2,111	5,849	20,265
Accumulated depreciation	(7,965)	(2,111)	(5,727)	(15,803)
Net book amount	4,340	–	122	4,462
<b>Year ended 31 December 2022</b>				
Opening net book amount	4,340	–	122	4,462
Additions	2,326	–	441	2,767
Depreciation	(2,125)	–	(70)	(2,195)
Disposal	(478)	–	–	(478)
Impairment loss	(1,870)	–	–	(1,870)
Closing net book amount	2,193	–	493	2,686
<b>As at 31 December 2022</b>				
Cost	2,326	–	951	3,277
Accumulated depreciation	(133)	–	(458)	(591)
Net book amount	2,193	–	493	2,686

Depreciation expenses of approximately HK\$203,000 (2021: HK\$43,000) have been charged to administrative expenses in continuing operations and approximately HK\$1,992,000 (2021: HK\$2,819,000) have been charged to the administrative expenses in discontinued operation for the year ended 31 December 2022.

## Notes to the Consolidated Financial Statements

### 15 PROPERTY, PLANT AND EQUIPMENT (Continued)

Impairment loss of approximately HK\$1,870,000 (2021: Nil) have been charged to administrative expenses in discontinued operation for the year ended 31 December 2022.

During the year ended 31 December 2022, the Group has derecognised the right-of-use assets and lease liabilities of approximately HK\$478,000 and HK\$504,000, respectively, with a gain of approximately HK\$26,000 recognised in other losses, net in discontinued operation as a result of the early termination of a lease (2021: N/A).

### 16 INTANGIBLE ASSET

	<b>Computer software</b> HK\$'000
<b>As at 1 January 2022</b>	
Cost	785
Accumulated amortisation	(26)
Net book amount	759
<b>Year ended 31 December 2022</b>	
Opening net book amount	759
Amortisation	(79)
Closing net book amount	680
<b>As at 1 January 2022</b>	
Cost	785
Accumulated amortisation	(105)
Net book amount	680
<b>Year ended 31 December 2022</b>	
Opening net book amount	680
Amortisation	(72)
Impairment loss	(608)
Closing net book amount	-
<b>As at 31 December 2022</b>	
Cost	-
Accumulated amortisation	-
Net book amount	-



## Notes to the Consolidated Financial Statements

### 16 INTANGIBLE ASSET (Continued)

Amortisation expenses of HK\$72,000 (2021: HK\$79,000) have been charged to the administrative expenses in discontinued operation for the year ended 31 December 2022.

Impairment loss of approximately HK\$608,000 (2021: Nil) have been charged to the administrative expenses in discontinued operation for the year ended 31 December 2022.

### 17 FINANCIAL INSTRUMENTS BY CATEGORIES

	As at 31 December	
	2022	2021
	HK\$'000	HK\$'000
<b>Financial assets at amortised cost</b>		
Trade and retention receivables	28,847	62,091
Deposits and other receivables (excluding prepayments)	389	793
Pledged deposits	2,786	65,374
Time deposit	1,806	–
Restricted deposits	13,090	8,461
Cash and cash equivalents	31,203	22,294
	<b>78,121</b>	<b>159,013</b>
<b>Financial liabilities at amortised cost</b>		
Trade, bills and retention payables	15,854	124,584
Other payables	3,858	3,649
Borrowings	45,649	49,300
Lease liabilities	2,335	4,509
	<b>67,696</b>	<b>182,042</b>

### 18 INVENTORIES

	As at 31 December	
	2022	2021
	HK\$'000	HK\$'000
Construction materials	10,954	29,571

Inventories of approximately HK\$78,857,000 (2021: HK\$95,844,000) were recognised in cost of sales in continuing operations and approximately HK\$33,121,000 (2021: HK\$101,504,000) were recognised in cost of sales in discontinued operation during the year ended 31 December 2022.

## Notes to the Consolidated Financial Statements

### 19 TRADE AND RETENTION RECEIVABLES

	As at 31 December	
	2022	2021
	HK\$'000	HK\$'000
Trade receivables (Note (a))	16,505	27,221
Retention receivables (Note (b))	12,801	34,870
	29,306	62,091
Less: loss allowance (Note 3.1 (c))	(459)	–
Trade and retention receivables	28,847	62,091

#### (a) Trade receivables

The Group generally grants credit period other than the retention receivables that ranges from 30 to 60 days to its customers. The Group may at its discretion grant a longer credit period to specific customers after considering various factors, including (i) business relationship with the customer; (ii) credit quality of the customer and (iii) the Group's liquidity and level of unutilised banking facilities.

The ageing analysis of the trade receivables before loss allowances based on invoice date was as follows:

	As at 31 December	
	2022	2021
	HK\$'000	HK\$'000
0 – 30 days	9,111	15,379
31 – 60 days	5,448	10,792
61 – 90 days	396	382
91 – 180 days	953	595
Over 180 days	597	73
	16,505	27,221

## Notes to the Consolidated Financial Statements

### 19 TRADE AND RETENTION RECEIVABLES (Continued)

#### (b) Retention receivables

Retention receivables are settled in accordance with the terms of the respective contracts. The terms and conditions in relation to the release of retention vary from contract to contract, which is subject to practical completion, the expiry of the defect liability period or a pre-agreed time period. In the consolidated statement of financial position, retention receivables were classified as current assets based on operating cycle. The ageing analysis of these retention receivables before loss allowances based on the terms of related contracts was as follows:

	As at 31 December	
	2022	2021
	HK\$'000	HK\$'000
Will be recovered within twelve months	4,723	8,002
Will be recovered more than twelve months after the end of the year	8,078	26,868
	12,801	34,870

#### (c) Impairment and risk exposure

The Group applied the simplified approach to assess expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for trade and retention receivables. To measure the expected credit losses, trade and retention receivables have been grouped based on shared credit risk characteristics and the days past due. This resulted in an increase of loss allowance of approximately HK\$459,000 (2021: immaterial) for trade and retention receivables. Note 3.1(c) provides for details about the calculation of the allowance.

The carrying amounts of trade and retention receivables approximated their fair values as at 31 December 2021 and 2022. The carrying amounts of trade and retention receivables before loss allowances were denominated in the following currencies:

	As at 31 December	
	2022	2021
	HK\$'000	HK\$'000
HK\$	28,987	62,091
RMB	319	–
	29,306	62,091

The maximum exposure to credit risk was the carrying amounts of trade and retention receivables and the Group did not hold any collateral as security during the year ended 31 December 2022 (2021: Same).

## Notes to the Consolidated Financial Statements

### 20 CONTRACT ASSETS/LIABILITIES

The Group has recognised the following assets and liabilities related to contracts with customers:

	As at 31 December	
	2022	2021
	HK\$'000	HK\$'000
Contract assets relating to BMU Systems construction contracts		
– Continuing operations	64,571	82,482
Contract assets relating to Façade Works construction contracts		
– Discontinued operation	–	74,157
Less: loss allowances (Note 3.1(c))	(303)	–
<b>Total contract assets</b>	<b>64,268</b>	<b>156,639</b>

	As at 31 December	
	2022	2021
	HK\$'000	HK\$'000
Contract liabilities relating to BMU Systems construction contracts		
– Continuing operations	4,016	1,945
Contract liabilities relating to Façade Works construction contracts		
– Discontinued operation	–	4,436
<b>Total contract liabilities</b>	<b>4,016</b>	<b>6,381</b>

#### (a) Significant changes in contract assets and liabilities

Contract assets have decreased as the Group has provided less construction services ahead of the right to payment upon receiving certification from quantity surveyors for fixed-price contracts in the BMU Systems Business and the contract assets relating to façade works construction contracts were derecognised as a result of its winding up (Note 23). The Group also applied the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for contract assets. This resulted in an increase of loss allowance of approximately HK\$303,000 (2021: immaterial). Note 3.1(c) provides for details about the calculation of the allowance.

Contract liabilities for the construction contracts have decreased due to the contract liabilities relating to façade works construction contracts were derecognised as a result of its winding up (Note 23), offset by the negotiation of more prepayments from customers on overall contract activities in the BMU Systems Business.

## Notes to the Consolidated Financial Statements

### 20 CONTRACT ASSETS/LIABILITIES (Continued)

#### (b) Revenue recognised in relation to contract liabilities

The following table shows how much of the revenue recognised during the years ended 31 December 2022 and 2021 relates to carried-forward contract liabilities and how much relates to performance obligations that were satisfied in a prior year.

	As at 31 December	
	2022 HK\$'000	2021 HK\$'000
Revenue recognised that was included in the contract liabilities balance at the beginning of the year		
– Continuing operations	1,006	2,180
– Discontinued operation	4,137	3,802
	5,143	5,982
Revenue recognised from performance obligations satisfied in previous years		
– Continuing operations	20,433	16,792
– Discontinued operation	8,161	39,411
	28,594	56,203

#### (c) Unsatisfied performance obligations

The following table shows unsatisfied performance obligations resulting from fixed-price long-term construction contracts.

	As at 31 December	
	2022 HK\$'000	2021 HK\$'000 (Restated) (Note 2.1)
Aggregate amount of the transaction price allocated to long-term construction contracts that are partially or fully unsatisfied as at year end		
– Continuing operations	237,066	223,177
– Discontinued operation	–	149,777
	237,066	372,954

Management expects that the transaction prices regarding the unsatisfied contracts as of 31 December 2022 will be recognised as revenue during the next corresponding reporting periods by referencing to the progress towards completion of the contract activity. The amount disclosed above does not include consideration which is constrained.

## Notes to the Consolidated Financial Statements

### 21 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	<b>As at 31 December</b>	
	<b>2022</b>	2021
	<b>HK\$'000</b>	HK\$'000
<b>Non-current</b>		
Prepayments	33	279
Deposits	324	646
	357	925
<b>Current</b>		
Deposits and other receivables	65	147
Prepayments for construction materials	2,675	6,271
Other prepayments	2,012	4,280
	4,752	10,698
	5,109	11,623

The carrying amounts of deposits and other receivables approximated their fair values as at 31 December 2021 and 2022. The carrying amounts of the deposits and other receivables were denominated in the following currencies:

	<b>As at 31 December</b>	
	<b>2022</b>	2021
	<b>HK\$'000</b>	HK\$'000
HK\$	357	793
RMB	32	–
	389	793

## Notes to the Consolidated Financial Statements

### 22 PLEDGED DEPOSITS, TIME DEPOSIT, RESTRICTED DEPOSITS AND CASH AND CASH EQUIVALENTS

	As at 31 December	
	2022 HK\$'000	2021 HK\$'000
Pledged deposits (Note a)	2,786	65,374
Time deposit with original maturity date over 3 months	1,806	–
Restricted deposits (Note b)	13,090	8,461
Cash at bank	31,190	22,260
Cash on hand	13	34
Pledged deposits, time deposit, restricted deposits and cash and cash equivalents	48,885	96,129
Less:		
Pledged deposits (Note a)	(2,786)	(65,374)
Time deposit with original maturity date over 3 months	(1,806)	–
Restricted deposits (Note b)	(13,090)	(8,461)
Cash and cash equivalents	31,203	22,294

#### Notes:

- (a) As at 31 December 2022, pledged deposits with carrying values of approximately HK\$2,786,000 (2021: HK\$65,374,000) were pledged to the facilities granted by banks to the Group, details of which are set out in Note 27(a) and Note 31 (a)(i). During the year ended 31 December 2022, pledged deposits in the continuing operations of approximately HK\$414,000 which was pledged against the banking facilities of a subsidiary being winding up (Note 23) was written-off (2021: N/A).
- (b) As at 31 December 2022, restricted deposits with carrying values of HK\$13,090,000 were held at the banks (2021: HK\$8,461,000). The balance represents the margin deposits held at the banks as pledges against the issuance of surety bonds (Note 31 (a)(i)) (2021: Same).

## Notes to the Consolidated Financial Statements

### 22 PLEDGED DEPOSITS, TIME DEPOSIT, RESTRICTED DEPOSITS AND CASH AND CASH EQUIVALENTS (Continued)

The weighted effective interest rates as at each of the years ended 31 December 2021 and 2022 were as follows:

	As at 31 December	
	2022 HK\$'000	2021 HK\$'000
Pledged deposits		
– HK\$	0.00%	0.21%
– US\$	0.50%	0.00%
Bank deposits		
– HK\$	0.00%	0.00%
Time deposits		
– HK\$	0.10%	N/A

Pledged deposits, time deposit, restricted deposits and cash and cash equivalents were denominated in the following currencies:

	As at 31 December	
	2022 HK\$'000	2021 HK\$'000
HK\$	35,956	84,487
EUR	9,998	8,250
US\$	2,865	3,258
RMB	30	94
GBP	36	40
	48,885	96,129



## Notes to the Consolidated Financial Statements

### 23 DISCONTINUED OPERATION

On 27 November 2022, the Group initiated a winding up under section 228(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) (the "Ordinance") by way of creditors' voluntary liquidation of Acme Metal, an indirectly-wholly-owned subsidiary of the Company which was engaged in Façade Works Business. Messrs. Osman Mohammed Arab and Lai Wing Lun were appointed as the joint and several liquidators of Acme Metal by the sole shareholder's resolution passed on 27 November 2022 and was confirmed at the creditors' meeting held on 9 December 2022.

As a result of the voluntary winding-up under the Hong Kong Companies Ordinance, the Group lost control over Acme Metal because the joint and several liquidators have taken over control of the operations of Acme Metal under the statutory power and therefore, Acme Metal was then ceased to be a subsidiary of the Company with effect from 9 December 2022.

In light of this, the results of Acme Metal for the year are presented as discontinued operation in the consolidated income statement and consolidated statement of comprehensive income.

#### (i) Financial performance and cash flow information

The financial performance and cash flow information presented are for the period ended 9 December 2022 and the year ended 31 December 2021.

	2022 HK\$'000	2021 HK\$'000
Revenue	81,143	213,485
Cost of sales	(148,267)	(393,659)
Other losses, net	(3,054)	(1,471)
Expenses	(15,559)	(16,769)
Finance costs, net	(1,859)	(1,462)
Loss before income tax	(87,596)	(199,876)
Income tax expense	–	(6,694)
Loss after income tax of discontinued operation	(87,596)	(206,570)
Loss on winding up of a subsidiary (Note (ii))	(4,957)	–
Loss from discontinued operation	(92,553)	(206,570)
Net cash outflow from operating activities	(8,679)	(22,911)
Net cash inflow/(outflow) from investing activities	93	(13)
Net cash inflow from financing activities	5,548	14,333
Net decrease in cash and cash equivalents in the subsidiary	(3,038)	(8,591)

## Notes to the Consolidated Financial Statements

### 23 DISCONTINUED OPERATION (Continued)

#### (ii) Details of winding up of a subsidiary

	Year ended 31 December 2022 HK\$'000	Year ended 31 December 2021 HK\$'000
Consideration	–	–
Less: carrying amount of net assets		
Trade and retention receivables	28,034	–
Contract assets	39,766	–
Deposits, prepayments and other receivables	802	–
Trade, bills and retention payables	(63,449)	–
Borrowings	(25,072)	–
Provisions	(6,602)	–
Other net assets	31,478	–
Loss on winding up of a subsidiary (Note (i))	4,957	–
Cash received	–	–
Cash and cash equivalents disposed of	(621)	–
Outflow of cash arising from winding up of a subsidiary	(621)	–

## Notes to the Consolidated Financial Statements

### 24 SHARE CAPITAL, SHARE PREMIUM AND RESERVES

#### (a) Share capital and share premium

	Number of ordinary shares	Share Capital HK\$'000	
<b>Authorised:</b>			
As at 1 January 2021, 31 December 2021, 1 January 2022 and 31 December 2022	4,000,000,000	40,000	
	Number of ordinary shares	Share Capital HK\$'000	Share Premium HK\$'000
<b>Issued and fully paid:</b>			
As at 1 January 2021	520,000,000	5,200	99,743
Placing and subscription of new shares (Note (i))	104,000,000	1,040	18,490
As at 31 December 2021, 1 January 2022 and 31 December 2022	624,000,000	6,240	118,233

Note (i): On 30 July 2021, the Company entered into the placing agreement with the joint placing agents in respect of the placing of up to 52,000,000 new shares at an issue price of HK\$0.19 per share (the "Placing"). In addition, on the same day, the Company entered into the subscription agreement with a subscriber, of which the subscriber agreed to subscribe for 52,000,000 new shares at a subscription price of HK\$0.19 per share (the "Subscription"). The Placing and the Subscription were completed on 20 August 2021 and 104,000,000 new shares in total were issued at HK\$0.19 per share, with consideration (net of transaction costs) of approximately HK\$19,530,000.

## Notes to the Consolidated Financial Statements

### 24 SHARE CAPITAL, SHARE PREMIUM AND RESERVES (Continued)

#### (b) Reserves

	Share premium HK\$'000	Share-based payment reserve HK\$'000	Exchange reserve HK\$'000	Other reserves HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
<b>Balances as at 1 January 2021</b>	99,743	7,672	-	37,524	167,715	312,654
<b>Comprehensive loss</b>						
Loss for the year	-	-	-	-	(187,463)	(187,463)
<b>Total comprehensive loss</b>	-	-	-	-	(187,463)	(187,463)
<b>Transaction with owners in their capacity as owners</b>						
Share-based payment expenses (Note 24(c))	-	4,316	-	-	-	4,316
Placing and subscription of new shares (Note 24(a))	18,490	-	-	-	-	18,490
<b>Total transaction with owners in their capacity as owners</b>	18,490	4,316	-	-	-	22,806
<b>Balances as at December 2021</b>	118,233	11,988	-	37,524	(19,748)	147,997

## Notes to the Consolidated Financial Statements

### 24 SHARE CAPITAL, SHARE PREMIUM AND RESERVES (Continued)

#### (b) Reserves (Continued)

	Share premium HK\$'000	Share-based payment reserve HK\$'000	Exchange reserve HK\$'000	Other reserves HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
<b>Balances as at 1 January 2022</b>	118,233	11,988	–	37,524	(19,748)	147,997
<b>Comprehensive loss</b>						
Loss for the year	–	–	–	–	(79,544)	(79,544)
<b>Other comprehensive loss</b>						
Exchange differences on translation of foreign operations	–	–	(1)	–	–	(1)
<b>Total comprehensive loss</b>	–	–	(1)	–	(79,544)	(79,545)
<b>Transaction with owners in their capacity as owners</b>						
Share-based payment expenses (Note 24(c))	–	9,985	–	–	–	9,985
Reclassification of share-based payment reserve to accumulated losses	–	(21,973)	–	–	21,973	–
Capital injection by non-controlling interests	–	–	–	–	–	–
<b>Total transaction with owners in their capacity as owners</b>	–	(11,988)	–	–	21,973	9,985
<b>Balances as at December 2022</b>	118,233	–	(1)	37,524	(77,319)	78,437

#### (c) Share-based payments

##### Pre-IPO Share Option Scheme

The establishment of the Pre-IPO Share Option Scheme was approved by the shareholders on 21 March 2019, which is designed to recognise the contribution of the senior management for the growth of the Group, by granting options to them as incentive or reward, to attract, retain and motivate them to make contributions to the Group and strive for future development and expansion of the Group.

## Notes to the Consolidated Financial Statements

### 24 SHARE CAPITAL, SHARE PREMIUM AND RESERVES (Continued)

#### (c) Share-based payments (Continued)

##### Pre-IPO Share Option Scheme (Continued)

Under the Pre-IPO Share Option Scheme, the options granted are subject to the following vesting schedule:

- 30% of the options granted shall vest on the third anniversary of the date on which the grant was accepted by the grantee (“Acceptance Date”);
- 30% of the options granted shall vest on the sixth anniversary of the Acceptance Date; and
- 40% of the options granted shall vest on the tenth anniversary of the Acceptance Date, or upon the retirement of the grantee at the age of 65, whichever is earlier.

The options granted are also subject to a non-vesting condition, i.e. upon Listing.

The consideration payable by each of the grantees for the grant of the options is HK\$1.00. The options granted carry no dividend or voting rights before they are vested.

When exercisable, each option is convertible into one ordinary share. The exercise price of options is HK\$0.115 per share.

Set out below are summaries of options granted under the Pre-IPO Share Option Scheme:

	Year ended 31 December			
	2022		2021	
	Exercise price per share option	Number of options	Exercise price per share option	Number of options
Beginning of the year	HK\$0.115	23,400,000	HK\$0.115	23,400,000
Cancellation (Note (i))	HK\$(0.115)	(23,400,000)	–	–
End of the year	–	–	HK\$0.115	23,400,000

Note (i):

During the year ended 31 December 2022, the Company and each of the grantees of the Pre-IPO Share Option have mutually agreed to cancel the Pre-IPO Share Option Scheme. As of the date of cancellation, all of the Pre-IPO Share Options have not been vested, exercised or lapsed. Accordingly, in the consolidated financial statements for the year ended 31 December 2022, the Group immediately recorded share-based payment expenses of approximately HK\$9,985,000, with a corresponding increase in share-based payment reserve as an acceleration of vesting, and the total share-based payment reserve of approximately HK\$21,973,000 was transferred to accumulated losses.

Upon the cancellation of the Pre-IPO Share Options, there are no outstanding share options under the Pre-IPO Share Option Scheme as at the year ended 31 December 2022.

## Notes to the Consolidated Financial Statements

### 24 SHARE CAPITAL, SHARE PREMIUM AND RESERVES (Continued)

#### (c) Share-based payments (Continued)

##### Pre-IPO Share Option Scheme (Continued)

No options were granted, exercised, forfeited and expired during the year ended 31 December 2021.

Share options outstanding at the year ended 31 December 2021 have the following expiry date and exercise price:

Grant date	Expiry date	Exercise price	Number of options
21 March 2019	21 March 2029	HK\$0.115	23,400,000

The weighted average remaining contractual life of options outstanding at end of 31 December 2021 was 7.23 years. No outstanding share options as at 31 December 2021 were vested.

Total expenses arising from share-based payment transactions during the year were as follows:

	Year ended 31 December	
	2022	2021
	HK\$'000	HK\$'000
Share-based payment expenses charged in the consolidated income statement		
Continuing operations:		
– Administrative expenses	1,610	753
– Cost of sales	5,025	2,138
	6,635	2,891
Discontinuing operation:		
– Administrative expenses	–	–
– Cost of sales	3,350	1,425
	3,350	1,425
	9,985	4,316

## Notes to the Consolidated Financial Statements

### 25 LEASES

This note provides information for leases where the Group is a lessee.

#### (i) Amounts recognised in the consolidated statement of financial position

The consolidated statement of financial position shows the following amounts relating to leases:

	<b>As at 31 December</b>	
	<b>2022</b> <b>HK\$'000</b>	2021 HK\$'000 (Restated) (Note 2.1)
Right-of-use assets (included in property, plant and equipment)		
– Properties (Note 15)	2,193	4,340
Lease liabilities		
– Current	787	2,247
– Non-current	1,548	2,262
	<b>2,335</b>	<b>4,509</b>

Additions to the right-of-use assets during the year ended 31 December 2022 were HK\$2,326,000 (2021: HK\$5,413,000).



## Notes to the Consolidated Financial Statements

### 25 LEASES (Continued)

#### (ii) Amounts recognised in the consolidated income statement

The consolidated income statement shows the following amounts relating to leases:

	Year ended 31 December	
	2022 HK\$'000	2021 HK\$'000 (Restated) (Note 2.1)
Continuing operations:		
Depreciation charge of right-of-use assets – Properties (Note 15)	133	–
Rental expenses – short term leases (included in administrative expenses) (Note 8)	102	–
Interest expenses (included in finance costs) (Note 10)	20	–
Discontinued operation:		
Depreciation charge of right-of-use assets – Properties (Note 15)	1,992	2,242
Interest expenses	196	346

The total cash outflows for leases including principal payments of lease liabilities in financing activities, payments of interest expenses on leases in financing activities and short-term operating lease payments in operating activities for the year ended 31 December 2022 were approximately HK\$1,981,000, HK\$216,000 and HK\$102,000 respectively (2021: HK\$2,114,000, HK\$346,000 and HK\$nil respectively).

#### (iii) The Group's leasing activities and how these are accounted for

The Group leases various offices and warehouses Rental contracts are typically made for fixed periods of 2 to 3 years with no extension and termination options included in any leases across the Group.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

## Notes to the Consolidated Financial Statements

### 26 TRADE, BILLS AND RETENTION AND OTHER PAYABLES AND ACCRUALS

	As at 31 December	
	2022	2021
	HK\$'000	HK\$'000
Trade payables (Note (a))	11,712	105,553
Retention payable (Note (b))	4,142	19,031
Trade, bills and retention payables	15,854	124,584
Accrued staff costs	2,678	3,567
Other accrued operating expenses	3,837	3,048
Other payables	21	601
Other payables and accruals	6,536	7,216
	22,390	131,800

#### (a) Trade payables

Trade payables are unsecured and the credit terms of trade payables granted by suppliers ranges from 30 to 60 days from invoice date. The ageing analysis of trade payables based on invoice date as at 31 December 2021 and 2022 were as follows:

	As at 31 December	
	2022	2021
	HK\$'000	HK\$'000
0 – 30 days	5,423	47,091
31 – 60 days	1,978	14,821
61 – 90 days	1,512	4,146
91 – 120 days	–	11,778
Over 120 days	2,799	27,717
	11,712	105,553

## Notes to the Consolidated Financial Statements

### 26 TRADE, BILLS AND RETENTION AND OTHER PAYABLES AND ACCRUALS

(Continued)

#### (b) Retention payables

Retention payables are settled in accordance with the terms of the respective contracts. The terms and conditions in relation to the release of retention vary from contract to contract, which is subject to practical completion, the expiry of the defect liability period or a pre-agreed time period. In the consolidated statement of financial position, retention payables were classified as current liabilities based on operating cycle. The ageing analysis of these retention payables based on the terms of related contracts was as follows:

	As at 31 December	
	2022 HK\$'000	2021 HK\$'000
Will be settled within twelve months	278	2,214
Will be settled more than twelve months after the end of the year	3,864	16,817
	4,142	19,031

The carrying amounts of trade, bills and retention and other payables and accruals (excluding non-financial liabilities) approximated their fair values as at 31 December 2021 and 2022 and were denominated in the following currencies:

	As at 31 December	
	2022 HK\$'000	2021 HK\$'000
HK\$	18,970	121,100
US\$	–	3,625
EUR	699	97
RMB	43	3,411
	19,712	128,233

## Notes to the Consolidated Financial Statements

### 27 BORROWINGS

	As at 31 December	
	2022 HK\$'000	2021 HK\$'000
<b>Non-current</b>		
<i>Unsecured</i>		
Loans from shareholders (Note (b))	34,989	–
	34,989	–
<b>Current</b>		
<i>Secured</i>		
Bank loans with repayment on demand clauses	–	13,905
Total current secured borrowings (Note (a))	–	13,905
<i>Unsecured</i>		
Loans from shareholders (Note (b))	10,660	20,154
Other loans (Note (c))	–	15,241
Total current unsecured borrowings	10,660	35,395
	10,660	49,300
Total borrowings	45,649	49,300

## Notes to the Consolidated Financial Statements

### 27 BORROWINGS (Continued)

Notes:

- (a) The secured borrowings represented the bank import loans drawn by the Group and were repayable as follows:

	As at 31 December	
	2022	2021
	HK\$'000	HK\$'000
Within 1 year and repayable on demand	–	13,905

The Group had total unused credit facilities amounting to approximately HK\$39,052,000 as at 31 December 2022 (2021: HK\$28,205,000).

As at 31 December 2021, the total bank borrowings were guaranteed/secured by the pledged deposits (Note 22)).

- (b) In October 2021, the Group entered into a loan agreement with a former shareholder of the Company, Mr. Mak Kin Hung ("Mr. Mak"), in which Mr. Mak had agreed to make available a loan facility up to an aggregate amount of HK\$10 million, repayable by 28 February 2022, to finance the general operation of the Group. In February 2022, the Group entered into a supplemental loan agreement with Mr. Mak to extend the repayment date to 30 June 2023, with the other terms remaining unchanged. As at 31 December 2022, the loan (including accrued interests) of approximately HK\$10,660,000 (2021: HK\$10,110,000) (Note 32(a)) was denominated in HK\$, unsecured, interest bearing at 5.5% per annum.

In November 2021, the Group entered into a loan agreement with a shareholder, Mr. Kwan Kam Tim ("Mr. Kwan"), in which Mr. Kwan had agreed to make available a loan facility up to an aggregate amount of HK\$10 million, repayable by 30 June 2022, to finance the general operation of the Group. During the year ended 31 December 2022, the Group entered into four supplemental loan agreements with Mr. Kwan to increase the loan facility up to an aggregate amount of HK\$38 million and extend the repayment date to 30 June 2024, with the other terms remaining unchanged. As at 31 December 2022, the loan (including accrued interests) of approximately HK\$33,470,000 (2021: HK\$10,044,000) was denominated in HK\$, unsecured, interest bearing at 5.5% per annum.

In August 2022, the Group entered into a loan agreement with a shareholder, Treasure Ship Holding Limited ("Treasure Ship"), in which Treasure Ship had agreed to make available a loan facility up to an aggregate amount of HK\$10 million, repayable by 18 August 2023, to finance the general operation of the Group. In December 2022, the Group entered into a supplemental loan agreement with Treasure Ship to extend the repayment date to 30 June 2024, with the other terms remaining unchanged. As at 31 December 2022, the loan (including accrued interests) of approximately HK\$1,519,000 (2021: HK\$ nil) was denominated in HK\$, unsecured, interest bearing at 5.5% per annum.

## Notes to the Consolidated Financial Statements

### 27 BORROWINGS (Continued)

Notes: (Continued)

- (c) As at 31 December 2021, other loans from a third party of HK\$15,241,000 to the Group's indirectly wholly-owned subsidiary, ACME Metal, was denominated in HK\$, unsecured, interest bearing at 6.5% per annum, and repayable on the sixth months from the date of the drawdown. As at 31 December 2021, the Group had total facility from this third party amounting to HK\$18,000,000, of which HK\$3,000,000 was unutilised. The balances were derecognised as a result of the winding up of Acme Metal as at 9 December 2022 (Note 23).

The weighted effective interest rates as at each of the years ended 31 December 2021 and 2022 were as follows:

	As at 31 December	
	2022 HK\$'000	2021 HK\$'000
Import loans	–	6.07%
Other loans	–	5.93%

The carrying amounts of borrowings approximated their fair values due to their short maturities and are denominated in HK\$.

### 28 DEFERRED INCOME TAX

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income tax assets and liabilities relate to income tax levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

The movements in the net deferred income tax assets/(liabilities) are as follows:

	HK\$'000
<b>As at 1 January 2021</b>	6,681
Charged to the consolidated income statement (Note 11)	(6,699)
<b>As at 31 December 2021 and 1 January 2022</b>	(18)
Charged to the consolidated income statement (Note 11)	–
<b>As at 31 December 2022</b>	(18)

## Notes to the Consolidated Financial Statements

### 28 DEFERRED INCOME TAX (Continued)

#### (a) Net deferred tax assets

	As at 31 December	
	2022 HK\$'000	2021 HK\$'000
The balance comprises temporary differences attributable to:		
Tax losses	–	–
Decelerated tax depreciation	–	–
Warranty provision	–	–
<b>Total deferred tax assets</b>	<b>–</b>	<b>–</b>
Set-off of deferred tax liabilities pursuant to offsetting of balances within same taxation jurisdiction	–	–
<b>Net deferred tax assets</b>	<b>–</b>	<b>–</b>

	Tax losses HK\$'000	Decelerated tax depreciation HK\$'000	Warranty provision HK\$'000	Total HK\$'000
<b>Movement</b>				
<b>As at 1 January 2021</b>	5,968	303	518	6,789
Charged to the consolidated income statement	(5,968)	(303)	(518)	(6,789)
<b>As at 31 December 2021, 1 January 2022 and 31 December 2022</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>

## Notes to the Consolidated Financial Statements

### 28 DEFERRED INCOME TAX (Continued)

#### (b) Net deferred tax liabilities

	As at 31 December	
	2022	2021
	HK\$'000	HK\$'000
The balance comprises temporary differences attributable to:		
Accelerated tax depreciation	(18)	(18)
Leases	–	–
-----	-----	-----
Total deferred tax liabilities	(18)	(18)

	Accelerated tax		Total
	Leases	depreciation	
	HK\$'000	HK\$'000	HK\$'000
<b>Movement</b>			
<b>As at 1 January 2021</b>	(30)	(78)	(108)
Credited to the consolidated income statement	30	60	90
<b>As at 31 December 2021, 1 January 2022 and 31 December 2022</b>	–	(18)	(18)



## Notes to the Consolidated Financial Statements

### 29 PROVISIONS

	As at 31 December	
	2022	2021
	HK\$'000	HK\$'000
<b>Current</b>		
Warranties (Note (a))	–	3,217
Onerous construction contracts (Note (d))	–	9,180
	–	12,397
<b>Non-current</b>		
Reinstatement costs (Note (b))	–	559
Employee benefits obligations (Note (c))	484	693
	484	1,252
	484	13,649

#### (a) Warranties

Provision is made for estimated future warranty claims based on historical warranty claim information, as well as recent trends. Movements during the years ended 31 December 2021 and 2022 are set out below:

	As at 31 December	
	2022	2021
	HK\$'000	HK\$'000
Beginning of the year	3,217	3,139
Provision for the year	1,771	83
Utilisation of provision	(1,808)	(5)
Winding up of subsidiary	(3,180)	–
End of the year	–	3,217

## Notes to the Consolidated Financial Statements

### 29 PROVISIONS (Continued)

#### (b) Reinstatement costs

The Group is required to restore the leased premises to their original condition at the end of the respective lease terms. A provision was recognised of the estimated expenditure required to remove any leasehold improvements. These costs were capitalised as part of the cost of right-of-use assets and are amortised over the shorter of the term of the lease or the useful life of the assets. Balance as at years ended 31 December 2021 and 2022 are set out below:

	As at 31 December	
	2022	2021
	HK\$'000	HK\$'000
Beginning of the year	559	559
Winding up of a subsidiary	(559)	–
End of the year	–	559

#### (c) Employee benefits obligations

The employee benefits obligations provision represents long service payments for Hong Kong employees that is not expected to be paid within the next 12 months. Movements during the years ended 31 December 2021 and 2022 are set out below:

	As at 31 December	
	2022	2021
	HK\$'000	HK\$'000
Beginning of the year	693	887
Addition/(reversal) for the year	838	(194)
Winding up of a subsidiary	(1,047)	–
End of the year	484	693

## Notes to the Consolidated Financial Statements

### 29 PROVISIONS (Continued)

#### (d) Onerous construction contracts

The provision was made for onerous contracts for construction works performed by the Group. Under these contracts, the unavoidable costs of meeting the obligations exceed the economic benefits expected to be received. Consequently, a provision for onerous contracts was recognised in the consolidated income statement. The provision will be utilised through fulfilling the obligations under the construction contracts. Movements during the years ended 31 December 2021 and 2022 are set out below:

	As at 31 December	
	2022	2021
	HK\$'000	HK\$'000
Beginning of the year	9,180	3,803
Addition for the year	–	5,377
Utilisation of provision	(7,364)	–
Winding up of a subsidiary	(1,816)	–
End of the year	–	9,180

## Notes to the Consolidated Financial Statements

### 30 CASH USED IN OPERATIONS

#### (a) Reconciliation of loss before income tax to cash used in operations:

	Year ended 31 December	
	2022	2021
	HK\$'000	HK\$'000
Profit/(loss) before income tax		
Continuing operations	17,412	24,180
Discontinued operation	(92,553)	(199,876)
Loss before income tax including discontinued operation	(75,141)	(175,696)
Adjustments for:		
Depreciation of property, plant and equipment	2,195	2,862
Amortisation of intangible asset	72	79
Finance income	(165)	(78)
Finance costs	4,382	1,970
Gain on early termination of leases	(26)	–
Impairment of property, plant and equipment	1,870	–
Impairment of intangible asset	608	–
Impairment of prepayments	4,345	–
Impairment of financial and contract assets	1,786	–
Non-cash employee benefits expense – share based payments	9,985	4,316
Loss on winding up of a subsidiary	4,957	–
Net exchange differences	(487)	438
Changes in working capital	(45,619)	(166,109)
Inventories	18,618	9,079
Trade and retention receivables	4,688	9,879
Deposits, prepayments and other receivables	908	11,173
Contract assets and liabilities, net	50,013	76,833
Trade, bills and retention payables	(45,333)	(12,844)
Other payables and accruals	4,451	1,033
Provisions	(6,562)	5,261
Cash used in operations	(18,836)	(65,695)

## Notes to the Consolidated Financial Statements

### 30 CASH USED IN OPERATIONS (Continued)

#### (b) Reconciliation of liabilities arising from financing activities:

The analysis of liabilities arising from financing activities and the movements in liabilities arising from financing activities for the years ended 31 December 2021 and 2022 is as follows:

	<b>Year ended 31 December</b>				
	<b>2022</b>	2021			
	<b>HK\$'000</b>	HK\$'000			
Borrowings	45,649	49,300			
Lease liabilities	2,335	4,509			
<b>Total borrowings</b>	<b>47,984</b>	<b>53,809</b>			
	<b>1 January</b>	<b>Cash flows</b>	<b>Foreign exchange movement</b>	<b>Other non-cash movements</b>	<b>31 December</b>
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>For the year ended 31 December 2022</b>					
Borrowings	49,300	20,303	(978)	(22,976)	45,649
Lease liabilities	4,509	(1,981)	–	(193)	2,335
	<b>53,809</b>	<b>18,322</b>	<b>(978)</b>	<b>(23,169)</b>	<b>47,984</b>
<b>For the year ended 31 December 2021</b>					
Borrowings	5,262	43,801	237	–	49,300
Lease liabilities	1,210	(2,114)	–	5,413	4,509
	<b>6,472</b>	<b>41,687</b>	<b>237</b>	<b>5,413</b>	<b>53,809</b>

## Notes to the Consolidated Financial Statements

### 31 CONTINGENCIES AND COMMITMENTS

At each of the years ended 31 December 2021 and 2022, the Group's contingent liabilities were as follows:

#### (a) Contingencies

##### (i) Surety bonds

	As at 31 December	
	2022	2021
	HK\$'000	HK\$'000
Surety bonds (Note)	16,911	50,359

Note: As at 31 December 2022, the Group provided guarantees of surety bonds in respect of 28 (2021: 28) construction contracts of the Group in its ordinary course of business respectively. The surety bonds are expected to be released in accordance with the term of the respective construction contracts.

##### (ii) Claim

During the year ended 31 December 2018, the Group received a claim from a customer for a damage amounted to approximately HK\$3,381,000. During the year ended 31 December 2021, the Group received a revised claim of approximately HK\$2,859,000 from the customer. Up to the date of this report, the directors are of the opinion that the final outcome is unable to be determined at this stage. They believe that the Group has reasonable ground to defend the claim which would not result in any material adverse effects to the consolidated financial statements of the Group.

#### (b) Commitments

##### (i) Commitments in respect of a joint venture

On 15 October 2021, Zhejiang Xinneng Zhonghe Technology Co., Ltd. (浙江信能中和科技有限公司) ("Xinneng Zhonghe"), a 60% equity-interest-owned joint venture of the Group, was incorporated in the PRC with registered share capital of RMB10,000,000. Its principal activities are development, design, production and sale of new energy generation and energy storage system. Xinneng Zhonghe was not in operation during the year ended 31 December 2021. As at 31 December 2021, the Group has not inject any share capital to the joint venture and is committed to provide funding to the joint venture's share capital of RMB6,000,000 (equivalent to HK\$7,351,000) and had no contingent liabilities in respect of the joint venture.

On 14 March 2022, Xinneng Zhonghe became an indirectly-owned subsidiary of the Group as the Group obtained control as a result of the amendment of the memorandum and articles of association of Xinneng Zhonghe. As at the date of the Group obtained control over Xinneng Zhonghe, there was no financial information available as Xinneng Zhonghe had not commence its operation yet. The Group has injected RMB450,000 (equivalent to HK\$524,000) during the year and is committed to provide further funding to the subsidiary' share capital of RMB5,550,000 (equivalent to HK\$6,281,000).

## Notes to the Consolidated Financial Statements

### 32 RELATED PARTY TRANSACTIONS

Parties are considered to be related if an entity, a person or a close member of that person's family has control, joint control or significant influence over the other party in making financial and operating decisions.

The Directors are of the view that the following companies were related parties that had transactions or balances with the Group as at and during the years ended 31 December 2021 and 2022:

Name of related parties	Relationship with the Group
Hope Harvest Limited	Controlled by Mr. Kwan and Mr. Mak

In addition to the transactions and balances disclosed elsewhere in the consolidated financial statements, the Group entered into the following significant related party transactions:

#### (a) Transactions and balances with related parties:

	Year ended 31 December	
	2022 HK\$'000	2021 HK\$'000
<b>Leases arrangement with:</b>		
<i>Related party – Hope Harvest Limited (Note (i))</i>		
– Rent paid	440	480
– Depreciation on right-of-use assets	402	438
– Interest expense on lease liabilities	33	61
– Right-of-use assets	–	730
– Lease liabilities	–	791
<b>Loans from related parties:</b>		
<i>Loan from a shareholder of the Company</i>		
– <i>Mr. Kwan Kam Tim (Note 27(b))</i>		
Beginning of the year	10,044	–
Loans advanced	21,900	10,000
Interest charged	1,526	44
End of the year	33,470	10,044

## Notes to the Consolidated Financial Statements

### 32 RELATED PARTY TRANSACTIONS (Continued)

#### (a) Transactions and balances with related parties: (Continued)

	Year ended 31 December	
	2022 HK\$'000	2021 HK\$'000
<i>Loan from a shareholder of the Company</i>		
– Mr. Mak Kim Hung (Note 27(b))		
Beginning of the year	10,110	–
Loans advanced	–	10,000
Interest charged	550	110
End of the year	10,660	10,110
<i>Loan from a shareholder of the Company</i>		
– Treasure Ship Holding Limited (Note 27(b))		
Beginning of the year	–	–
Loans advanced	1,500	–
Interest charged	19	–
End of the year	1,519	–

Note:

- (i) The rent was charged at fixed price of HK\$40,000 monthly and was mutually agreed with the respective counterparty.



## Notes to the Consolidated Financial Statements

### 32 RELATED PARTY TRANSACTIONS (Continued)

#### (b) Key management compensation

Key management includes Executive Directors and the senior management of the Group.

Compensation of the key management personnel of the Group, including Director's remunerations as disclosed in Note 13 the consolidated financial statements, is as follows:

	Year ended 31 December	
	2022	2021
	HK\$'000	HK\$'000
Wages, salaries and allowances	9,947	11,474
Discretionary bonuses	802	1,256
Share-based payments	9,985	4,316
Pension costs – defined contribution plans	126	109
	20,860	17,155

### 33 DIVIDENDS

The Board does not recommend payment of final dividend for the years ended 31 December 2022 and 31 December 2021.

## Notes to the Consolidated Financial Statements

### 34 STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	As at 31 December 2022 HK\$'000	As at 31 December 2021 HK\$'000
<b>ASSETS</b>		
<b>Non-current assets</b>		
Investments in subsidiaries	155,784	150,757
<b>Current assets</b>		
Prepayments	271	204
Cash and cash equivalents	101	860
	372	1,064
<b>Total assets</b>	<b>156,156</b>	<b>151,821</b>
<b>EQUITY</b>		
<b>Equity attributable to owners of the Company</b>		
Share capital	6,240	6,240
Reserves (Note (a))	100,441	118,488
<b>Total equity</b>	<b>106,681</b>	<b>124,728</b>
<b>LIABILITIES</b>		
<b>Non-current liabilities</b>		
Borrowings	34,989	–
<b>Current liabilities</b>		
Other payables and accruals	1,823	1,115
Amounts due to subsidiaries	2,003	5,824
Borrowings	10,660	20,154
	14,486	27,093
<b>Total liabilities</b>	<b>49,475</b>	<b>27,093</b>
<b>Total equity and liabilities</b>	<b>156,156</b>	<b>151,821</b>

The statement of financial position was approved by the Board of Directors on 30 March 2023 and were signed on its behalf:

**Mr. Kwan Kam Tim**  
Director

**Ms. Leung Ng Mui May**  
Director

## Notes to the Consolidated Financial Statements

### 34 STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Note (a): Reserves of the Company

	Share premium HK\$'000	Share-based payment reserve HK\$'000	Other reserves (Note) HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
<b>Balance as at 1 January 2021</b>	99,743	7,672	241,566	(24,270)	324,711
Loss for the year	–	–	–	(229,029)	(229,029)
<b>Total comprehensive loss</b>	–	–	–	(229,029)	(229,029)
<b>Transaction with owners in their capacity as owners</b>					
Share-based payment expenses (Note 24(c))	–	4,316	–	–	4,316
Placing and subscription of new shares (Note 24(a))	18,490	–	–	–	18,490
<b>Total transaction with owners in their capacity as owners</b>	18,490	4,316	–	–	22,806
<b>Balance as at 31 December 2021</b>	118,233	11,988	241,566	(253,299)	118,488
<b>Balance as at 1 January 2022</b>	118,233	11,988	241,566	(253,299)	118,488
Loss for the year	–	–	–	(28,032)	(28,032)
<b>Total comprehensive loss</b>	–	–	–	(28,032)	(28,032)
<b>Transaction with owners in their capacity as owners</b>					
Share-based payment expenses (Note 24(c))	–	9,985	–	–	9,985
Reclassification of Share-based payment reserves to accumulated losses	–	(21,973)	–	21,973	–
<b>Total transaction with owners in their capacity as owners</b>	–	(11,988)	–	21,973	9,985
<b>Balance as at 31 December 2022</b>	118,233	–	241,566	(259,358)	100,441

Note: Other reserves of the Company represented the difference between the net asset value of the subsidiaries acquired by the Company over the nominal value of the share capital of the Company issued in exchange thereof as part of the reorganisation undertaken by the Company prior to the Listing.

## Five-Year Financial Summary

	Year ended 31 December				
	2022 HK\$'000	2021 HK\$'000 (restated)	2020 HK\$'000 (restated)	2019 HK\$'000 (restated)	2018 HK\$'000 (restated)
Revenue	152,215	163,079	99,594	196,488	202,096
Cost of sales	(114,625)	(123,014)	(70,454)	(137,761)	(155,708)
Gross profit	37,590	40,065	29,140	58,727	46,388
Other income	970	114	1,799	–	–
Other (losses)/gains, net	(326)	(357)	248	(130)	(1,945)
Administrative expenses	(17,702)	(15,212)	(14,224)	(29,634)	(15,855)
Impairment of financial and contract assets	(762)	–	–	–	–
<b>Operating profit</b>	<b>19,770</b>	<b>24,610</b>	<b>16,963</b>	<b>28,963</b>	<b>28,588</b>
Finance income	44	34	185	362	207
Finance costs	(2,402)	(464)	(360)	(198)	(339)
Finance (costs)/income, net	(2,358)	(430)	(175)	164	(132)
<b>Profit before income tax</b>	<b>17,412</b>	<b>24,180</b>	<b>16,788</b>	<b>29,217</b>	<b>28,456</b>
Income tax expenses	(4,642)	(5,073)	(3,578)	(8,586)	(6,375)
<b>Profit from continuing operations</b>	<b>12,770</b>	<b>19,107</b>	<b>13,210</b>	<b>20,541</b>	<b>22,081</b>
(Loss)/profit from discontinued operation	(92,553)	(206,570)	(61,048)	20,538	76,810
<b>(Loss)/profit for the year</b>	<b>(79,783)</b>	<b>(187,463)</b>	<b>(47,838)</b>	<b>41,079</b>	<b>98,891</b>
<b>Other comprehensive loss:</b>					
<i>Discontinued operation:</i>					
<i>Item that will not be reclassified to consolidated income statement</i>					
Changes in the fair value of financial assets at fair value through other comprehensive income	–	–	(7,682)	(1,760)	(6,456)
<i>Continuing operation:</i>					
<i>Item that may be reclassified to consolidated income statement</i>					
Exchange differences on translation of foreign operations	(2)	–	–	–	–
Other comprehensive loss for the year	(2)	–	(7,682)	(1,760)	(6,456)
<b>Total comprehensive (loss)/income for the year</b>	<b>(79,785)</b>	<b>(187,463)</b>	<b>(55,520)</b>	<b>39,319</b>	<b>92,435</b>

## Five-Year Financial Summary

	Year ended 31 December				
	2022 HK\$'000	2021 HK\$'000	2020 HK\$'000	2019 HK\$'000	2018 HK\$'000
<b>ASSETS AND LIABILITIES</b>					
Non-current assets	3,043	6,067	11,501	33,164	35,549
Current assets	157,706	355,128	472,373	462,415	336,179
<b>Total assets</b>	<b>160,749</b>	<b>361,195</b>	<b>483,874</b>	<b>495,579</b>	<b>371,728</b>
Non-current liabilities	37,039	3,532	2,249	1,231	3,737
Current liabilities	38,543	203,426	163,771	120,090	101,551
<b>Total Liabilities</b>	<b>75,582</b>	<b>206,958</b>	<b>166,020</b>	<b>121,321</b>	<b>105,288</b>
<b>Total Equity</b>	<b>85,167</b>	<b>154,237</b>	<b>317,854</b>	<b>374,258</b>	<b>266,440</b>