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

ACME

ANNUAL REPORT 2023

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Kwan Kam Tim *(Chairman)*
Mr. Yip Wing Shing
Mr. Gao Shufang *(resigned on 18 January 2024)*
Mr. Zhang Guangying *(appointed on 18 January 2024)*
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. Lam Tsz Chung
Mr. Yu Chim Shun

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.
Rooms 1901A, 1902 & 1902A, 19/F.,
New World Tower I,
16-18 Queen's Road Central,
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
The Bank of East Asia, Limited

COMPANY WEBSITE

www.acmehld.com

STOCK CODE

1870

Financial Highlights

	For the year ended 31 December 2023 HK$'000	2022 HK$'000
Revenue	192,402	152,215
Gross profit	52,788	37,590
Gross profit margin	27.4%	24.7%
Profit from continuing operations	18,631	12,770
Profit/(loss) for the year	18,631	(79,783)

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 am pleased to present the annual results of the Company and its subsidiaries (collectively as the "**Group**") for the year ended 31 December 2023 (the "**Year**").

RESULTS OVERVIEW

The year 2023 is a turning point worth recording for the Group. As the governments of Mainland China, Hong Kong and Macau relaxed epidemic prevention and control measures, the Group gradually resumed normal operations. This milestone allows us to resume our business activities without significant disruptions, allowing us to serve our customers effectively and efficiently.

During the Year, the Group undertook substantial work on a large-scale building maintenance unit ("**BMU**") project, which demonstrated our expertise, capabilities, and commitment to providing excellent services and further strengthen our industry position. It not only added value to our portfolio but also enhanced our reputation as a trusted provider in the market.

FINANCIAL PERFORMANCE

The Group achieved outstanding financial performance in 2023. During the Year, the Group's revenue and profit from continuing operations recorded increase of 26.4% and 45.9% respectively. These impressive results were driven by the resumption of normal operations following the relaxation of pandemic prevention measures and the smooth progress of a large-scale BMU project.

OUTLOOK

With the relaxation of the pandemic prevention and control measures, and the announcement in Hong Kong's latest budget that all residential property transactions will no longer need to attract additional stamp duty, buyer's stamp duty and new residential stamp duty, as well as the relaxation of the mortgage loan-to-value limit for owner-occupied residential properties, Hong Kong's real estate industry has shown signs of recovery. However, the continued high level of interest rates still put pressure on private residential demand and housing prices. The pace of real estate development and the stringency of construction cost controls led by real estate developers and main contractors remain uncertain. The Group will continue to closely monitor the market conditions and adjust its business strategies, and adhere to the Group's quality of excellence and safety to achieve sustainable development of the BMU Systems Business.

Stable energy supply is an important factor in economic development, and renewable energy and electricity spot markets are becoming increasingly popular. In the view of this, the Group carries out work such as power spot system development, direct power purchase services, and agency transactions during the Year, aiming to become a leading trading practitioner and technical information service provider. At the same time, the Group will continue to develop diversified new energy businesses and continue to look for investment opportunities. As such, the Group anticipates that additional fundraising may be required from time to time to support working capital expenses in order to achieve such business growth.

Chairman's Statement

APPRECIATION

Finally, I would like to express my sincere gratitude to our dedicated employees, whose hard work and unwavering commitment have been instrumental in our success. I would also like to thank our valued shareholders, customers, suppliers, and business partners for their continued confidence and support.

Acme International Holdings Limited
Kwan Kam Tim
Chairman and Executive Director

26 March 2024

Management Discussion and Analysis

BUSINESS REVIEW

The Group is principally engaged in providing one-stop design and build solutions for BMU systems works, and development, design, production and sales of new energy generation and energy storage system and provision of services for sales of electricity.

With the announcements by the governments of Mainland China, Hong Kong and Macau on the further relaxation of the pandemic prevention and control measures in early 2023, the operations of the Group have resumed to normal. In addition, the Group has undertaken substantial work on a large-scale BMU project during the Year. As a result, the Group's revenue and profit from the continuing operations also recorded an increase by 26.4% and 45.9%, respectively, compared with last year. For more details, please refer to the "**Financial Review**" section below.

FINANCIAL REVIEW

Revenue

During the Year, the revenue of the Group was approximately HK$192.4 million, representing an increase of 26.4% as compared to approximately HK$152.2 million recorded for the year ended 31 December 2022. The increase was mainly contributed by BMU System Business, while the Group undertook substantial work on a large-scale BMU project in 2023.

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

	Year ended 31 December	
	2023	2022
	HK$'000	HK$'000
BMU System Business	**192,185**	150,805
Green New Energy Business	**217**	1,410
Total	**192,402**	152,215

Gross profit and gross profit margin

The gross profit and gross profit margin of the Group increased from approximately HK$37.6 million and 24.7% to approximately HK$52.8 million and 27.4%, respectively. The increase in gross profit and gross profit margin was mainly attributable to the increase in the number and profit margin of the variation orders received by the BMU Systems Business of the Group.

Other income

The other income of the Group for the Year significantly decreased to approximately HK$3,000 from approximately HK$1.0 million for the year ended 31 December 2022. The decrease in other income is mainly attributed by the Group no longer receiving the government grant under the employment support scheme, which was received in 2022.

Management Discussion and Analysis

Other losses, net

The net of other losses recorded for the Year represented the net foreign exchange differences, and the net of other losses recorded for the year ended 31 December 2022 represented the net foreign exchange differences and a forfeiture of pledged deposits.

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$6.6 million to approximately HK$24.3 million for the Year, as compared to approximately HK$17.7 million for the year ended 31 December 2022. The increase was mainly due to the increase in staff cost, depreciation expenses, legal and professional fees and travelling expenses as a result of the development of the Green New Energy Business 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 increased to approximately HK$2.8 million from approximately HK$2.4 million for the year ended 31 December 2022, 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 2022, the income tax expenses of the Group for the Year increased from HK$4.6 million to HK$5.7 million mainly due to the increase in profit before tax from BMU Systems Business of the Group.

Profit from continuing operations

For the Year, the Group recorded an increase in net profit from continuing operations of the Group from HK$12.8 million to HK$18.6 million. The increase was mainly attributable to (1) the increase in the gross profit of the Group, (2) the share-based payment expenses of approximately HK$6.6 million recognised for the year ended 31 December 2022 as an acceleration of vesting under the relevant accounting standards due to the cancellation of pre-IPO share options and the Group has no such expenses to be recorded for the Year, and (3) the increase in administrative expenses of the Group due to the development of the Green New Energy Business, which partially set-off against the above mentioned effects.

Management Discussion and Analysis

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 December 2023, the Group's monetary assets, including cash and cash equivalents, time deposits, pledged deposits and restricted deposit increased to approximately HK$62.0 million as compared to approximately HK$48.9 as at 31 December 2022.

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, repayable by 28 February 2022, to finance the general operation of the Group. The loan was denominated in Hong Kong dollars, unsecured, interest bearing at 5.5% per annum. 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 2023, the principal and interest of the loan due to Mr. Mak were fully settled by the Group.

In November 2021, the Group entered into a loan agreement with a Director, 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. The loan was denominated in Hong Kong dollars, unsecured, interest bearing at 5.5% per annum. Up to 31 December 2023, the Group entered into six supplemental loan agreements with Mr. Kwan to increase the loan facility up to an aggregate amount of HK$43 million and extend the repayment date to 15 January 2025, with the other terms remaining unchanged.

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, repayable by 18 August 2023, to finance the general operation of the Group. The loan was denominated in Hong Kong dollars, unsecured, interest bearing at 5.5% per annum. Up to 31 December 2023, the Group had entered into two supplemental loan agreements with Treasure Ship to extend the repayment date to increase the loan facility up to an aggregate amount of HK$20 million and 30 June 2025, with the other terms remaining unchanged.

As at 31 December 2023 and 2022, the Group's total borrowings amounted to approximately HK$59.7 million and HK$45.6 million, respectively. The borrowings as at 31 December 2023 were denominated in Hong Kong Dollars (2022: same) and carried at interest rates of 5.50% to 6.41% per annum (2022: 5.50% per annum).

As at 31 December 2023 and 2022, the Group had unutilised credit facilities of HK$29.1 million and HK$39.1 million, respectively.

The Group recorded gearing ratios (total debt, being the total of borrowings and lease liabilities, as at the year end divided by total equity attributable to shareholder as at the year end and multiplied by 100%) of approximately 58.7% and 56.3% as at 31 December 2023 and 2022, 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.

Management Discussion and Analysis

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 2023.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

As at 31 December 2023, the Group has no plan for any material investments or capital assets.

PLEDGE OF ASSETS

As at 31 December 2023, pledged and restricted deposits in the sum of approximately HK$15.8 million (2022: HK$15.9 million) were placed with banks as securities for certain banking facilities of the Group.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

At each of the years ended 31 December 2023 and 2022, the Group's contingent liabilities were as follows:

(i) Surety bonds and performance guarantee insurance contract

	As at 31 December	
	2023	2022
	HK$'000	HK$'000
Surety bonds (Note (a))	**13,123**	16,911
Performance guarantee insurance contract (Note (b))	**2,203**	–
	15,326	16,911

Note (a): As at 31 December 2023, the Group provided guarantees of surety bonds in respect of 22 (2022: 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.

Note (b): As at 31 December 2023, the Group provided a performance guarantee insurance contract in relation to the Green New Energy Business. The contract will be released on 28 February 2025.

Management Discussion and Analysis

(ii) Claim

In 2018, the Group received a claim from a customer for damage amounting to approximately HK$3.4 million. In 2021, the Group received a revised claim of approximately HK$2.9 million 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.

(iii) Capital commitments

The Group has no material commitments as at 31 December 2023 and 31 December 2022.

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 159 to 160 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 69, 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. He 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 11.46% of the issued shares of the Company as at 31 December 2023.

Mr. Kwan has over 42 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 (8 November 2019) (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 48, 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. From 2009 to 2011, Mr. Yip was 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. (深圳市東方富海投資管理股份有限公司). From April 2017 to August 2021, Mr. Yip served as the deputy general manager and general manager at two well-established venture capital firm and private capital firm. In 2018, Mr. Yip also established a consulting firm Fuhai Yong Xing Corporate Consulting (Shenzhen) Company Ltd. (富海永行企業顧問(深圳)有限公司).

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 54, was appointed as an executive Director on 23 November 2021 and resigned on 18 January 2024. 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. Zhang Guangying (張廣迎), aged 60, was appointed as an executive Director on 18 January 2024. Mr. Zhang bachelor's degree in economics from Jilin University of Finance and Economics and a master's degree in business administration from Middlesex University in the United Kingdom. Mr. Zhang is a senior economist and has over 30 years of experience in the international banking industry and extensive experience in banking operation and management.

Mr. Zhang was the deputy chief executive of Nanyang Commercial Bank from November 2017 to May 2023. Prior to that, Mr. Zhang held key positions in the headquarters and various overseas branches of China Construction Bank, including General Manager of the Paris Branch and Deputy General Manager of the New York Branch. During his long-term operation and management position in the banking industry, Mr. Zhang has gained extensive experience in various fields and business lines, including the formulation and implementation of development strategies and business strategies of commercial banks and their overseas branches, corporate banking, investment banking, financial market, financial institution business, asset and liability management, compliance and risk management.

Mr. Zhang has entered into a service contract with the Company for a term of three years commencing from 18 January 2024 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. Zhang 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

Ms. Leung Ng Mui May (梁五妹), aged 62, 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.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Prof. Hons. Lau Chi Pang, *BBS, J.P.* **(劉智鵬)**, aged 63, 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.

Biographical Details of Directors and Senior Management

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 74, 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 previously 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.

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 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.

Biographical Details of Directors and Senior Management

Prof. Mo Lai Lan (巫麗蘭), aged 65, was appointed as an INED on 1 November 2021, 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 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 independent non-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.

SENIOR MANAGEMENT

Mr. Poon Pui Kit (潘培傑), aged 49, is the CEO and a director of Acme Gondola Systems Limited ("**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 24 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 in May 2022.

Biographical Details of Directors and Senior Management

Ms. Tse Kan (謝勤), aged 54, was appointed as the vice president on 15 May 2023. She is primarily responsible for expanding the overseas green new energy business of the Group. She graduated from the University of Sydney, Australia. She is a fellow member of the CPA Australia, a member of the Hong Kong Institute of Certified Public Accountants, and a fellow member of the Taxation Institute of Hong Kong. She worked for the big Four accounting firms in Hong Kong and Singapore, participating in the restructuring of Chinese stated-owned companies for initial public offerings in their overseas listing. In the commercial field, she was then involved in IPO projects and some acquisitions. In 2008, she was in charge of an acquisition project in New Zealand, and after the completion of the transaction, she also successfully passed the "Fit and Proper Person Interview" with the Civil Aviation Authority of New Zealand. She is the first Asian chief executive officer in New Zealand Aviation Company and thus served as the chief executive officer of this New Zealand Aviation Manufacturing Group of Aircraft Design (Part 146), Aircraft Parts Supply (Part 19F), and Aircraft Manufacturing (Part 148) Certificates for six years till 2015. Ms. Tse served as first contact person of that Type Certificate in liaising with other state aviation authorities including CASA (Australia), FAA (USA), EASA (Europe) and CAAC (China).

In 2016, Ms. Tse (pseudonym: TK Garbo) donated the first English edition of her novel "Mission from Gondwana" to the BirdLife International of its 120 Global partners. The Traditional Chinese, Simplified Chinese, Arabic version were published. Ms. Tse has granted the foreign language publishing rights in Sri Lankan, Tamil, and Albania. In 2017, Ms. Tse partnered with a New Zealand Design & Certification Company on a Utility/Passenger (19 seat) Aircraft Prototype Project.

Mr. Liu Kai (劉愷), aged 41, was appointed as the vice president on 1 February 2024. He is primarily responsible for expanding and managing electricity sales business and power-related businesses of the Group. Mr. Liu received a bachelor's degree in Electrical Engineering and Automation from Tsinghua University and doctor of philosophy (PhD) degree in Electrical and Electronic Engineering from the University of Hong Kong. Mr. Liu has over 10 years of extensive experience in electric energy industry.

Mr. Liu served as the electricity market trading director at China Xi Du Group* (中國西都集團) from 2019 to 2022 and Zhejiang Wanliyang Energy Technology Co., Ltd.* (浙江萬里揚能源科技有限公司) from 2022 to 2024 respectively. He was mainly responsible for managing the company's electricity trading team in national markets, including Guangdong, Shandong spot markets, and other provinces and regions that have not yet launched electricity market trading, power spot market technology development and power artificial intelligence applications, as well as managing the energy storage operations team. He also worked at the China Southern Power Grid Power Dispatching Control Center from 2011 to 2019, serving as dispatch chief and supervisor, and was responsible for power grid dispatching operations and power market operations.

Mr. Yu Chim Shun (于霑遜), aged 37, is the financial controller and one of the joint company secretaries of the Group. He joined the Group as an assistant financial controller in October 2018 and promoted to financial controller in May 2020. He was appointed as a 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.

Biographical Details of Directors and Senior Management

Mr. Lam Tsz Chung (林子聰), aged 50, is appointed as the joint company secretary of the Company in August 2021. Mr. Lam, having practised law in Hong Kong for more than 20 years, 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 The Stock Exchange of Hong Kong Limited (the "**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 Chen and Lee Law Office, holding a practising certificate issued by the Law Society of Hong Kong. Mr. Lam is also a China-Appointed Attesting Officer appointed by the Ministry of Justice of the People's Republic of China and a GBA Lawyer (Guangdong-Hong Kong-Macao Greater Bay Area Lawyer) of D&S Law Firm.

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 and to enhance corporate value and accountability. The Company has adopted the Corporate Governance Code set out in Part 2 of the Appendix C1 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 all applicable code provisions as set out in the CG Code as set out in Part 2 of the Appendix C1 of the Listing Rules throughout the Year.

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.

Board composition

On 31 December 2023, the Board consists of seven Directors, including four executive Directors, and three INEDs. The composition of the Board and its changes during the Year and up to date of this report are as follows:

Executive Directors
Mr. Kwan Kam Tim *(the chairman of the Board)*
Mr. Yip Wing Shing
Mr. Gao Shufang *(resigned on 18 January 2024)*
Mr. Zhang Guangying *(appointed on 18 January 2024)*
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

Corporate Governance Report

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.

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.

Corporate Governance Report

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 2023, the number of female employees of the Group accounted for 28.79% 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. Mr. Zhang Guangying, who was appointed as an executive Director on 18 January 2024 obtained the legal advice referred to in Rule 3.09D of the Listing Rules on 18 January 2024 and he confirmed he understood his obligations as a Director.

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:

	Nature of courses for continuous professional development
Name of directors	
Mr. Kwan Kam Tim	A, B
Mr. Yip Wing Shing	A, B
Mr. Gao Shufang	A, B
Mr. Zhang Guangying	A, B
Ms. Leung Ng Mui May	A, B
Prof. Hons. Lau Chi Pang, *BBS, J.P.*	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 of the Company 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 Mr. Poon Pui Kit acted as the CEO of the Company.

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; and

5. to review the Company's compliance with the CG Code and disclosure in the corporate governance report;

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 2023, 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 two 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 2023, 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$3,000,001 to HK$3,500,000	1
	3

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 2023, 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 2023, 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
Executive Directors					
Mr. Kwan Kam Tim	6/6	N/A	2/2	1/1	1/1
Mr. Yip Wing Shing	6/6	N/A	N/A	N/A	1/1
Mr. Gao Shufang	6/6	N/A	N/A	N/A	1/1
Ms. Leung Ng Mui May	6/6	N/A	N/A	N/A	1/1
Independent Non-Executive Directors					
Prof. Hons. Lau Chi Pang, *BBS, J.P.*	6/6	2/2	2/2	1/1	0/1
Mr. Chin Wai Keung Richard	6/6	2/2	2/2	1/1	1/1
Prof. Mo Lai Lan	6/6	2/2	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 2023 is set out below:

Emolument bands (HK$)	Fee Paid/Payable
Audit services relating to:	
– Annual audit services for the year ended 31 December 2023	HK$1,750,000
Non-audit services relating to:	
– Tax services	HK$40,000
Total	HK$1,790,000

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.

Corporate Governance Report

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.

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, 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.

Corporate Governance Report

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

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 for the transaction of any business or resolution specified in such requisition. 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.

CONSTITUTIONAL DOCUMENTS

The Company adopted the second amended and restated articles of association of the Company (the "**Articles**") on 30 May 2023 in order to conform the Articles with the Core Standards set out in Appendix 3 of the Listing Rules and to make other consequential and housekeeping amendments. Details of the amendments are set out in the circular of the Company dated 26 April 2023. The constitutional documents of the Company are available on the websites of the Company (www.acmehld.com) and the Stock Exchange.

JOINT COMPANY SECRETARIES

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 appraised 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 Tsz Chung and Mr. Yu Chim Shun has 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 pleased to present our fourth Environmental, Social, and Governance (ESG) Report, focusing on our sustainable development efforts in 2023. This report aims to transparently disclose and assess the Group's strategies, actions, performance, and commitments in sustainability, addressing the concerns of our stakeholders. We recognise that various factors, such as business challenges, ethical considerations, global trends, and regulatory frameworks, contribute to our ongoing pursuit of sustainable growth. Ultimately, our goal is 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 encompasses the ESG performance and initiatives of Acme Gondola Systems Limited and Zhejiang Xinneng Zhonghe Technology Company Limited ("**Xinneng Zhonghe**") for the period from 1 January 2023 to 31 December 2023 (referred to as the "**Reporting Year**" or "**2023**"). The information included in this report pertains to the period during which we had management control, providing a comprehensive overview of our performance. Unless otherwise specified, the information presented here corresponds to the Reporting Year, aligned with our financial year.

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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 C2 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 complied 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:

Materiality In 2023, we undertook an extensive stakeholder survey to gain deeper insights into our key ESG concerns. This survey engaged both internal and external stakeholders. Through this process, we underpinned the most pressing ESG issues relevant to our business and stakeholders. These identified issues were considered material, and as such, we have prioritised them in our Report to ensure comprehensive disclosure of information related to these material issues.

Quantitative We presented our quantitative performance to stakeholders to assess the efficacy of our ESG policies and management systems. Additionally, we provided transparency by disclosing the standards, methodologies, assumptions, and sources of conversion factors utilised in reporting key performance indicators ("**KPI**") where relevant.

Balance The Report highlights the Group's advancements and obstacles in sustainable development management, aiming to showcase our performance comprehensively.

Consistency We implemented consistent methodologies and communicated any alterations to the scope and methods to ensure meaningful comparisons of ESG data across different time periods.

Environmental, Social and Governance Report

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.

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 keen 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.

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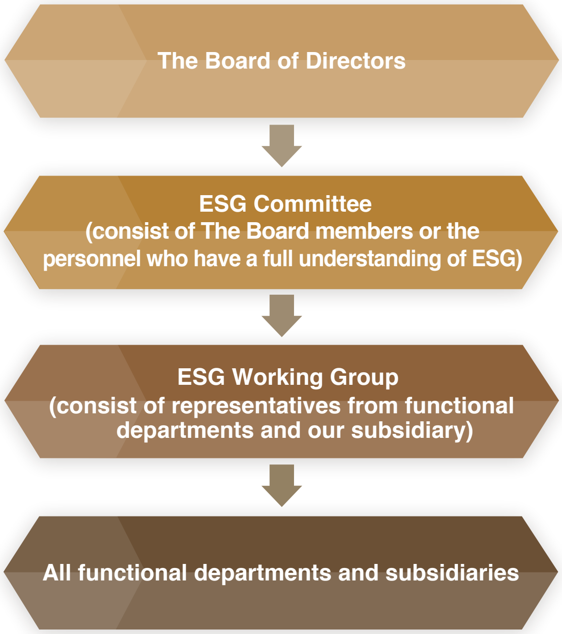

The Board is the highest decision-making institution in our ESG management structure. ESG Committee and ESG Working Group have been established to better assist and monitor the ESG management.

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 personnel who have 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

Environmental, Social and Governance Report

2.2 General ESG management approaches

To strike a balance between business goals, societal demands, and ecological factors, we are dedicated to integrating sustainable practices into our operational framework and conducting our business activities with the utmost ethical integrity.

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.

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

Engagement with stakeholders is an essential aspect of our business strategy. By listening and responding to our stakeholders, we aim to cultivate a deeper understanding of their concerns and perspectives in the Group's sustainable development. To maintain a broad and inclusive approach of communication, we have established various platforms for interaction. The table below provides the key stakeholder groups' probable issues of concern and the engagement channels embedded in our operations.

Stakeholders	Probable issues of concern	Communication and responses
HKEx	Compliance with listing rules, timely and accurate announcement	Meetings, training, roadshows, workshops, programmes, website update and announcements.
Government	Compliance with laws and regulations, prevention of tax evasion, and social welfare.	Interaction and visits, government inspections, tax returns and other information.

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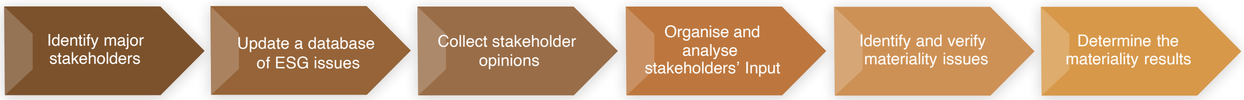
Stakeholders	Probable issues of concern	Communication and responses
Suppliers	Payment schedule, stable demand.	Site visits
Shareholders/ Investors	Corporate governance system, business strategies and performance, and investment returns.	Organising and participating in seminars, interviews, shareholders' meetings, issuing of financial reports and/or operation reports for investors, media, and analysts
Media & Public	Corporate governance, Environmental and natural resources management, and human rights.	Issue of newsletters on the Company's website.
Customers	Product quality, delivery times, reasonable prices, service value, labour protection and work safety.	Site visits, and after-sales services.
Employees	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.
Community	Community environment, employment and community development, and social welfare.	Community activities, employee voluntary activities, community welfare subsidies and charitable donations.

2.4 Stakeholders-driven materiality assessment & Matrix

By conducting a materiality assessment, we can identify and prioritise the significant ESG issues that are relevant to both our organisation and our stakeholders. The figure below shows the procedures of our materiality assessment conducted in the Reporting Year:



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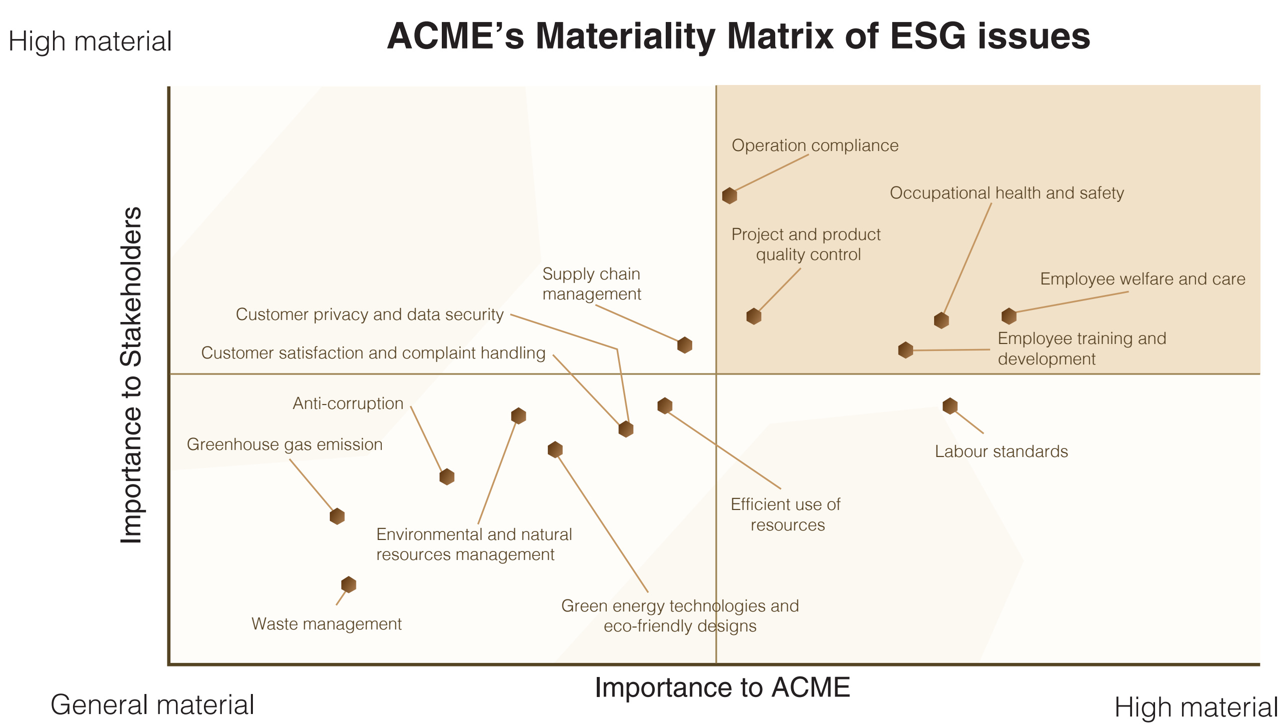
We have engaged our stakeholder groups (e.g. the Board, employees, suppliers) in an interactive process to evaluate the significance of 17 key ESG topics. They provided their insights through online surveys, assessing each issue's relevance to both their interests and our company's operations. The findings of this materiality analysis were presented across two key dimensions: their perceived importance to our stakeholders and their impact on our business processes. This helped in prioritising the ESG matters identified.

Considering the evolving landscape of the construction industry and conducting benchmarking exercises and studies on our stakeholders, we carefully evaluate whether to include certain issues in our ESG issues bank. This evaluation takes into account several factors, including our business development strategies, financial performance, and operations. We also consider the expectations and actions of our stakeholders, as well as the current and future environmental and societal contexts in which we operate. By considering these various aspects, we ensure that our ESG issues bank encompasses the relevant and impactful issues that align with our business and sustainability goals.

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.



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Based on the analysis, the Group has identified 5 high-priority material issues for the Reporting Year, outlined in the materiality table below:

High materiality issues

- Employee welfare and care
- Operation compliance
- Occupational health and safety
- Employee training and development
- Project and product quality control

General materiality issues

- Labour standards
- Supply chain management
- Efficient use of resources
- Customer satisfaction and complaint handling
- Customer privacy and data security
- Environmental and natural resources management
- Green energy technologies and eco-friendly designs
- Anti-corruption
- Greenhouse gas emission
- Waste management

In response to the inputs and contributions from our stakeholders, we have given thorough consideration to the ESG issues that hold significant materiality in our ESG development efforts. Meanwhile, we have put a particular emphasis on the identified high materiality issues to comply with the "**materiality**" reporting principles stated in the Reporting Guide, and to respond well to the expectation of our stakeholders. Sufficient information is also made available for readers to gain a comprehensive understanding of our performance in relation to 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 input is a crucial driver for our ongoing enhancement. For any comments or questions related to our sustainability practices, please reach out to our head office via email at investor@acmehld.com.

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3. OPERATIONAL PRACTICE

At the core of our mission lies an unwavering commitment to enhancing the quality and dependability of the services we provide.

3.1 Operation compliance

The Group has implemented a strong risk management framework to ensure adherence to applicable laws and regulations. Compliance management is considered essential for the smooth functioning of our daily operations, and we require all departments and subsidiaries to uphold operational compliance by adhering to the Group's policies and business practices. Within the Group, we recognise, prioritise, and strictly adhere to the latest ESG-related policies and regulations in the regions where we operate. We firmly believe that effective ESG compliance management serves as the cornerstone of our sustainability initiatives.

ESG Compliance Management with Laws and Regulations

The table below details the laws and regulations significantly affecting the issuer, encompassing social and environmental dimensions, which our Group ensures are fully complied with in our operations.

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

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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.)	*Labour Law of the People's Republic of China* *Work Safety Law of the People's Republic of China* *Labour Contract Law of the People's Republic of China* *Social Insurance Law of the People's Republic of China* *Law of the People's Republic of China on the Protection of Women's Rights and Interests* *Law of the People's Republic of China on the Protection of Disabled Persons* *Employment Promotion Law of the People's Republic of China* *Dispute Mediation and Arbitration Law of the People's Republic of China* *Law of the People's Republic of China on the Protection of Minors* *Guide on Contract Law of the People's Republic of China* *Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong)* *Sex Discrimination Ordinance (Chapter 480 of the Laws of Hong Kong)* *Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong)* *Disability Discrimination Ordinance (Chapter 487 of the Laws of Hong Kong)* *Family Status Discrimination Ordinance (Chapter 527 of the Laws of Hong Kong)* *Race Discrimination Ordinance (Chapter 602 of the Laws of Hong Kong)* *Minimum Wage Ordinance (Chapter 608 of the Laws of Hong Kong)* *Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong)*
Child Labour and Forced Labour	*Provisions on the Prohibition of Using Child Labour Law of the People's Republic of China* *Employment Ordinance (Chapter 57 of the Laws of Hong Kong)* *Employment of Children Regulations under the Employment Ordinance (Chapter 57 of the Laws of Hong Kong)*
Health and Safety (Relating to providing a safe working environment and protecting employees from occupational hazards)	*Law of the People's Republic of China on the Prevention and Control of Occupational Diseases* *Work Safety Law of the People's Republic of China* *Fire Safety (Commercial Premises) Ordinance (Chapter 502 of the Laws of Hong Kong)* *Occupational Safety and Health Ordinance (Chapter 509 of the Laws of Hong Kong)*
Marketing and Promotion (Relating to advertising)	*Advertising Law of the People's Republic of China* *Trademark Law of the People's Republic of China* *Trade Description Ordinance (Chapter 362 of the Laws of Hong Kong)*

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

Internal Compliance Checking

We have developed a Regulatory Compliance Licence Management System to guarantee adherence to all relevant legal and regulatory standards in our operations.

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.

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To maintain effective and current compliance measures, we regularly carry out compliance checks via scheduled audits, on-site evaluations, direct monitoring, performance assessments, routine meetings, and discussions. We meticulously document each compliance review along with supporting evidence and address the findings through our management procedures as necessary.

3.2 Project and product quality control

Beyond adhering strictly to relevant laws and regulations, we have established an all-encompassing quality management system in line with the ISO 9001:2015 Quality Management Standard. This framework allows us to meticulously oversee our operations and service delivery, ensuring we align with our customers' expectations.

Our design engineers are committed to ensuring that every aspect of our design and installation work complies with crucial safety standards, leaving no room for compromise. This involves a methodical design approach and obtaining approval from the Buildings Department prior to the initiation of any project. As a contractor, we not only follow the required legal and regulatory frameworks but also appoint specialised building professionals for task execution, alongside implementing stringent supervision and quality assurance practices. Furthermore, we've set up thorough management strategies, goals, and safety and quality assurance measures to uphold the integrity and quality of our work.

Comprehensive quality control management system

Our Quality Management System ("**QMS**") has been certified with the ISO 9001:2015 certification. The QMS is thoroughly documented, implemented, and subject to continuous improvement. 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.

In our pursuit of ISO 9001:2015 compliance, we embrace the Plan-Do-Check-Act cycle as our primary driver for implementing our Quality Management System (QMS). Effective leadership plays a vital role in fostering a strong quality control culture, as top management are assigned responsibilities and authority to ensure that our service-providing processes consistently deliver desired outcomes. Throughout the formulation of quality-related policies and communications, we prioritise considerations of safety compliance obligations.

In addition, we are committed to allocating the necessary resources in a timely manner to build, execute, sustain, and continually enhance our quality management system, aiming to fulfil customer requirements and elevate customer satisfaction.

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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 have been formulated in alignment with the Quality Manual, incorporating our core vision, mission, and contextual factors. These policies undergo a biennial review process. They are well communicated within the organisation through induction training, refresher training sessions, regular meetings, and other channels. All staff members have access to the policies through the common server and notice boards located at head offices, depots, and various site offices. To guarantee service quality, Xinneng Zhonghe relies on trusted third-party entities for product processing, and all delivered goods undergo stringent inspections in accordance with established rules and standards at the factory.

We firmly believe that meeting safety regulatory requirements and exceeding customer expectations for quality are essential for business success. With our robust QMS and the aforementioned measures in place, 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

Operating within the construction and design industry, the Group is acutely aware of the critical nature of safeguarding intellectual property rights and data privacy. We rigorously adhere to all legal requirements concerning the protection of our customers' and suppliers' personal information.

Certification and patenting of our products hold utmost importance to us. Xinneng Zhonghe, our green energy subsidiary, possesses recognised authentication and certificates in various countries, ensuring the credibility of our professional services. In order to safeguard our intellectual property rights and prioritise the interests of both our customers and ourselves, we have developed the following policies and procedures, as well as data handling processes:

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For Intellectual properties and trademark

- Professional agents will be engaged to conduct verifications on intellectual properties and trademarks, ensuring they are original and not infringing on existing rights.

- Regular monitoring and vigilance will be implemented to protect our intellectual properties and trademarks from any infringement by others.

- The procurement of software will strictly involve purchasing licensed versions, avoiding the use of pirated software.

For data handling process

- Strict surveillance is maintained over confidential information to thwart any potential direct or indirect leaks to external entities.

- The prohibition of unauthorised access to the Group's information systems is rigorously enforced.

- 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.

Strict confidentiality arrangements are established for any third-party organisation engaged by the Group, ensuring that information is limited to disclosure under a 'Confidentiality Agreement'. All employees and executive directors of the Group are mandated to sign this confidentiality contract.

3.4 Project and product liability

Upon the completion of construction projects, we offer a liability period to our clients as outlined in our contracts, including warranty services for specific areas like glazing and waterproofing. We strictly comply with all relevant sales laws and regulations, ensuring that we deliver responsible and technically advanced services throughout the warranty period. Any misleading promotions or unfair competitive practices are strictly forbidden within our Group.

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Feedback from our customers is crucial for the ongoing enhancement of our products and services. To ensure efficient and timely response to all feedback, we have implemented a Complaint Handling Procedure that details the steps and methods for managing various complaint types. We have also developed standard procedures for addressing and resolving customer complaints. Our feedback mechanisms are accessible to all customers through channels such as mail, telephone hotlines, or in-person visits. The general steps in our complaint handling process are as follows:

At Xinneng Zhonghe, we ensure personalised customer service by assigning a dedicated service specialist to each customer. These specialists can be directly contacted via email or phone for any feedback, comments, or concerns regarding our products or services. They have the authority to negotiate and address issues within their scope of authority. If any issues exceed their authority, they will be escalated to senior management for prompt resolution, guaranteeing satisfactory responses for our customers. Moreover, we establish exclusive agency agreements with our customers to safeguard their rights and interests.

As a result of implementing the comprehensive measures, the Group has not encountered any significant violations of applicable sales service laws and regulations, nor have any verified complaints about our product or service delivery materially affected the Group in the Reporting Year.

3.5 Anti-corruption

We maintain a steadfast commitment to combating corruption with integrity.

We strictly prohibit all forms of unethical behaviour and adhere rigorously to local laws and regulations related to anti-corruption measures. Throughout the Reporting Year, no significant violations or legal cases related to corruption involving the Group or its employees have been identified.

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Our staff is expected to adhere to a zero-tolerance policy towards corruption, including bribery and kickbacks, in any situation. To reinforce this stance, we have implemented robust internal anti-corruption policies and practices that have proven to be effective.:

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.

4. RESPONSIBLE OPERATION

Understanding that our business growth is closely linked to our business partners and the wider community, the Group conscientiously adheres to the pillars of responsibility and ethic in all aspects of our operations. We engage in close collaboration with both local communities and our suppliers, ensuring that our growth strategies are inclusive and mutually beneficial.

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4.1 Responsible supply chain management

We accord substantial importance to our procurement and subcontracting principles, understanding that every process within our supply chain is critical to our operational integrity and success. In the procurement of materials, equipment and services, we employ a fair and open assessment process, which encompasses criteria such as price, quality, delivery and service support. This thorough process is approached with the Group's structured policies and procedures to ensure the best economic benefits.

We hold a firm expectation for the preservation of high ethical standards across all business dealings, with a stringent ban on any form of bribery or the exchange of illicit benefits. Furthermore, in adherence to relevant laws and regulations, the Group commits to the regular disclosure of information pertaining to our business operations, organisational framework, financial results, and additional relevant facets.

The same standard also applies to our subsidiary company Xinneng Zhonghe. Currently Xinneng Zhonghe is still in the early phase of its business activities, and as a result the company is in the process of developing and refining its supply chain control policies. Our long-term objective is to ensure these policies not only align with industry best practices but also support sustainable growth and the delivery of superior value to our stakeholders.

Supply chain management mechanism

We have developed a comprehensive supply chain management system that encompasses the entire lifecycle from selecting suppliers to evaluating their performance. This mechanism is supported by a set of clear procedures, ensuring that our supply chain operates responsibly.

Process	Implemented Measures
Selection	The Group conscientiously selects suppliers through a formal prequalification process, assessing their reliability and reputation. Our relevant department carries out thorough evaluations, examining each supplier's operational background, the quality of materials, and cost considerations before commencing any initial collaboration.
Control Strategy	Aiming to enhance competitiveness while serving the interests of its shareholders and stakeholders, the Group operates with a procurement and subcontracting approach that is both transparent and independent. The Group is in the process of developing a vertically integrated supply chain management system. This initiative involves consolidating procurement resources, enhancing the evaluation and oversight of suppliers and subcontractors, and taking a proactive stance in delivering complete solutions that address the diverse needs of our customers.

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Process	Implemented Measures
Review and Evaluation	The Group maintains and routinely updates an approved list of subcontractors and suppliers. Annual reviews are carried out by members of the Project Management Team through standardised evaluations. Should any suppliers or subcontractors fail to meet our stringent standards, adjustments to the list, including removals, are made accordingly. Furthermore, any changes to safety and health regulations are promptly communicated to our subcontractors and suppliers by the Safety Supervisor to ensure immediate awareness and compliance. These practices are uniformly applied across all partnerships to maintain the high level of operational excellence we are committed to.

Green procurements

The Group's procurement strategy is centred on environmental considerations. In its acquisition of fixed assets, the Group prioritises items that have been awarded green certifications. Additionally, we actively encourage our suppliers and subcontractors to embrace corporate social responsibility and maintain ethical conduct across various domains, including workplace operations, marketing, and public relations.

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.
- By choosing FSC-certified goods, we actively contribute to practices that ensure forestry is practiced in an environmentally responsible, socially beneficial, and economically viable manner

- 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.

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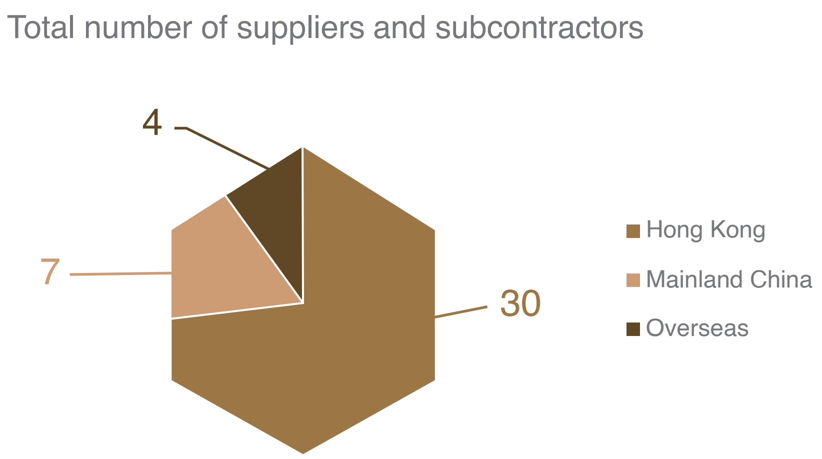
Our business partners

During the Reporting Period, we have maintained cooperation with 41 suppliers and subcontractors, over 70% of them located in Hong Kong.



Sustainable supply chain practices

In alignment with our overarching ESG goals, we are actively exploring to include environmental and social impacts into our quality assessments for suppliers, thereby ensuring that our procurement decisions contribute positively to the broader objectives of sustainable development. Moving forward, we will synergistically work with our network of suppliers, subcontractors and service providers to extend our collective responsibility beyond regulatory compliance and contractual obligations.

4.2 Workplace health and safety

The Group conscientiously prioritises the occupational health, safety, and overall well-being of our employees and subcontractors. We strictly adhere to legal and regulatory standards and are committed to promptly reporting any workplace accidents to the Commissioner for Labour and relevant authorities.

Safety and health management approach

To safeguard the health, well-being, and security of our employees, contractors, customers and the general public, the Group has implemented robust safety and asset management systems, including the Occupational Health and Safety Policies. Our primary aim is to foster a culture that prioritises health and safety, thereby reducing potential risks and creating a safe and healthy workplace environment.

The *Policy Statement* outlines the fundamental principles of our safety management approach. Some key aspects of the policies are demonstrated as follow:

- 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;

Environmental, Social and Governance Report

- 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;

- Striving for excellence in occupational safety and health by meeting or surpassing legal standards and aligning with the best practices in the industry for ongoing enhancement.

We prioritise a safe and healthy work environment for all employees. Our comprehensive Health & Safety Policy is implemented across all business functions, fostering a culture of risk mitigation and accident prevention.

On-site safety measures

At all times, our utmost priority is the safety and health of our site workers and the general public.

- Internal Control Policies and Regulations

  o We strictly follow to applicable laws and regulations to formulate our internal control policies.

  o The strategic implementation of policies such as the Legal Compliance and License Management Policy, Occupational Health and Safety Policy, and Construction Site Safety Policy, along with the deployment of Site Memos provides a robust framework for effective health and safety management.

  o We have set, executed, and periodically reassessed specific safety objectives and targets across the relevant divisions of our operations.

- On-site Safety Management

  o It is mandatory for all construction site personnel to possess the requisite qualifications and licenses for site access. To ensure rigorous adherence to our safety protocols, we allocate at least one safety supervisor or a senior project manager to each construction site.

  o The management of on-site safety is facilitated through a structured Compliance Checklist. In the event of any dissatisfaction with our established safety policies, Safety Warning Letter, including warnings and administrative penalties, will be issued to urge follow-up actions.

Environmental, Social and Governance Report

- Machinery Safety
  - Certified engineers are tasked with conducting regular and systematic inspections of machinery. This includes checks on lifting devices, gears, and suspended platforms.
  - Senior safety supervisor from the safety department performs weekly inspections and prepares safety evaluation reports to oversee workplace safety.
  - A license registry is maintained to track the qualifications of all site workers, reinforcing our dedication to a secure and healthy work environment.
  - we encourage safety innovation to enhance our health and safety performance.

Offices safety measures

A key component of our health and safety initiative is the deployment of Office Safety Inspection Checklist. The checklist thoroughly covers aspects including the working environment, fire prevention measures, and ergonomics. Detailed descriptions and status updates regarding these areas are maintained and reviewed by management members regularly, to effectively scrutinise health and safety issues within office spaces and continually improve our practices.

To guarantee proactive emergency responses from all employees, our Safety Manager will periodically schedule fire drills and safety inspections and maintain systematic records and reports. For the latest updates on safety issues, a safety notice board is prominently displayed in the office.

4.3 Contributions to the society

At the core of our values, we embrace social responsibility and actively instil a strong sense of altruism in our organisation. We have been mindful of different social needs and how we can make use of our expertise and resources to make a positive impact. By embodying these values, we strive to create shared value for both our stakeholders and the communities we serve, fostering a caring and inclusive future.

During the Reporting Period, we have focused on aspects such as poverty and the well-being of elderly. For instance, we have organised donation of used clothing to the impoverished and mooncakes to nursing home. These activities aim to address the needs of individuals in need and promote care within our communities.

Furthermore, We encourage our employees to actively participate in voluntary activities as a means of giving back to society. Through supporting employee involvement in social contribution, we actively promote a culture of compassion and generosity. Looking forward, we will continue to engage in social activities and expand our positive impacts.

Environmental, Social and Governance Report

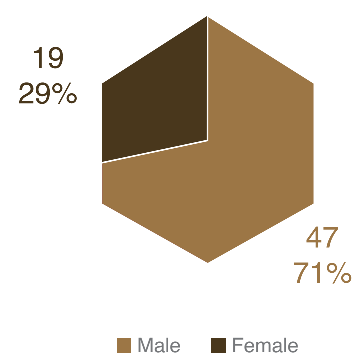
5. EMPLOYEE'S WELLBEING

The Group emphasised the importance of having a motivated and capable workforce, as we believe it is crucial for fostering a supportive and high-achieving culture. We strive to create a workplace where our employees feel valued and supported, with the principle of "**people-oriented**", so as to actively retain talents and drive long-term success of the Group.

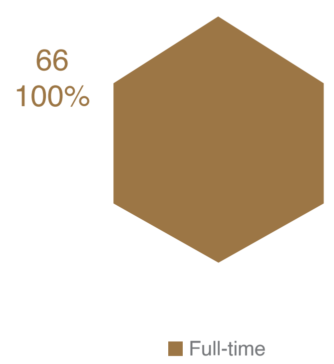
5.1 Our people

As of the end of the Reporting Year, the Group has 66 employees. The composition are as follows:

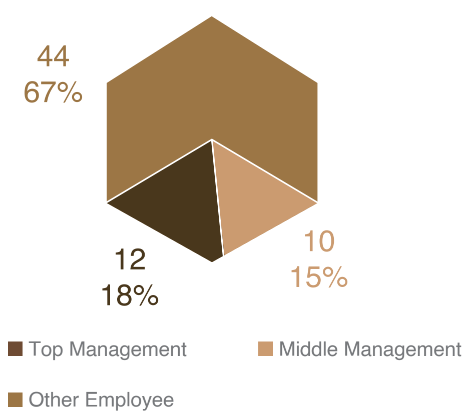
Employment by Gender



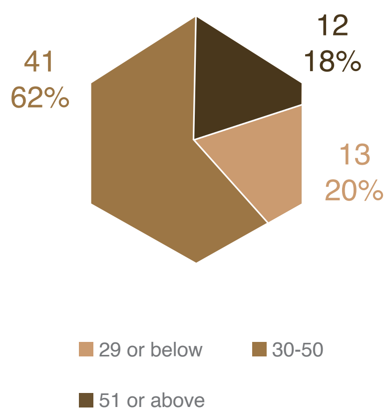
Employment Type



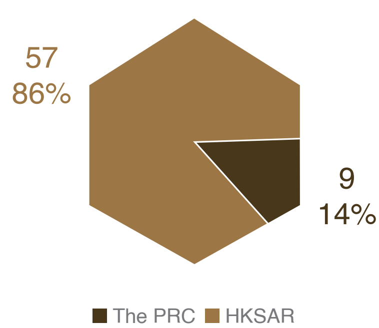
Employment by Employee Categories



Employment by Age Groups



Employment by Geographical Locations



Environmental, Social and Governance Report

5.2 Employment and labour standards

The Group is committed to ensuring all employees are free from any form of forced labour, coercion, or work against their will. To enforce this prohibition, we have implemented stringent measures and guidelines. For instance, we verify the ID of candidates during interviews to make sure that they meet the eligibility criteria for employment. The Labour Contract serves as a written agreement between us and our employees, outlining our employee code of conduct and important terms of employment. By signing the contract, we establish a mutual understanding of labour rights and benefits, and safeguard both parties. During the Reporting Period, no material violation on child or forced labour was identified.

The Group's employment practices are led by the human resources policies and the labour contract, which comprises of aspects ranging from manpower planning, recruitment, compensation, benefits and welfare, staff relations, work arrangement, promotion and termination. We are committed to scrutinising these policies so that we maintain a compliant and ethical approach to employee management. At the same time, we uphold the values of human rights and recognises the role as a responsible corporate citizen in promoting equal opportunities.

At the Company, we embrace diversity and value distinct personality, professional quality of each employee. Regardless of race, colour, ethnic, national origin, sex, age, marital status, sexual orientation, religious, political beliefs or other backgrounds, we provide equal opportunities and supportive work environment for all employees. These policies are explicitly stated in our internal guideline, to remind employees of their rights and responsibilities.

5.3 Employee welfare and care

Apart from maintaining robust human resource policies to scrutinise issues regarding employment and labour standards, the Group implements whistle-blowing mechanisms where employees can report any violations and concerns about injustice they face. Once a report is escalated, the case will be investigated and rectified promptly by the Management according to established procedures. To continuously safeguard the interest of our employees, the Group shall take proactive actions to ensure a safe and fair working environment. The Group's standard working week consists of 5.5 days, with 8 working hours per weekday and 4 working hours per Saturday. Overtime work, if necessary, is compensated in accordance with local laws and regulations. Additionally, discretionary bonuses are awarded annually taking into account the Group's financial achievement, employees' performance and other relevant factors. To guarantee objectiveness and efficiency in the performance review process, the Group introduced the Key Performance Indicators scheme, which provides clear metrics and guidance to the evaluation process.

Additionally, our employee welfare opportunities policy ensure strict adherence to minimum wage specified by the government regulations. Monthly salary payments, Mandatory Provident Fund scheme payments, Social Insurance and Housing Provident Fund contributions are made on time according to regulation requirements. Sufficient coverage of employee compensation insurance is ensured to protect employees in events of work-related injuries or other unforeseen circumstances.

Environmental, Social and Governance Report

Whilst the Group advocates social interaction and physical wellbeing among employees. Throughout the year of 2023, we had regularly organised team-building activities during lunchtime or after work, such as reunion dinner, Christmas party, birthday celebrations and company trips. Besides, the Group had set up a lounge area where employees could relax and unwind during their breaks. These initiatives not only aimed to create a positive and engaging work environment, but also facilitate stronger connections between colleagues and boost overall satisfaction.

In future, the Group shall continue to prioritise employees as a critical assets in our operation, and remain committed in support of wellbeing and happiness of our current staff.

5.4 Employee training and development

The establishment of a robust training and development management system holds significant importance in the Group's overall strategies. In order to foster professional improvement of employees and unleash their full potential, our Human Resources Department takes a proactive approach in conducting and executing training and development initiatives.

The Group's targeted training programmes encompass a range of themes to offer well-rounded learning opportunities for employees. For instances, in October 2023, our CEO and senior project manager held an introduction seminar about the group's gondola. Going forward, the Group intends to persist in organising internal training activities, specifically within the Group's green energy business, to ensure employees have a comprehensive understanding of industry developments and are equipped with the necessary knowledge to adapt to them.

Furthermore, we conduct safety meetings and talks regularly to ensure safety requirements and standards are exercised accordingly. Additional targeted sessions will also be provided in case dissatisfactory performances or areas improvement are identified. Furthermore, in order to foster a culture of continuous learning, the Group provides full subsidies to employees who participate in external training programs related to construction knowledge. This initiative aims to encourage our employees to explore further training opportunities. Currently, a majority of our staff possess the Construction Industry Safety Training Certificate and receive annual training outside the Group. We also promote open discussion in workplace, where valuable insights, suggestions are shared among employees, so that it cultivates an inclusive atmosphere of collaboration and teamwork.

Environmental, Social and Governance Report

5.5 Social Key Performance Summary

Key performance Indicator		**Unit**	**2023**
Employee Distribution			
Total Number of Employee		Person	66
By Gender			
Male		Person	47
Female		Person	19
By Employment Type			
Full-time		Person	65
Part-time		Person	1
By Employee Categories			
Top Management		Person	12
Middle Management		Person	10
Other Employees		Person	44
By Geographical Locations			
The PRC		Person	9
HKSAR		Person	57
By Age Groups			
29 or below		Person	13
30-50		Person	41
51 or above		Person	12
Employee Turnover			
Total Number of Employee Turnover		Person	28
Total Turnover Rate[1]		%	42.42%
By Gender			
Male	Number of Turnover	Person	19
	Turnover Rate	%	40.43%
Female	Number of Turnover	Person	9
	Turnover Rate	%	47.37%
By Geographical Locations			
The PRC	Number of Turnover	Person	10
	Turnover Rate	%	111.11%
HKSAR	Number of Turnover	Person	18
	Turnover Rate	%	31.58%

1 The employee turnover rate is calculated by dividing the number of employee turnover in the category during the Reporting Period by the total number of employees in the category as at the end of the Reporting Year.

Environmental, Social and Governance Report

Key performance Indicator		Unit		2023	
By Age Groups					
29 or below	Number of Turnover	Person		11	
	Turnover Rate	%		84.62%	
30-50	Number of Turnover	Person		17	
	Turnover Rate	%		41.46%	
51 or above	Number of Turnover	Person		–	
	Turnover Rate	%		–	
Employee Health and Safety					
Work-related Fatalities		Number of Person		Rate (%)	
2023		0		0	
2022		0		0	
2021		0		0	
Number of Work-related Injuries		Person		4	
Lost Days Due to Work Injury		Day		17	
Employee Training Distribution[2]					
Total Number of Employees Participated in Trainings		Person		20	
By Gender					
Male		Person	18	Rate (%)	38.30%
Female		Person	2	Rate (%)	10.53%
By Employee Categories					
Top Management		Person	9	Rate (%)	75.00%
Middle Management		Person	2	Rate (%)	20.00%
Other Employees		Person	9	Rate (%)	20.45%
Average Employee Training Hours[3]					
By Gender					
Male		Hour		1	
Female		Hour		1	
By Employee Categories					
Top Management		Hour		1	
Middle Management		Hour		1	
Other Employees		Hour		1	

2 The calculation method of the percentage of employee training: the number of such trained employees/the total number of trained employees.

3 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 recognise the importance of balancing economic growth with environmental stewardship. Thereby at our organisation, we are dedicated to mitigating and minimising environmental impacts, with an aim to become a responsible and environmentally sustainable enterprise.

In our pursuit of sustainability, we have integrated a range of initiatives in our operations. We have taken a proactive approach to implement environmentally friendly measures and procedures. Besides, we have considered factors of environmental protection, conservation when we are conducting plans about strategic business, project planning and execution.

6.1 Environmental and resources management approach

In response to our concerns in environmental and resource, the Group's management approach has comprehensively considered different aspects, ranging from decreasing our carbon footprint, controlling 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. To monitor and evaluate the effectiveness of these initiatives, the Group conducts regular reviews through analysis of environmental key performance indicators (KPIs) related to its operations.

During the Reporting Period, 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 remain committed to complying with relevant environmental laws and regulations. It will proactively manage environmental risks and ensure that its operations are conducted in accordance with the highest environmental standards.

In long run, the Group's environmental target remains focused on achieving sustainability and minimising its environmental impact. We shall seek continuous improvement by employing innovative solutions and best practices by setting up achievable targets and action plans, to further reduce environmental impact resulted from our operation. Additionally, we shall maintain a transparent approach to communicate our progress towards the environmental target, providing our stakeholders with accurate information on our initiatives and measures.

6.2 Green energy technologies and eco-friendly designs

Recognising the opportunities and need to address sustainable development, we made significant efforts to incorporate environmentally friendly practices and initiatives into our operations. In 2022, Xinneng Zhonghe had successfully launched its trademark "**SUNEWTRAL**" across key markets including Mainland China, Hong Kong and the European Union. As an innovative force in the clean energy sector, we are leveraging continuous technological innovation to deliver cutting-edge solar energy solutions and equipment globally. Our commitment to environmental sustainability is embedded within our operations as we actively explore the potential of green energy technologies. Our strategic entry into the renewable energy market aims to contribute to a sustainable energy future, ensuring that our practices not only meet current demands but also create long-term value for a cleaner and more resilient business landscape.

Environmental, Social and Governance Report

6.3 Reduction on emissions and pollution

Air emissions

The operational focus of the Group covers development of Building Maintenance Unit (BMU) systems and sales of renewable energy generation and equipment. As the operation of the group does not entail direct involvement in production processes or significant usage of gaseous fuel, our activities do not result in discharge of exhaust emissions including nitrogen oxides ("**NO_x**"), sulphur oxides ("**SO_x**"), and particulate matters ("**PM**"). Furthermore, the Group no longer owns any vehicles since the winding-up of our subsidiary in 2022. As a result, we have eliminated emissions associated with usage of vehicle fuels. While business activities of the Group do not directly emit pollutants, we uphold sustainable practices and continuously seek ways to minimise our environmental impacts. Regarding daily commuting and business travels, we promote the options of public transport as an alternative of private vehicles. Furthermore, employees are encouraged to plan their routes ahead, considering the shortest distance and most fuel-efficient options available, so as to reduce unnecessary consumption of fuel and subsequent emission.

Greenhouse gas ("GHG") emissions

The GHG emissions generated by the Group are mainly from electricity consumptions during office operations. In addition to electricity-related emissions, we are also aware of the impacts of paper waste disposal at landfills and business travels which indirectly contributes to GHG generation.

To address this, we have undertaken the following measures to further reduce GHG emission:

- Remind colleagues to turn off lights, air conditioning, computers, and other electrical device when leaving work.

- Optimise the temperature for air conditioning to achieve energy efficiency.

Environmental, Social and Governance Report

Waste management

The non-hazardous waste generated by the Group primarily consists of paper waste and domestic waste from office operations. To mitigate environmental impacts, the Group is devoted to adopting different measures to reduce waste and promote an eco-friendly atmosphere.

Paperless work environment	• Electronic document, company policies are uploaded and shared in form of digital alternatives, to reduce use of physical copies. • Reuse single-sided printed paper.
Avoid the use of disposable materials	• Steam and microwave ovens are provided to encourage employees to bring their own lunch using reusable food containers. • Detergents for cleaning tableware are provided for employees to encourage use of reusable utensils.
Encourage recycling	• We encourage employees to recycle and use products made of recyclable materials, to reduce waste and conserve resources.

During the Reporting Period, no material hazardous waste was generated by the Group due to the Group's business nature. We shall keep on monitoring and recording to ensure appropriate and responsible handling of hazardous waste if necessary.

6.4 Managing resources consumptions

The Group primarily consumed electricity and water during the Reporting Period, while we did not consume any packaging material consumption due to our business nature.

Energy consumption

In light of electricity being the major energy consumption of the Group, we strive to implement comprehensive measures that promote energy efficiency, reduce our carbon footprint, and contribute to a sustainable energy future. For instance, we have posted memos reminding employees to turn off lights and equipment when not in use; Xinneng Zhonghe, the subsidiary of the Group, has implemented "**Office Management System**" to regulate and promote energy saving habits of employees. Apart from that, we also reduce power and energy consumption through using more efficient equipment, such as installing energy-saving panels and removing unused ceiling spotlights. In future, we will focus on optimising energy usage and fostering a greener operational environment.

Water consumption

In Hong Kong and Zhejiang, the water supply for the offices is managed by the respective property management companies, making it is challenging to collect specific data on water usage. However, as the water is supplied by government bodies, the Group did not face any difficulties in sourcing water during the Reporting Period. Despite this, the Group is actively committed to minimising water consumption. We are dedicated to promoting water conservation and raising awareness among employees through educational initiatives and promotional activities. Moving forward, we will continue to set specific water reduction targets and implement water-saving measures across all our operations.

Environmental, Social and Governance Report

6.5 Responding to climate change

Addressing climate change represents a paramount global challenge, particularly in today's society. To cope with it, the Group is committed to optimising business operations to achieve greater energy efficiency, and secure sustainable supply chain alternatives. The ESG Working Group and ESG Committee in the Group play a vital role in developing policies and initiatives for risk mitigation, adaptation, and transparent disclosure of climate-related risks and opportunities. We aim to consistently strengthen our business's resilience by implementing various precautionary measures, ensuring we are fully prepared for any potential effects of climate change.

Identifying potential risks and opportunities

The Group is acutely aware of the potential impacts of climate change in our operations. At physical risk, particularly the increased frequency of extreme weather like typhoons and heavy rains can disrupt project timelines and affect the stability of on-site equipment, such as suspended working platforms. Conversely, these weather events also create business opportunities. For instance, customers may request for temporary inspection and maintenance at buildings and construction sites. In longer term, we also observe trends towards new energy solutions, as market dynamics shift in response to climate change.

Our renewable energy business is poised to meet the market's growing demand for energy transformation. We will continually enhance our offerings in clean energy technologies and services, as well as contributing positively to combating climate change risks. Moving forward, the Group is committed to actively exploring various transitional risks, including risks associated with policy changes, technological advancements, and reputational risk, to ensure that we not only anticipate but also prepare for different uncertainties.

Mitigating and responding to potential risks

The Group is dedicated to implementing robust strategies and prevention measures to mitigate potential risks associated with extreme weather events. We have developed a comprehensive policy that addresses a spectrum of emergency scenarios resulting from severe weather conditions. Upon receiving a typhoon warning from the Hong Kong Observatory, our project managers are responsible for informing all employees promptly, so they can take the required safety actions to ensure operation of equipment are unaffected by strong winds or torrential rain.

Environmental, Social and Governance Report

6.6 Environmental key performance summary

Environmental Data			
Air Emissions[5]			
KPI	**2023**	**2022**	**Units**
NO_x	0	0.85	Kg
SO_x	0	0.02	Kg
PM_{10}	0	0.06	Kg
Greenhouses Gases Emissions			
KPI	**2023**	**2022**	**Unit**
Scope 1[6] (Direct Emission)	0	3.51	Tonnes CO_2e
Scope 2[7] (Indirect Emission)	15.89	50.20	Tonnes CO_2e
Scope 3[8] (Indirect Emission)	33.40	–	Tonnes CO_2e
Total Emissions (Scope 1,2 and 3)	49.29	58.74	Tonnes CO_2e
Intensity	0.75	1.01	Tonnes CO_2e/employee
Waste			
KPI	**2023**	**2022**	**Unit**
Non-Hazardous Produced Waste	1.47	1.26	Tonnes
Intensity	0.022	0.02	Tonnes/employee
Resources Usage			
KPI	**2023**	**2022**	**Unit**
Water[9]	N/A	N/A	Cubic Metres
Total Energy Consumptions	31.3	140.6	MWh
Intensity	0.47	2.4	MWh/employee
Direct Energy			
Petroleum	0	12.8	MWh
Total Direct Energy	0	12.8	MWh
Indirect Energy			
Electricity	31.25	127.83	MWh
Total Indirect Energy	31.25	127.83	MWh

Environmental, Social and Governance Report

5 The Group did not own any vehicles during the Reporting Period, as a result we have eliminated the generation of air pollutants.

6 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.

7 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 national grid average emission factor in the Notice on the Work Related to the Reporting and Management of Greenhouse Gas Emissions of Enterprises in the Power Generation Industry from 2023 to 2025 and the calculation of GHG emissions caused by power use in Hong Kong and Macau adopts to the emission factors in the Sustainability Report of CLP Power Hong Kong Limited in 2023 for the construction sites and offices located in Kowloon, and in the Sustainability Report of Companhia de Electricidade de Macau for Macau region respectively.

8 Scope 3 GHG emissions are from indirect GHG emissions generated in business trips and wastepaper disposed to landfill. The calculation of emission data adopts The International Civil Aviation Organization (ICAO) Carbon Emissions calculation methodology for flights, the carbon content of paper waste and global warming potential of methane.

9 The water consumption and disposal are under centralised management of the property management company of each office, thus we are unable to collect specific data of water usage.

Report of the Directors

The Directors are pleased to 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 BMU systems, development, design, production and sales of new energy generation and energy storage system and provision of services for sales of electricity.

RESULTS OF OPERATIONS

The financial results of the Group for 2023 are set out in the consolidated income statement and consolidated statement of comprehensive income on pages 79 to 80 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 159 to 160 of this annual report. The summary shall not constitute a part of the audited consolidated financial statements.

DIVIDEND POLICY

The Board intend 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 (2022: Nil).

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.

Report of the Directors

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 Monday, 27 May 2024 to Thursday, 30 May 2024 (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 Friday, 24 May 2024 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 2023 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 70.2% of the revenue of the Group and the largest customer accounted for about 32.7% of the revenue of the Group.

During the Year, the five largest suppliers of the Group accounted for about 77.2% of the purchase of the Group and the largest supplier accounted for about 37.7% 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.

BORROWINGS

Details of the 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 2023 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 2023 are set out in notes 24 and 34 to the consolidated financial statements, respectively.

Report of the Directors

DISTRIBUTABLE RESERVES

As at 31 December 2023, the Company's distributable reserve were HK$93.4 million (2022: HK$100.4 million).

DIRECTORS

During the Year and up to the date of this annual report, the Board consists of the following eight Directors:

Executive Directors

Mr. Kwan Kam Tim *(Chairman)*
Mr. Yip Wing Shing
Mr. Gao Shufang *(resigned on 18 January 2024)*
Mr. Zhang Guangying *(appointed on 18 January 2024)*
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. Yip Wing Shing, Mr. Chin Wai Keung Richard and Mr. Zhang Guangying will retire and, being eligible, will offer themselves for re-election at the Company's forthcoming AGM.

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 2023, 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(1)
Mr. Kwan Kam Tim(2)	Interest in a controlled corporation	71,500,000	11.46%

Notes:

1. The calculation is based on the total number of 624,000,000 shares in issue as at 31 December 2023.

2. RR (BVI) Limited is the registered and beneficial owner holding 11.46% 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 71,500,000 shares held by RR (BVI) Limited.

Save as disclosed above, as at 31 December 2023, 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 2023, 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[1]
Mr. Lin Zhang[2]	Interest in controlled corporation	175,150,000	28.07%
Treasure Ship Holding	Beneficial owner	175,150,000	28.07%
RR (BVI) Limited	Beneficial owner	71,500,000	11.46%
Ms. Ma Lai Ling[3]	Interest of spouse	71,500,000	11.46%
Mr. Liao Shigang[4]	Beneficial owner	44,865,000	7.19%
	Interest of spouse	12,500,000	2.00%
Ms. Zhao Yuzhu[4]	Beneficial owner	12,500,000	2.00%
	Interest of spouse	44,865,000	7.19%
Mr. Teng Rongsong[5]	Interest in controlled corporation	40,000,000	6.41%
Timeness Vision Limited[5]	Interest in controlled corporation	40,000,000	6.41%

Notes:

1. The calculation is based on the total number of 624,000,000 shares in issue as at 31 December 2023.

2. 175,150,000 are beneficially held by Treasure Ship Holding Limited, the entire issued share capital of which is beneficially held by Mr. Lin Zhang.

3. 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.

4. 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.

5. 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 2023, 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 or cancelled 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.

In 2022, the Company and each of the grantees of the Pre-IPO Share Option have mutually agreed to cancel all of the Pre-IPO Share Option. As of the date of cancellation, all of the Pre-IPO Share Options have not been vested, exercised or lapsed.

As at 31 December 2023, 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 is set out in Note 24 to the consolidated financial statements.

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.

Report of the Directors

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 of 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 of 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.

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.

Report of the Directors

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 5 years and 6 months. No share options were granted, forfeited 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 17.

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 2023, 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 2023.

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 2023, 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 2023.

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 2023.

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 2023.

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 2023 and as at 31 December 2023, 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. In 2022, Mr. Kwan ceased to be as the controlling shareholder and the obligations of Mr. Kwan under the Deed of Non-Competition were released in 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 2023.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2023, the Group had 66 full-time employees (As at 31 December 2022: 58 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 a share option scheme and a share award scheme 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. Except for voluntary contribution, 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$1,000 for the year ended 31 December 2023 (2022: HK$6,000).

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

All related party transactions of the Group during the year ended 31 December 2023 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 2023.

AUDITOR

The consolidated financial statements for the year ended 31 December 2023 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, 26 March 2024

Independent Auditor's Report

羅兵咸永道

To the Member 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 79 to 158, comprise:

- the consolidated statement of financial position as at 31 December 2023;
- 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, comprising material accounting policy information 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 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") 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 2.2.14(a), Note 4(a), Note 5 and Note 20 to the consolidated financial statements. For the year ended 31 December 2023, the Group recognised revenue from construction contracts in continuing operations of HK$179,144,000. Contract assets and contract liabilities relating to construction contracts amounted to HK$83,394,000 and HK$3,606,000 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 and 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 selected 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	How our audit addressed the Key Audit Matter
Accounting for construction contracts	
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 (including change in the scope and/or price), 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 which are expected to result in unavoidable costs of meeting the obligations under the construction contracts over the economic benefits to be received 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.	• We reviewed the approved project budgets by comparing the budget items against the contract terms, quotations and historical experience of similar projects. We also inspected supporting documents, 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; • 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 modifications to the original contracts, revisions made to the estimated revenue and costs, and management's assessment of whether there are onerous contracts identified; • 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 and contract assets/contract liabilities, and checked that no provision for onerous contracts is required. 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 HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

Independent Auditor's Report

As part of an audit in accordance with HKSAs, 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.

- 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.

Independent Auditor's Report

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, 26 March 2024

Consolidated Income Statement

	Note	Year ended 31 December 2023 HK$'000	2022 HK$'000
Revenue	5	192,402	152,215
Cost of sales	8	(139,614)	(114,625)
Gross profit		52,788	37,590
Other income	6	3	970
Other losses, net	7	(219)	(326)
Administrative expenses	8	(24,267)	(17,702)
Impairment of financial and contract assets	3.1(c)	(1,168)	(762)
Operating profit		27,137	19,770
Finance income	10	54	44
Finance costs	10	(2,825)	(2,402)
Finance costs, net	10	(2,771)	(2,358)
Profit before income tax		24,366	17,412
Income tax expenses	11	(5,735)	(4,642)
Profit from continuing operations		18,631	12,770
Loss from discontinued operation (attributable to equity holders of the Group)	23	–	(92,553)
Profit/(loss) for the year		18,631	(79,783)
Profit/(loss) is attributable to:			
– Owners of the Company		20,046	(79,544)
– Non-controlling interests		(1,415)	(239)
		18,631	(79,783)
Earnings per share from continuing operations attributable to owners of the Company for the year			
– Basic and diluted (HK cents)	12	3.21	2.08
Earnings/(loss) per share attributable to owners of the Company for the year			
– Basic and diluted (HK cents)	12	3.21	(12.75)

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

Consolidated Statement of Comprehensive Income

	Year ended 31 December	
	2023	2022
	HK$'000	HK$'000
Profit/(loss) for the year	**18,631**	(79,783)
Other comprehensive income/(loss):		
Item that may be reclassified subsequently to consolidated income statement		
Exchange difference on translation of foreign operations	**12**	(2)
Other comprehensive income/(loss) for the year	**12**	(2)
Total comprehensive income/(loss) for the year	**18,643**	(79,785)
Total comprehensive income/(loss) for the year is attributable to:		
– Owners of the Company	**20,065**	(79,545)
– Non-controlling interests	**(1,422)**	(240)
	18,643	(79,785)
Total comprehensive income/(loss) for the year attributable to owners of the Company arises from:		
– Continuing operations	**20,065**	13,008
– Discontinued operation	**–**	(92,553)
	20,065	(79,545)

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 2023 HK$'000	2022 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	15	2,824	2,686
Deposits and prepayments	21	395	357
Deferred tax assets	28	270	–
		3,489	3,043
Current assets			
Inventories	18	3,437	10,954
Trade and retention receivables	19	49,267	28,847
Contract assets	20	83,394	64,268
Deposits, prepayments and other receivables	21	3,807	4,752
Amount due from a non-controlling interest	32(a)	485	–
Pledged deposits	22	–	2,786
Time deposits	22	–	1,806
Restricted deposits	22	15,768	13,090
Cash and cash equivalents	22	46,269	31,203
		202,427	157,706
Total assets		205,916	160,749
EQUITY			
Equity attributable to owners of the Company			
Share capital	24(a)	6,240	6,240
Reserves	24(b)	98,502	78,437
Capital and reserves attributable to owners of the Company		104,742	84,677
Non-controlling interests		1,020	490
Total equity		105,762	85,167

Consolidated Statement of Financial Position

	Note	As at 31 December 2023 HK$'000	2022 HK$'000
LIABILITIES			
Non-current liabilities			
Borrowings	27	56,294	34,989
Lease liabilities	25	1,069	1,548
Deferred tax liabilities	28	–	18
Provisions	29	800	484
		58,163	37,039
Current liabilities			
Trade and retention payables	26	23,726	15,854
Contract liabilities	20	3,731	4,016
Other payables and accruals	26	7,386	6,536
Income tax liabilities		2,465	690
Borrowings	27	3,413	10,660
Lease liabilities	25	1,270	787
		41,991	38,543
Total liabilities		100,154	75,582
Total equity and liabilities		205,916	160,749

The consolidated financial statements on pages 79 to 158 were approved by the Board of Directors on 26 March 2024 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$'000	Exchange reserves HK$'000	Other reserves HK$'000	Accumulated losses HK$'000	Non-controlling interests HK$'000	Total HK$'000
Balances as at 1 January 2022	6,240	118,233	11,988	–	37,524	(19,748)	–	154,237
Comprehensive loss								
Loss for the year	–	–	–	–	–	(79,544)	(239)	(79,783)
Other comprehensive loss								
Exchange differences on translation of foreign operations	–	–	–	(1)	–	–	(1)	(2)
Total comprehensive loss	–	–	–	(1)	–	(79,544)	(240)	(79,785)
Transaction with owners in their capacity as owners								
Share-based payment expenses (Note 24(c))	–	–	9,985	–	–	–	–	9,985
Reclassification of share-based payment reserve to accumulated losses (Note 24(c))	–	–	(21,973)	–	–	21,973	–	–
Capital injection by non-controlling interests	–	–	–	–	–	–	730	730
Total transaction with owners in their capacity as owners	–	–	(11,988)	–	–	21,973	730	10,715
Balances as at 31 December 2022	6,240	118,233	–	(1)	37,524	(77,319)	490	85,167

Consolidated Statement of Changes in Equity

	Attributable to owners of the Company						
	Share capital HK$'000	Share premium HK$'000	Exchange reserves HK$'000	Other reserves HK$'000	Accumulated losses HK$'000	Non-controlling interests HK$'000	Total HK$'000
Balances as at 1 January 2023	6,240	118,233	(1)	37,524	(77,319)	490	85,167
Comprehensive income/(loss)							
Profit/(loss) for the year	–	–	–	–	20,046	(1,415)	18,631
Other comprehensive income/(loss)							
Exchange differences on translation of foreign operations	–	–	19	–	–	(7)	12
Total comprehensive income/(loss)	–	–	19	–	20,046	(1,422)	18,643
Transaction with owners in their capacity as owners							
Capital injection by non-controlling interests	–	–	–	–	–	1,952	1,952
Total transaction with owners in their capacity as owners	–	–	–	–	–	1,952	1,952
Balances as at 31 December 2023	6,240	118,233	18	37,524	(57,273)	1,020	105,762

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 2023 HK$'000	2022 HK$'000
Cash flows from operating activities			
Cash generated from/(used in) operations	30(a)	6,866	(18,836)
Income tax paid		(4,248)	(5,254)
Net cash generated from/(used in) operating activities		2,618	(24,090)
Cash flows from investing activities			
Purchases of property, plant and equipment		(959)	(441)
Decrease/(increase) in time deposit		1,806	(1,806)
Winding up of a subsidiary	23(ii)	–	(621)
Interest received		54	133
Net cash generated from/(used in) investing activities		901	(2,735)
Cash flows from financing activities			
Proceeds from borrowings	30(b)	27,734	114,388
Repayments of borrowings	30(b)	(13,673)	(94,085)
Principal elements of lease payments	30(b)	(1,458)	(1,981)
Decrease in pledged deposits		2,786	26,811
Increase in restricted deposits		(2,678)	(7,404)
Interest paid		(2,825)	(2,286)
Capital injection by non-controlling interests		1,467	730
Net cash generated from financing activities		11,353	36,173
Net increase in cash and cash equivalents		14,872	9,348
Cash and cash equivalents at beginning of the year		31,203	22,294
Effect of foreign exchange rate changes		181	(439)
Cash and cash equivalents at end of the year	22	46,256	31,203

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 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 are principally engaged in the provision of design and build solutions for building maintenance unit ("BMU") systems ("BMU Systems Business"), development, design, production and sales of new energy generation and energy storage system and provision of services for sales of electricity ("Green New Energy Business"). The Group discontinued the provision of design and build solutions for façade works ("Façade Work Business") 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 "Stock Exchange").

The consolidated financial statements are presented in thousands of Hong Kong dollars ("HK$'000"), unless otherwise stated.

2 BASIS OF PREPARATION AND SUMMARY OF ACCOUNTING POLICY INFORMATION

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.

Notes to the Consolidated Financial Statements

2 BASIS OF PREPARATION AND SUMMARY OF ACCOUNTING POLICY INFORMATION (Continued)

2.1 Basis of preparation (Continued)

(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 2023:

– HKFRS 17 – Insurance Contracts

– Amendments to HKAS 8 – Definition of Accounting Estimates

– Amendments to HKAS 12 – International Tax Reform – Pillar Two Model Rules

– Amendments to HKAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction

– Amendments to HKAS 1 and HKFRS Practice Statement 2 – Disclosure of Accounting Policies

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.

(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 2023 or later periods, but have not been early adopted by the Group:

		Effective for accounting year beginning on or after
HKAS 1	Classification of Liabilities as Current or Non-Current (amendments)	1 January 2024
HKAS 1	Non-current Liabilities with Covenants (amendments)	1 January 2024
HKFRS 16	Lease Liability in a Sale and Leaseback	1 January 2024
HK Int 5 (Revised)	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
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements (amendments)	1 January 2024
Amendments to HKAS 21	Lack of Exchangeability	1 January 2025
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (amendments)	To be determined

Notes to the Consolidated Financial Statements

2 BASIS OF PREPARATION AND SUMMARY OF ACCOUNTING POLICY INFORMATION (Continued)

2.1 Basis of preparation (Continued)

(b) New standards and amendments to existing standards not yet adopted by the Group (Continued)

The Group is in the process of assessing potential impact of the above 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.

2.2 Material accounting policy information

2.2.1 Principles of consolidation

(a) *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 2.2.1(c).

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.

(b) *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.

Notes to the Consolidated Financial Statements

2 BASIS OF PREPARATION AND SUMMARY OF ACCOUNTING POLICY INFORMATION (Continued)

2.2 Material accounting policy information (Continued)

2.2.1 Principles of consolidation (Continued)

(b) Changes in ownership interests (Continued)

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.

(c) 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 BASIS OF PREPARATION AND SUMMARY OF ACCOUNTING POLICY INFORMATION (Continued)

2.2 Material accounting policy information (Continued)

2.2.1 Principles of consolidation (Continued)

(c) *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.

(d) *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.

Notes to the Consolidated Financial Statements

2 BASIS OF PREPARATION AND SUMMARY OF ACCOUNTING POLICY INFORMATION (Continued)

2.2 Material accounting policy information (Continued)

2.2.2 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% or 33.33%
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 2.3.4).

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.

Notes to the Consolidated Financial Statements

2 BASIS OF PREPARATION AND SUMMARY OF ACCOUNTING POLICY INFORMATION (Continued)

2.2 Material accounting policy information (Continued)

2.2.3 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.

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.

Notes to the Consolidated Financial Statements

2 BASIS OF PREPARATION AND SUMMARY OF ACCOUNTING POLICY INFORMATION (Continued)

2.2 Material accounting policy information (Continued)

2.2.3 Financial assets (Continued)

(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.

2.2.4 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.

2.2.5 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 2.2.3(c) for further information about the Group's accounting for trade and retention and other receivables and Note 2.2.3(d) for a description of the Group's impairment policies.

2.2.6 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, and overdraft. Bank overdraft is shown with borrowings in current liabilities in the consolidated statement of financial position.

Notes to the Consolidated Financial Statements

2 BASIS OF PREPARATION AND SUMMARY OF ACCOUNTING POLICY INFORMATION (Continued)

2.2 Material accounting policy information (Continued)

2.2.7 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.

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

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

2.2.9 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.

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.

Notes to the Consolidated Financial Statements

2 BASIS OF PREPARATION AND SUMMARY OF ACCOUNTING POLICY INFORMATION (Continued)

2.2 Material accounting policy information (Continued)

2.2.10 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.

2.2.11 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.

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

Notes to the Consolidated Financial Statements

2 BASIS OF PREPARATION AND SUMMARY OF ACCOUNTING POLICY INFORMATION (Continued)

2.2 Material accounting policy information (Continued)

2.2.11 Current and deferred income tax (Continued)

(b) Deferred income tax (Continued)

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.

2.2.12 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 accrues the obligations on long service payments ("LSP") for their employees in Hong Kong (see Note 29(a)). In June 2022, the Hong Kong Government enacted the Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the "Amendment Ordinance") which will be effective from 1 May 2025 (the "Transition Date"). Under the Amendment Ordinance, any accrued benefits attributable to the employer's mandatory contributions under mandatory provident fund scheme ("MPF Benefits") of an entity would no longer be eligible to offset against its obligations on LSP for the portion of the LSP accrued on or after the Transition Date. There is also a change in the calculation basis of last monthly wages for the portion of the LSP accrued before the Transition Date. In July 2023, the HKICPA published "Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong" (the "Guidance") which provides clarified and detailed guidance on the accounting considerations relating to the abolition of the offsetting mechanism. The Guidance clarified that following the enactment of the Amendment Ordinance, LSP is no longer a "simple type of contributory plans" to which the practical expedient had been intended to apply. By following the Guidance, the Group attributes the deemed employee contributions on a straight-line basis from the date when services by employees first lead to their benefits in terms of the LSP legislation in accordance with HKAS 19 paragraph 93(a).

Notes to the Consolidated Financial Statements

2 BASIS OF PREPARATION AND SUMMARY OF ACCOUNTING POLICY INFORMATION (Continued)

2.2 Material accounting policy information (Continued)

2.2.12 Employee benefits (Continued)

(a) *Pension obligations* (Continued)

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.

(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 holdings shares for a specific period of time).

Notes to the Consolidated Financial Statements

2 BASIS OF PREPARATION AND SUMMARY OF ACCOUNTING POLICY INFORMATION (Continued)

2.2 Material accounting policy information (Continued)

2.2.12 Employee benefits (Continued)

(d) Share-based payments (Continued)

Pre-IPO Share Option Scheme (Continued)

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.

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.

2.2.13 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 BASIS OF PREPARATION AND SUMMARY OF ACCOUNTING POLICY INFORMATION (Continued)

2.2 Material accounting policy information (Continued)

2.2.14 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 BASIS OF PREPARATION AND SUMMARY OF ACCOUNTING POLICY INFORMATION (Continued)

2.2 Material accounting policy information (Continued)

2.2.14 Revenue recognition (Continued)

(a) Revenue from construction services

The Group provides 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. 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 BASIS OF PREPARATION AND SUMMARY OF ACCOUNTING POLICY INFORMATION (Continued)

2.2 Material accounting policy information (Continued)

2.2.14 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.

(d) *Services income from sales of electricity*

The Group provides services for sales of electricity. Revenue is recognised over time as the customer simultaneously receives and consumes the benefits as the Group performs.

2.2.15 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.

2.2.16 Financial guarantee contracts

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of:

- the amount determined in accordance with the ECL model under HKFRS 9; and
- the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of HKFRS 15.

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Notes to the Consolidated Financial Statements

2 BASIS OF PREPARATION AND SUMMARY OF ACCOUNTING POLICY INFORMATION (Continued)

2.2 Material accounting policy information (Continued)

2.2.17 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

Notes to the Consolidated Financial Statements

2 BASIS OF PREPARATION AND SUMMARY OF ACCOUNTING POLICY INFORMATION (Continued)

2.2 Material accounting policy information (Continued)

2.2.17 Leases (Continued)

- makes adjustments specific to the lease, such as term, country, currency and security.

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.

2.3 Summary of other potentially material accounting policies

This note provides a list of other accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless other stated.

2.3.1 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 BASIS OF PREPARATION AND SUMMARY OF ACCOUNTING POLICY INFORMATION (Continued)

2.3 Summary of other potentially material accounting policies (Continued)

2.3.2 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 BASIS OF PREPARATION AND SUMMARY OF ACCOUNTING POLICY INFORMATION (Continued)

2.3 Summary of other potentially material accounting policies (Continued)

2.3.3 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

2.3.4 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.

2.3.5 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.

2.3.6 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.

Notes to the Consolidated Financial Statements

2 BASIS OF PREPARATION AND SUMMARY OF ACCOUNTING POLICY INFORMATION (Continued)

2.3 Summary of other potentially material accounting policies (Continued)

2.3.7 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.

2.3.8 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.

2.3.9 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.

2.3.10 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$"), Euros ("EUR") and United States Dollars ("US$"). 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$ and limited transactions denominated in Great British Pound ("GBP"), the Directors of the Company consider foreign exchange risk as insignificant.

At 31 December 2023, if EUR had strengthened/weakened by 5%, with all other variables held constant, the pre-tax profit for the year ended 31 December 2023 would have been approximately HK$171,000 higher/lower (2022: pre-tax loss would have been HK$465,000 lower/higher), mainly as a result of foreign exchange differences as at 31 December 2023 on translation of EUR-denominated monetary net assets of the Group (2022: 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 and loans from shareholders). Shareholders loans 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 2023, the Group's bank borrowings are at variable rates (2022: The Group does not have borrowings at variable rates). 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 2022 and 2023 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 profit for the year ended 31 December 2023 would have been approximately HK$3,000 higher/lower (2022: pre-tax loss would have been HK$98,000 lower/higher). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank balances (2022: 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 2023, trade and retention receivables from the customer with largest revenue during the year accounted for 48% (2022: 12%) and from the customers with top five largest revenue during the year accounted for approximately 56% (2022: 29%) 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. 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"), inflation rate and real imports growth in the territories that the Group sells its goods and services 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 2023, the expected credit loss rate and loss allowances for trade and retention receivables and contract assets is 1.9% and HK$967,000 (2022: 1.6% and HK$459,000) and 1.1% and HK$963,000 (2022: 0.5% and HK$303,000), respectively.

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

	Trade and retention receivables		Contract assets	
	2023	2022	**2023**	2022
	HK$'000	HK$'000	**HK$'000**	HK$'000
Opening loss allowances at 1 January	**459**	–	**303**	–
Increase in loss allowances recognised in profit or loss during the year	**508**	459	**660**	303
Closing loss allowance at 31 December	**967**	459	**963**	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 HK$'000	Within 1 year HK$'000	Over 1 year HK$'000	Total HK$'000
As at 31 December 2023				
Trade and retention payables	–	21,294	2,432	23,726
Other payables	–	4,575	–	4,575
Borrowings				
– principal portion	3,413	–	52,445	55,858
– interest portion	76	–	8,164	8,240
Lease liabilities	–	1,406	1,108	2,514
	3,489	27,275	64,149	94,913
As at 31 December 2022				
Trade 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
	–	27,728	43,274	71,002

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	
	2023	2022
	HK$'000	HK$'000
Borrowings (Note 27)	**59,707**	45,649
Lease liabilities (Note 25)	**2,339**	2,335
Less: cash and cash equivalents (Note 22)	**(46,269)**	(31,203)
Net debt	**15,777**	16,781
Total equity	**105,762**	85,167
Net debt to equity ratio	**15%**	20%

The net debt to equity ratio decreased from 20% to 15% mainly as a result of improvement in operating results which increased equity and cash held by the Group as at 31 December 2023.

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 and amount of contract modification 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.

5 REVENUE AND SEGMENT INFORMATION

Management has determined the operating segments based on the information reviewed by the chief operating decision-maker ("CODM"). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Executive Director 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:

- BMU Systems Business – provision of design and build solutions for BMU systems;

- Green New Energy Business – development, design, production and sale of new energy generation and energy storage system and provision of services for sales of electricity; and

- 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.

Notes to the Consolidated Financial Statements

5 REVENUE AND SEGMENT INFORMATION (Continued)

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

	Year ended 31 December	
	2023	2022
	HK$'000	HK$'000
Hong Kong	**1,969**	2,675
The PRC	**855**	44
	2,824	2,719

Segment assets mainly exclude right-of-use assets for properties, deferred tax assets, pledged deposits, time deposits, 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$1,499,000 (2022: HK$2,125,000), amortisation expenses of HK$nil (2022: HK$72,000) and corporate expenses of HK$5,471,000 (2022: HK$9,422,000).

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

	Year ended 31 December	
	2023	2022
	HK$'000	HK$'000
Continuing operations:		
Customer A	**62,947**	33,829
Customer B	**42,536**	18,325
Customer C	**N/A**	30,219
	105,483	82,373

Notes to the Consolidated Financial Statements

5 REVENUE AND SEGMENT INFORMATION (Continued)

(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	
	2023	2022
	HK$'000	HK$'000
Continuing operations:		
Hong Kong	**141,121**	145,165
Macau	**51,064**	5,640
Malaysia	**–**	1,393
Others	**217**	17
	192,402	152,215
Discontinued operation:		
Hong Kong	**–**	81,143

(c) Disaggregated revenue from contracts with customers

Revenue of the Group is analysed as follows:

	Year ended 31 December	
	2023	2022
	HK$'000	HK$'000
Continuing operations:		
– Construction revenue (including maintenance services income)	**192,185**	150,805
– Sales of goods	**112**	1,410
– Services income from sales of electricity	**105**	–
	192,402	152,215
Discontinued operation:		
– Construction revenue	**–**	81,143

Notes to the Consolidated Financial Statements

5 REVENUE AND SEGMENT INFORMATION (Continued)

(c) Disaggregated of revenue from contracts with customers (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 and amortisation of intangible asset and other corporate items, which are managed on a central basis.

	BMU Systems Business Year ended 31 December		Green New Energy Business Year ended 31 December		Continued operations Subtotal Year ended 31 December		Discontinued operation Façade Works Business* Year ended 31 December		Total Year ended 31 December	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue from external customers recognised at a point in time	–	–	112	1,410	112	1,410	–	–	112	1,410
Revenue from external customers recognised over time	192,185	150,805	105	–	192,290	150,805	–	81,143	192,290	231,948
	192,185	150,805	217	1,410	192,402	152,215	–	81,143	192,402	233,358
Segment gross profit/(loss)	52,837	37,393	(49)	197	52,788	37,590	–	(67,124)	52,788	(29,534)
Segment results	38,043	29,875	(3,939)	(598)	34,104	29,277	–	(88,630)	34,104	(59,353)
Unallocated other operating income									3	48
Unallocated corporate expenses									(6,970)	(11,619)
Finance income									54	165
Finance costs									(2,825)	(4,382)
Profit/(loss) before income tax									24,366	(75,141)
Income tax expenses									(5,735)	(4,642)
Profit/(loss) for the year									18,631	(79,783)
Other segment information:										
Additions to property, plant and equipment	272	389	687	52	959	441	–	–	959	441
Depreciation	150	63	633	8	783	71	–	–	783	71

Notes to the Consolidated Financial Statements

5 REVENUE AND SEGMENT INFORMATION (Continued)

(c) Disaggregated of revenue from contracts with customers (Continued)

	BMU Systems Business As at 31 December		Green New Energy Business As at 31 December		Continuing operations Subtotal As at 31 December		Discontinued operation Façade Works Business* As at 31 December		Total As at 31 December	
	2023 HK$'000	2022 HK$'000	2023 HK$'000	2022 HK$'000	2023 HK$'000	2022 HK$'000	2023 HK$'000	2022 HK$'000	2023 HK$'000	2022 HK$'000
Segment assets	140,068	108,686	733	648	140,801	109,334	–	–	140,801	109,334
Unallocated assets									65,115	51,415
Total assets									205,916	160,749
Segment liabilities	32,221	24,911	1,024	105	33,245	25,016	–	–	33,245	25,016
Unallocated liabilities									66,909	50,566
Total liabilities									100,154	75,582

* In 2022, 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".

6 OTHER INCOME

	Year ended 31 December 2023 HK$'000	2022 HK$'000
Government grants (Note)	–	960
Sundry income	3	10
	3	970

Note:

In 2022, government grants amounting to HK$960,000 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.

7 OTHER LOSSES, NET

	Year ended 31 December 2023 HK$'000	2022 HK$'000
Foreign exchange differences, net	(219)	88
Forfeiture of pledged deposits (Note 22)	–	(414)
	(219)	(326)

Notes to the Consolidated Financial Statements

8 EXPENSES BY NATURE

	Year ended 31 December	
	2023	2022
	HK$'000	HK$'000
Construction costs (Note a) and cost of inventories sold recognised in cost of sales	**139,614**	114,625
Entertainment expenses	**685**	212
Office expenses	**797**	492
Employee benefit expenses recognised in administrative expenses (including directors' emoluments) (Note 9)	**12,162**	9,411
Depreciation of property, plant and equipment (Note 15)	**2,282**	203
Insurance expenses	**1,688**	1,155
Auditor's remuneration		
– Audit	**1,750**	2,250
– Non-audit	**40**	40
Rental expenses – short term leases (Note 25)	**82**	102
Legal and professional fees	**3,150**	2,841
Bank charges	**151**	143
Travelling expenses	**636**	311
Other expenses	**844**	542
	163,881	132,327
Representing:		
Cost of sales	**139,614**	114,625
Administrative expenses	**24,267**	17,702
	163,881	132,327

Note:

(a) Construction costs mainly included costs of construction materials, subcontracting charges, staff costs, testing, insurance and transportation.

Notes to the Consolidated Financial Statements

9 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	Year ended 31 December	
	2023	2022
	HK$'000	HK$'000
Wages, salaries, bonuses and allowances	**25,499**	20,322
Pension costs – defined contribution plans (Note a)	**815**	679
Share-based payment expenses (Note 24(c))	**–**	6,635
Other employee benefits	**860**	827
	27,174	28,463
Less: amounts included in cost of sales	**(15,012)**	(19,052)
Amounts included in administrative expenses	**12,162**	9,411

Note:

(a) During the year ended 31 December 2023, no forfeited contributions were utilised by the Group to reduce its contributions for the current year (2022: Same). As at 31 December 2023, no forfeited contributions were available for utilisation by the Group to reduce future contributions (2022: Same).

10 FINANCE COSTS, NET

	Year ended 31 December	
	2023	2022
	HK$'000	HK$'000
Finance income		
Interest income from bank deposits	**54**	44
Finance costs		
Interest expense on lease liabilities (Note 25)	**(230)**	(20)
Interest expense on bank borrowings	**(62)**	(287)
Interest expense on loans from shareholders (Note 32(a))	**(2,533)**	(2,095)
	(2,825)	(2,402)
Finance costs, net	**(2,771)**	(2,358)

Notes to the Consolidated Financial Statements

11 INCOME TAX EXPENSES

Hong Kong profits tax has been provided at the rate of 16.5% (2022: 16.5%) on the estimated assessable profit for the Year.

During the Year, the Group's subsidiary in Macau is subject to complementary tax at a standard rate of 12% (2022: 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% (2022: 25%).

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.

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

	Year ended 31 December	
	2023	2022
	HK$'000	HK$'000
Current income tax		
– Hong Kong profits tax	**5,785**	4,612
– Macau complementary tax	**236**	–
– PRC corporate income tax	**2**	–
– Adjustments for current tax of prior years	**–**	30
Deferred tax credits (Note 28)	**(288)**	–
	5,735	4,642
Income tax expense is attributable to:		
– Continuing operations	**5,735**	4,642
– Discontinued operation	**–**	–
	5,735	4,642

Notes to the Consolidated Financial Statements

11 INCOME TAX EXPENSES (Continued)

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

	Year ended 31 December	
	2023	2022
	HK$'000	HK$'000
Profit from continuing operations before income tax	**24,366**	17,412
Loss from discontinued operation before income tax	**–**	(92,553)
Profit/(loss) before income tax	**24,366**	(75,141)
Tax calculated at tax rates applicable to profits of the respective subsidiaries	**1,730**	(10,689)
Income not subject to tax	**(194)**	(417)
Expenses not deductible for taxation purposes	**4,135**	3,889
Adjustments for current tax of prior years	**–**	30
Tax losses not recognised (Note (a))	**307**	12,017
Tax concession (Note (b))	**(173)**	(165)
Special complementary tax incentives (Note (c))	**(70)**	(23)
	5,735	4,642

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 2023, the Company did not recognise deferred tax assets of HK$456,000 (2022: HK$149,000) in respect of losses amounting HK$1,824,000 (2022: HK$597,000) that can be carried forward against future taxable income. These tax losses have not been recognised due to uncertainty of future realisation and have the following expiry date:

	As at 31 December	
	2023	2022
	HK$'000	HK$'000
Expiry in 2027	**597**	597
Expiry in 2028	**1,227**	–
	1,824	597

Note (b):

For the year ended 31 December 2023, tax concession relates to tax reduction to tax payable under Two-Tiered Profits Tax Rates Regime capped at HK$165,000 (2022: HK$165,000) for one of the Hong Kong incorporated subsidiaries of the Group and tax reduction of HK$8,000 (2022: HK$nil) under Small and Low Profit Enterprise Tax Regime for one of the PRC incorporated entities of the Group.

Notes to the Consolidated Financial Statements

11 INCOME TAX EXPENSES (Continued)

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 2023 and taxable income over MOP600,000 is taxed at 12% (2022: Same). The Group has obtained such tax incentives amounting to HK$70,000 for the year ended 31 December 2023 (2022: HK$23,000).

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	
	2023	2022
Profit from continuing operations attributable to owners of the Company (HK$'000)	**20,046**	13,009
Weighted average number of ordinary shares in issue (thousands)	**624,000**	624,000
Basic earnings per share from continuing operations (HK cents)	**3.21**	2.08
Loss from discontinued operation (HK$'000)	**–**	(92,553)
Weighted average number of ordinary shares in issue (thousands)	**624,000**	624,000
Loss per share from discontinued operation (HK cents)	**–**	(14.83)
Basic earnings/(loss) per share (HK cents)	**3.21**	(12.75)

(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, there is no potential dilutive shares and the diluted earnings/loss per share is the same as the basic earnings/loss per share (2022: same).

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 year 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
Year ended 31 December 2023					
Executive Directors					
Mr. Kwan Kam Tim	–	2,154	274	–	2,428
Ms. Leung Ng Mui May	–	1,200	140	20	1,360
Mr. Yip Wing Shing	–	240	–	12	252
Mr. Gao Shufang (Note (i))	–	360	–	18	378
Independent Non-Executive Directors					
Prof. Hons. Lau Chi Pang, *BBS, J.P.*	144	–	–	–	144
Mr. Chin Wai Keung	144	–	–	–	144
Prof. Mo Lai Lan	300	–	–	–	300
	588	3,954	414	50	5,006

Note:

(i) Mr. Gao Shufang resigned on 18 January 2024 as Director of the Group. The Group confirmed that there is no disagreement between Mr. Gao Shufang and the Board of Directors and nothing relating to the affairs of the Group needed to be brought to the attention to the shareholders of the Group.

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
Year ended 31 December 2022					
Executive Directors					
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
Independent Non-Executive Directors					
Prof. Hons. Lau Chi Pang, *BBS, J.P.*	144	–	–	–	144
Mr. Chin Wai Keung	144	–	–	–	144
Prof. Mo Lai Lan	300	–	–	–	300
	588	5,592	272	47	6,499

There was no arrangement under which a Director waived or agreed to waive any emoluments during the Year (2022: Nil).

(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 2023 (2022: Nil).

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

During the year ended 31 December 2023, no consideration was provided to or receivable by third parties for making available Directors' services (2022: 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 2023, there were no loans, quasi-loans and other dealing arrangements in favour of directors, controlled bodies corporate by and connected entities with such directors (2022: Nil).

Notes to the Consolidated Financial Statements

13 BENEFITS AND INTERESTS OF DIRECTORS (Continued)

(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 2023 (2022: Nil) or at any time during the year ended 31 December 2023 (2022: Nil).

(f) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group include 2 (2022: 2) Directors for the year ended 31 December 2023, whose emoluments are reflected in the analysis presented above. The emoluments payable the remaining 3 (2022: 3) individuals during the year ended 31 December 2023, are as follows:

	Year ended 31 December	
	2023	2022
	HK$'000	HK$'000
Wages, salaries, bonuses and allowances	**4,593**	4,433
Share-based payment expenses	**–**	8,375
Pension costs – defined contribution plans	**56**	51
	4,649	12,859

The emoluments fell within the following bands:

	Year ended 31 December	
	2023	2022
	Number of individuals	Number of individuals
Emolument bands		
Below $1,000,000	**2**	–
HK$2,500,001 to HK$3,000,000	**–**	2
HK$3,000,001 to HK$3,500,000	**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 2023 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 2023 %	2022 %
Directly owned:					
Acme Gondola system (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
Indirectly owned:					
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	Renminbi ("RMB") 10,000,000	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
Shandong Ganghua Electric Energy Technology Co., Ltd. (山東港華電能科技有限公司) (Notes (i), (ii))	Mainland China, limited liability company	Provide services from sales of electricity, the PRC	RMB50,000,000	100	–

Notes:

(i) Registered as sino-foreign owned enterprises under PRC law.

(ii) The company become a subsidiary of the Group on 17 August 2023.

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
As at 1 January 2022				
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
Year ended 31 December 2022				
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
As at 31 December 2022				
Cost	2,326	–	951	3,277
Accumulated depreciation	(133)	–	(458)	(591)
Net book amount	2,193	–	493	2,686
Year ended 31 December 2023				
Opening net book amount	**2,193**	**–**	**493**	**2,686**
Additions	**1,465**	**569**	**390**	**2,424**
Depreciation	**(1,499)**	**(569)**	**(214)**	**(2,282)**
Exchange realignment	**(3)**	**–**	**(1)**	**(4)**
Closing net book amount	**2,156**	**–**	**668**	**2,824**
As at 31 December 2023				
Cost	**3,184**	**–**	**1,291**	**4,475**
Accumulated depreciation	**(1,028)**	**–**	**(623)**	**(1,651)**
Net book amount	**2,156**	**–**	**668**	**2,824**

Depreciation expenses of approximately HK$2,282,000 (2022: HK$203,000) have been charged to administrative expenses in continuing operations for the year ended 31 December 2023 and approximately HK$1,992,000 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 have been charged to administrative expenses in discontinued operation for the year ended 31 December 2022.

For 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.

16 INTANGIBLE ASSET

	Computer software HK$'000
As at 1 January 2022	
Cost	785
Accumulated amortisation	(105)
Net book amount	680
Year ended 31 December 2022	
Opening net book amount	680
Amortisation	(72)
Impairment loss	(608)
Closing net book amount	–
As at 1 January 2023	
Cost	–
Accumulated amortisation	–
Net book amount	–
Year ended 31 December 2023	
Opening net book amount	–
Amortisation	–
Impairment loss	–
Closing net book amount	–
As at 31 December 2023	
Cost	–
Accumulated amortisation	–
Net book amount	–

Notes to the Consolidated Financial Statements

16 INTANGIBLE ASSET (Continued)

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

Impairment loss of approximately HK$608,000 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	
	2023	2022
	HK$'000	HK$'000
Financial assets at amortised cost		
Trade and retention receivables	**49,267**	28,847
Deposits and other receivables (excluding prepayments)	**577**	389
Pledged deposits	**–**	2,786
Time deposits	**–**	1,806
Restricted deposits	**15,768**	13,090
Cash and cash equivalents	**46,269**	31,203
	111,881	78,121
Financial liabilities at amortised cost		
Trade and retention payables	**23,726**	15,854
Other payables	**4,575**	3,858
Borrowings	**59,707**	45,649
Lease liabilities	**2,339**	2,335
	90,347	67,696

18 INVENTORIES

	As at 31 December	
	2023	2022
	HK$'000	HK$'000
Construction materials	**3,420**	10,923
Finished goods – new energy generation and storage system	**17**	31
	3,437	10,954

Notes to the Consolidated Financial Statements

18 INVENTORIES (Continued)

Inventories of approximately HK$102,105,000 (2022: HK$78,857,000) were recognised in cost of sales in continuing operations during the year ended 31 December 2023 and approximately HK$33,121,000 were recognised in cost of sales in discontinued operation during the year ended 31 December 2022.

19 TRADE AND RETENTION RECEIVABLES

	As at 31 December	
	2023	2022
	HK$'000	HK$'000
Trade receivables (Note (a))	**34,705**	16,505
Retention receivables (Note (b))	**15,529**	12,801
	50,234	29,306
Less: loss allowance (Note 3.1(c))	**(967)**	(459)
Trade and retention receivables	**49,267**	28,847

(a) Trade receivables

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

	As at 31 December	
	2023	2022
	HK$'000	HK$'000
0-30 days	**12,941**	9,111
31-60 days	**8,539**	5,448
61-90 days	**10,255**	396
91-180 days	**1,167**	953
Over 180 days	**1,803**	597
	34,705	16,505

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 and the expiry of the defect liability period of the construction project 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	
	2023	2022
	HK$'000	HK$'000
Will be recovered within twelve months	**5,366**	4,723
Will be recovered more than twelve months after the end of the year	**10,163**	8,078
	15,529	12,801

(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. This resulted in an increase of loss allowance of approximately HK$508,000 (2022: HK$459,000) 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 2022 and 2023. The carrying amounts of trade and retention receivables before loss allowances were denominated in the following currencies:

	As at 31 December	
	2023	2022
	HK$'000	HK$'000
HK$	**33,171**	28,987
MOP	**16,959**	–
RMB	**104**	319
	50,234	29,306

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 2023 (2022: 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	
	2023	2022
	HK$'000	HK$'000
Contract assets relating to BMU Systems construction contracts	**84,357**	64,571
Less: loss allowances (Note 3.1(c))	**(963)**	(303)
Total contract assets	**83,394**	64,268

	As at 31 December	
	2023	2022
	HK$'000	HK$'000
Contract liabilities relating to BMU Systems construction contracts	**3,606**	4,016
Contract liabilities relating to Green New Energy contracts	**125**	–
Total contract liabilities	**3,731**	4,016

(a) Significant changes in contract assets and liabilities

Contract assets have increased as the Group has provided more construction services ahead of the right to payment upon issuing invoices for construction contracts in the BMU Systems Business. The Group 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$660,000 (2022: HK$303,000).

Contract liabilities for the construction contracts have decreased due to less prepayments were received 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 2023 and 2022 relates to carried-forward contract liabilities and how much relates to performance obligations that were satisfied in a prior year.

	As at 31 December	
	2023	2022
	HK$'000	HK$'000
Revenue recognised that was included in the contract liabilities balance at the beginning of the year		
– Continuing operations	**3,505**	1,006
– Discontinued operation	**–**	4,137
	3,505	5,143
Revenue recognised from performance obligations satisfied in previous years		
– Continuing operations	**21,820**	20,433
– Discontinued operation	**–**	8,161
	21,820	28,594

(c) Unsatisfied performance obligations

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

	As at 31 December	
	2023	2022
	HK$'000	HK$'000
Aggregate amount of the transaction price allocated to long-term construction contracts that are partially or fully unsatisfied as at year end		
– Continuing operations	**152,683**	237,066
	152,683	237,066

Management expects that the transaction prices regarding the unsatisfied contracts as of 31 December 2023 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

	As at 31 December	
	2023	2022
	HK$'000	HK$'000
Non-current		
Prepayments	**–**	33
Deposits	**395**	324
	395	357
Current		
Deposits and other receivables	**182**	65
Prepayments for construction materials	**1,581**	2,675
Other prepayments	**2,044**	2,012
	3,807	4,752
	4,202	5,109

The carrying amounts of deposits and other receivables approximated their fair values as at 31 December 2022 and 2023. The carrying amounts of the deposits and other receivables were denominated in the following currencies:

	As at 31 December	
	2023	2022
	HK$'000	HK$'000
HK$	**222**	357
RMB	**245**	32
EUR	**110**	–
	577	389

Notes to the Consolidated Financial Statements

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

	As at 31 December	
	2023	2022
	HK$'000	HK$'000
Pledged deposits (Note a)	**–**	2,786
Time deposits with original maturity date over 3 months	**–**	1,806
Restricted deposits (Note b)	**15,768**	13,090
Cash at bank	**46,268**	31,190
Cash on hand	**1**	13
Pledged deposits, time deposits, restricted deposits and cash and cash equivalents	**62,037**	48,885
Less:		
Pledged deposits (Note a)	**–**	(2,786)
Time deposits with original maturity date over 3 months	**–**	(1,806)
Restricted deposits (Note b)	**(15,768)**	(13,090)
Cash and cash equivalents	**46,269**	31,203

The cash and cash equivalents reconcile to the amount of cash shown in the consolidated statement of cash flows at the end of the year is as follows:

	As at 31 December	
	2023	2022
	HK$'000	HK$'000
Cash and cash equivalents per above	**46,269**	31,203
Bank overdraft (Note 27)	**(13)**	–
Cash and cash equivalents per consolidated statement of cash flows	**46,256**	31,203

Notes:

(a) As at 31 December 2022, pledged deposits with carrying values of approximately HK$2,786,000 were pledged to the facilities granted by banks to the Group, details of which are set out in Note 27(a) and Note 31. For the year ended 31 December 2022, pledged deposits of approximately HK$414,000 which was pledged against the banking facilities of a subsidiary being winding up (Note 23) was written-off.

(b) As at 31 December 2023, restricted deposits with carrying values of HK$15,768,000 were held at the banks (2022: HK$13,090,000). The balance represents the margin deposits held at the banks as pledges against the issuance of surety bonds (Note 31(i)) (2022: 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 the year end were as follows:

	As at 31 December	
	2023	2022
	HK$'000	HK$'000
Pledged deposits		
– HK$	**N/A**	0.00%
– US$	**N/A**	0.50%
Bank deposits		
– HK$	**0.75%**	0.00%
Time deposits		
– HK$	**N/A**	0.10%

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

	As at 31 December	
	2023	2022
	HK$'000	HK$'000
HK$	**50,453**	35,956
EUR	**6,811**	9,998
US$	**3,219**	2,865
RMB	**754**	30
MOP	**769**	–
GBP	**31**	36
	62,037	48,885

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 Works (International) Limited ("Acme Metal"), an indirect 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 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.

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 information

The financial performance presented are for the period from 1 January to 9 December 2022.

	2022 HK$'000
Revenue	81,143
Cost of sales	(148,267)
Other losses, net	(3,054)
Expenses	(15,559)
Finance cost, net	(1,859)
Loss before income tax	(87,596)
Income tax expense	–
Loss after income tax of discontinued operation	(87,596)
Loss on winding up of a subsidiary (Note (ii))	(4,957)
Loss from discontinued operation	(92,553)

Notes to the Consolidated Financial Statements

23 DISCONTINUED OPERATION (Continued)

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

	Year ended 31 December 2022 HK$'000
Net cash outflow from operating activities	(8,679)
Net cash inflow from investing activities	93
Net cash inflow from financing activities	5,548
Net decrease in cash and cash equivalents in the subsidiary	(3,038)

(ii) Details of winding up of a subsidiary

	2022 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
Authorised:		
As at 1 January 2022, 31 December 2022, 1 January 2023 and 31 December 2023	4,000,000,000	40,000
Issued and fully paid:		
As at 1 January 2022, 31 December 2022, 1 January 2023 and 31 December 2023	624,000,000	6,240

(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
Balances as at 1 January 2022	118,233	11,988	–	37,524	(19,748)	147,997
Comprehensive loss						
Loss for the year	–	–	–	–	(79,544)	(79,544)
Other comprehensive loss						
Exchange differences on translation of foreign operations	–	–	(1)	–	–	(1)
Total comprehensive loss	–	–	(1)	–	(79,544)	(79,545)
Transaction with owners in their capacity as owners						
Share-based payment expenses (Note 24(c))	–	9,985	–	–	–	9,985
Reclassification of share-based payment reserve to accumulated losses (Note 24(c))	–	(21,973)	–	–	21,973	–
Total transaction with owners in their capacity as owners	–	(11,988)	–	–	21,973	9,985
Balances as at December 2022	118,233	–	(1)	37,524	(77,319)	78,437
Balances as at 1 January 2023	118,233	–	(1)	37,524	(77,319)	78,437
Comprehensive income						
Profit for the year	–	–	–	–	20,046	20,046
Other comprehensive income						
Exchange differences on translation of foreign operations	–	–	19	–	–	19
Total comprehensive income	–	–	19	–	20,046	20,065
Balances as at December 2023	118,233	–	18	37,524	(57,273)	98,502

Notes to the Consolidated Financial Statements

24 SHARE CAPITAL, SHARE PREMIUM AND RESERVES (Continued)

(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.

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			
	2023		2022	
	Exercise price per share option	**Number of options**	Exercise price per share option	Number of options
Beginning of the year	–	–	HK$0.115	23,400,000
Cancellation (Note (i))	–	–	HK$(0.115)	(23,400,000)
End of the year	–	–	–	–

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)

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 2023 (2022: same).

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

	Year ended 31 December	
	2023	2022
	HK$'000	HK$'000
Share-based payment expenses charged in the consolidated income statement		
Continuing operations:		
– Administrative expenses	–	1,610
– Cost of sales	–	5,025
	–	6,635
Discontinuing operation:		
– Administrative expenses	–	–
– Cost of sales	–	3,350
	–	3,350
	–	9,985

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:

	As at 31 December	
	2023	2022
	HK$'000	HK$'000
Right-of-use assets (included in property, plant and equipment)		
– Properties (Note 15)	**2,156**	2,193
Lease liabilities		
– Current	**1,270**	787
– Non-current	**1,069**	1,548
	2,339	2,335

Additions to the right-of-use assets during the year ended 31 December 2023 were HK$1,465,000 (2022: HK$2,326,000).

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	
	2023	2022
	HK$'000	HK$'000
Continuing operations:		
Depreciation charge of right-of-use assets		
– Properties (Note 15)	**1,499**	133
Rental expenses – short term leases (included in administrative expenses) (Note 8)	**82**	102
Interest expenses (included in finance costs) (Note 10)	**230**	20
Discontinued operation:		
Depreciation charge of right-of-use assets		
– Properties (Note 15)	**–**	1,992
Interest expenses	**–**	196

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 2023 were approximately HK$1,458,000, HK$230,000 and HK$82,000 respectively (2022: HK$1,981,000, HK$216,000 and HK$102,000) 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, RETENTION AND OTHER PAYABLES AND ACCRUALS

	As at 31 December	
	2023	2022
	HK$'000	HK$'000
Trade payables (Note (a))	**20,977**	11,712
Retention payable (Note (b))	**2,749**	4,142
Trade and retention payables	**23,726**	15,854
Accrued staff costs	**2,811**	2,678
Other accrued operating expenses	**3,945**	3,837
Other payables	**630**	21
Other payables and accruals	**7,386**	6,536
	31,112	22,390

(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 year end were as follows:

	As at 31 December	
	2023	2022
	HK$'000	HK$'000
0 – 30 days	**9,945**	5,423
31 – 60 days	**5,303**	1,978
61 – 90 days	**232**	1,512
91 – 120 days	**–**	–
Over 120 days	**5,497**	2,799
	20,977	11,712

Notes to the Consolidated Financial Statements

26 TRADE, 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 and the expiry of the defect liability period of the construction project 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	
	2023	2022
	HK$'000	HK$'000
Will be settled within twelve months	**317**	278
Will be settled more than twelve months after the end of the year	**2,432**	3,864
	2,749	4,142

The carrying amounts of trade and retention and other payables and accruals (excluding non-financial liabilities) approximated their fair values as at year end and were denominated in the following currencies:

	As at 31 December	
	2023	2022
	HK$'000	HK$'000
HK$	**25,753**	18,970
MOP	**2,220**	–
RMB	**328**	43
EUR	**–**	699
	28,301	19,712

Notes to the Consolidated Financial Statements

27 BORROWINGS

	As at 31 December	
	2023	2022
	HK$'000	HK$'000
Non-current		
Unsecured		
Loans from shareholders (Note (b))	**56,294**	34,989
	56,294	34,989
Current		
Secured		
Bank loans with repayment on demand clauses	**3,400**	–
Total secured borrowings (Note (a))	**3,400**	–
Unsecured		
Loans from shareholders (Note (b))	**–**	10,660
Bank overdraft	**13**	–
Total unsecured borrowings	**13**	10,660
	3,413	10,660
Total borrowings	**59,707**	45,649

Notes:

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

	As at 31 December	
	2023	2022
	HK$'000	HK$'000
Within 1 year	**3,400**	–

The Group had total unused credit facilities amounting to approximately HK$29,056,000 as at 31 December 2023 (2022: HK$39,052,000).

As at 31 December 2022, the total bank borrowings were guaranteed/secured by the restricted deposits (Note 22).

Notes to the Consolidated Financial Statements

27 BORROWINGS (Continued)

Notes: (continued)

(b) 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, 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 2023, the principal and interest of the loan due to Mr. Mak were fully settled (2022: The loan (including accrued interests) of approximately HK$10,660,000 (Note 32(a)) was denominated in HK$, 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. Up to 31 December 2023, the Group entered into six supplemental loan agreements with Mr. Kwan to increase the loan facility up to an aggregate amount of HK$43 million and extend the repayment date to 15 January 2025, with the other terms remaining unchanged. As at 31 December 2023, the loan (including accrued interests) of approximately HK$45,294,000 (2022: HK$33,470,000) was denominated in HK$, 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. Up to 31 December 2023, the Group entered into two supplemental loan agreements with Treasure Ship to increase the loan facility up to an aggregate amount of HK$20 million and extend the repayment date to 30 June 2025, with the other terms remaining unchanged. As at 31 December 2023, the loan (including accrued interests) of approximately HK$11,000,000 (2022: HK$1,519,000) was denominated in HK$, unsecured, interest bearing at 5.5% per annum.

The weighted effective interest rates as at each of the years ended 31 December 2022 and 2023 were as follows:

	As at 31 December	
	2023	2022
	HK$'000	HK$'000
Import loans	**6.9%**	N/A
Other loans	**5.5%**	5.5%

The carrying amounts of shareholders loans and bank borrowings approximated their fair values and are denominated in the following currencies:

	As at 31 December	
	2023	2022
	HK$'000	HK$'000
HK$	**56,307**	45,649
EUR	**3,400**	–
	59,707	45,649

Notes to the Consolidated Financial Statements

28 DEFERRED TAX

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current tax liabilities and when the deferred 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
As at 1 January 2022	(18)
Charged to the consolidated income statement (Note 11)	–
As at 31 December 2022 and 1 January 2023	**(18)**
Credited to the consolidated income statement (Note 11)	**288**
As at 31 December 2023	**270**

(a) Net deferred tax assets

	As at 31 December	
	2023	2022
	HK$'000	HK$'000
The balance comprises temporary differences attributable to:		
Expected credit loss on financial and contract assets	**318**	–
Lease liabilities	**444**	–
Total deferred tax assets	**762**	–
Set-off of deferred tax liabilities pursuant to offsetting of balances within same taxation jurisdiction	**(492)**	–
Net deferred tax assets	**270**	–

Notes to the Consolidated Financial Statements

28 DEFERRED TAX (Continued)

(a) Net deferred tax assets (Continued)

	Expected credit loss on financial and contract assets HK$'000	Lease liabilities HK$'000	Total HK$'000
Movement			
As at 1 January 2022, 31 December 2022 and 1 January 2023	–	–	–
Credited to the consolidated income statement	318	444	762
As at 31 December 2023	318	444	762

(b) Net deferred tax liabilities

	As at 31 December	
	2023 HK$'000	2022 HK$'000
The balance comprises temporary differences attributable to:		
Accelerated tax depreciation	(73)	(18)
Right-of-use assets	(419)	–
Total deferred tax liabilities	(492)	(18)
Set-off of deferred tax assets pursuant to offsetting of balances within same taxation jurisdiction	492	–
	–	(18)

Notes to the Consolidated Financial Statements

28 DEFERRED TAX (Continued)

(b) Net deferred tax liabilities (Continued)

	Accelerated tax depreciation HK$'000	Right-of-use assets HK$'000	Total HK$'000
Movement			
As at 1 January 2022, 31 December 2022 and 1 January 2023	(18)	–	(18)
Charged to the consolidated income statement	(55)	(419)	(474)
As at 31 December 2023	(73)	(419)	(492)

29 PROVISIONS

	As at 31 December 2023 HK$'000	2022 HK$'000
Non-current		
Employee benefits obligations (Note (a))	800	484

Notes:

(a) 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 year are set out below:

	As at 31 December 2023 HK$'000	2022 HK$'000
Beginning of the year	484	693
Addition for the year	316	838
Winding up of a subsidiary	–	(1,047)
End of the year	800	484

Notes to the Consolidated Financial Statements

30 CASH USED IN OPERATIONS

(a) Reconciliation of profit/(loss) before income tax to cash generated from/(used in) operations:

	Year ended 31 December	
	2023	2022
	HK$'000	HK$'000
Profit before income tax		
Continuing operations	**24,366**	17,412
Discontinued operation	**–**	(92,553)
Profit/(loss) before income tax including discontinued operation	**24,366**	(75,141)
Adjustments for:		
Depreciation of property, plant and equipment	**2,282**	2,195
Amortisation of intangible asset	**–**	72
Finance income	**(54)**	(165)
Finance costs	**2,825**	4,382
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	**1,168**	1,786
Non-cash employee benefits expense – share based payments	**–**	9,985
Loss on winding up of a subsidiary	**–**	4,957
Net exchange differences	**(184)**	(487)
	30,403	(45,619)
Changes in working capital		
Inventories	**7,517**	18,618
Trade and retention receivables	**(20,928)**	4,688
Deposits, prepayments and other receivables	**907**	908
Contract assets and liabilities, net	**(20,071)**	50,013
Trade and retention payables	**7,872**	(45,333)
Other payables and accruals	**850**	4,451
Provisions	**316**	(6,562)
Cash generated from/(used in) operations	**6,866**	(18,836)

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 2022 and 2023 is as follows:

	Year ended 31 December	
	2023	2022
	HK$'000	HK$'000
Borrowings (excluding bank overdraft)	59,694	45,649
Lease liabilities	2,339	2,335
Total borrowings	62,033	47,984

	1 January	Cash flows	Foreign exchange movement	Other non-cash movements	31 December
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
For the year ended 31 December 2023					
Borrowings	45,649	14,061	(16)	–	59,694
Lease liabilities	2,335	(1,458)	(3)	1,465	2,339
	47,984	12,603	(19)	1,465	62,033
For the year ended 31 December 2022					
Borrowings	49,300	20,303	(978)	(22,976)	45,649
Lease liabilities	4,509	(1,981)	–	(193)	2,335
	53,809	18,322	(978)	(23,169)	47,984

Notes to the Consolidated Financial Statements

31 CONTINGENCIES

As at 31 December 2023, the Group's contingent liabilities were as follows:

(i) Surety bonds

	As at 31 December	
	2023	2022
	HK$'000	HK$'000
Surety bonds (Note (a))	**13,123**	16,911
Performance guarantee insurance contract (Note (b))	**2,203**	–
	15,326	16,911

Note (a):

As at 31 December 2023, the Group provided guarantees of surety bonds in respect of 22 (2022: 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.

Note (b):

As at 31 December 2023, the Group provided a performance guarantee insurance contract in relation to the Green New Energy Business. The contract will be released on 28 February 2025.

(ii) Claim

In 2018, the Group received a claim from a customer for damage amounting to approximately HK$3,381,000. In 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.

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 year:

Name of related parties	Relationship with the Group
Mr. Kwan Kam Tim ("Mr. Kwan")	Executive director and shareholder
Mr. Gao Shufang ("Mr. Gao")	Executive Director (resigned on 18 January 2024)
Mr. Mak Kim Hung ("Mr. Mak")	Former shareholder
Treasure Ship Holding Limited	Shareholder
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	
	2023	2022
	HK$'000	HK$'000
Sales to related parties:		
Sales to executive director – Mr. Gao (Note (i))		
– Sales of goods	**3**	–
Leases arrangement with:		
Related party – Hope Harvest Limited (Note (ii))		
– Rent paid	**–**	440
– Depreciation on right-of-use assets	**–**	402
– Interest expense on lease liabilities	**–**	33
Loans from related parties:		
Loan from a shareholder of the Company		
– Mr. Kwan Kam Tim (Note 27(b))		
Beginning of the year	**33,470**	10,044
Loans advanced	**9,800**	21,900
Interest charged	**2,024**	1,526
End of the year	**45,294**	33,470

Notes to the Consolidated Financial Statements

32 RELATED PARTY TRANSACTIONS (Continued)

(a) Transactions and balances with related parties: (Continued)

	Year ended 31 December	
	2023	2022
	HK$'000	HK$'000
Loan from a former shareholder of the Company		
– Mr. Mak Kim Hung (Note 27(b))		
Beginning of the year	**10,660**	10,110
Interest charged	**273**	550
Repayment	**(10,933)**	–
End of the year	**–**	10,660
Loan from a shareholder of the Company		
– Treasure Ship Holding Limited (Note 27(b))		
Beginning of the year	**1,519**	–
Loans advanced	**9,245**	1,500
Interest charged	**236**	19
End of the year	**11,000**	1,519
Amount due from non-controlling interest (Note (iii))	**485**	–

Notes:

(i) The sales of goods were mutually agreed with both parties.

(ii) The rent was charged at fixed price of HK$40,000 monthly and was mutually agreed with the respective counterparty.

(iii) The balance is repayable on demand, interest-free and denominated in MOP.

(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	
	2023	2022
	HK$'000	HK$'000
Wages, salaries and allowances	**7,418**	9,947
Discretionary bonuses	**1,176**	802
Share-based payments	**–**	9,985
Pension costs – defined contribution plans	**98**	126
	8,692	20,860

33 DIVIDEND

The Board does not recommend payment of final dividend for the year ended 31 December 2023 (2022: Nil).

Notes to the Consolidated Financial Statements

34 STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	As at 31 December 2023 HK$'000	As at 31 December 2022 HK$'000
ASSETS		
Non-current assets		
Investments in subsidiaries	155,784	155,784
Current assets		
Prepayments	92	271
Amounts due from subsidiaries	2,325	–
Cash and cash equivalents	110	101
	2,527	372
Total assets	158,311	156,156
EQUITY		
Equity attributable to owners of the Company		
Share capital	6,240	6,240
Reserves (Note (a))	93,439	100,441
Total equity	99,679	106,681
LIABILITIES		
Non-current liabilities		
Borrowings	56,294	34,989
LIABILITIES		
Current liabilities		
Other payables and accruals	2,338	1,823
Amounts due to subsidiaries	–	2,003
Borrowings	–	10,660
	2,338	14,486
Total liabilities	58,632	49,475
Total equity and liabilities	158,311	156,156

The statement of financial position was approved by the Board of Directors on 26 March 2024 and were signed on its behalf:

Mr. Kwan Kam Tim	**Ms. Leung Ng Mui May**
Director	*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
Balance as at 1 January 2022	118,233	11,988	241,566	(253,299)	118,488
Loss for the year	–	–	–	(28,032)	(28,032)
Total comprehensive loss	–	–	–	(28,032)	(28,032)
Transaction with owners in their capacity as owners					
Share-based payment expenses (Note 24(c))	–	9,985	–	–	9,985
Reclassification of Share-based payment reserves to accumulated losses (Note 24(c))	–	(21,973)	–	21,973	–
Total transaction with owners in their capacity as owners	–	(11,988)	–	21,973	9,985
Balance as at 31 December 2022	118,233	–	241,566	(259,358)	100,441
Balance as at 1 January 2023	118,233	–	241,566	(259,358)	100,441
Loss for the year	–	–	–	(7,002)	(7,002)
Total comprehensive loss	–	–	–	(7,002)	(7,002)
Balance as at 31 December 2023	118,233	–	241,566	(266,360)	93,439

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				
	2023	2022	2021	2020	2019
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
			(restated)	(restated)	(restated)
Revenue	**192,402**	152,215	163,079	99,594	196,488
Cost of sales	**(139,614)**	(114,625)	(123,014)	(70,454)	(137,761)
Gross profit	**52,788**	37,590	40,065	29,140	58,727
Other income	**3**	970	114	1,799	–
Other (losses)/gains, net	**(219)**	(326)	(357)	248	(130)
Administrative expenses	**(24,267)**	(17,702)	(15,212)	(14,224)	(29,634)
Impairment of financial and contract assets	**(1,168)**	(762)	–	–	–
Operating profit	**27,137**	19,770	24,610	16,963	28,963
Finance income	**54**	44	34	185	362
Finance costs	**(2,825)**	(2,402)	(464)	(360)	(198)
Finance (costs)/income, net	**(2,771)**	(2,358)	(430)	(175)	164
Profit before income tax	**24,366**	17,412	24,180	16,788	29,127
Income tax expenses	**(5,735)**	(4,642)	(5,073)	(3,578)	(8,586)
Profit from continuing operations	**18,631**	12,770	19,107	13,210	20,541
(Loss)/profit from discontinued operation	**–**	(92,553)	(206,570)	(61,048)	20,538
Profit/(loss) for the year	**18,631**	(79,783)	(187,463)	(47,838)	41,079
Other comprehensive income/(loss):					
Discontinued operation:					
Item that will not be reclassified to consolidated income statement					
Changes in the fair value of financial assets at fair value through other comprehensive income	**–**	–	–	(7,682)	(1,760)
Continuing operation:					
Item that may be reclassified to consolidated income statement					
Exchange differences on translation of foreign operations	**12**	(2)	–	–	–
Other comprehensive income/(loss) for the year	**12**	(2)	–	(7,682)	(1,760)
Total comprehensive income/(loss) for the year	**18,643**	(79,785)	(187,463)	(55,520)	39,319

Five-Year Financial Summary

	Year ended 31 December				
	2023	2022	2021	2020	2019
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
ASSETS AND LIABILITIES					
Non-current assets	**3,489**	3,043	6,067	11,501	33,164
Current assets	**202,427**	157,706	355,128	472,373	462,415
Total assets	**205,916**	160,749	361,195	483,874	495,579
Non-current liabilities	**58,163**	37,039	3,532	2,249	1,231
Current liabilities	**41,991**	38,543	203,426	163,771	120,090
Total Liabilities	**100,154**	75,582	206,958	166,020	121,321
Total Equity	**105,762**	85,167	154,237	317,854	374,258