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Maxicity Holdings Limited

豐城控股有限公司

(Incorporated in the Cayman Islands with members' limited liability)

(Stock Code: 8216)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

*This announcement, for which the directors (the “**Directors**”) of Maxicity Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “**GEM Listing Rules**”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.*

HIGHLIGHTS:

- Our revenue increased significantly from approximately HK\$111.2 million for the year ended 31 December 2018 to approximately HK\$183.9 million for the year ended 31 December 2019, representing a significant increase of approximately 65.3% or approximately HK\$72.7 million.
- Profit and total comprehensive income for the year amounted to approximately HK\$6.9 million, decreased significantly by approximately HK\$9.2 million or 57.3% as compared with HK\$16.1 million for the year ended 31 December 2018.
- Adjusted profit and total comprehensive income for the year ended 31 December 2019 (excluding listing expenses) amounted to approximately HK\$23.6 million as compared to the year ended 31 December 2018, increased by approximately HK\$7.4 million or 45.6%.
- The Board has resolved not to recommend the declaration of a final dividend for the year ended 31 December 2019 (2018: HK\$nil).

The board of Directors of the Company (the “**Board**”) is pleased to announce the audited consolidated results of the Group for the year ended 31 December 2019 together with the comparative figures for the year ended 31 December 2018 as follows. These information should be read in conjunction with the prospectus of the Company dated 30 November 2019 (the “**Prospectus**”).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	<i>Notes</i>	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i> <i>(Note)</i>
Revenue	4	183,903	111,245
Cost of services		<u>(150,546)</u>	<u>(89,660)</u>
Gross profit		33,357	21,585
Other income, gains and losses	5	224	(3)
Administrative expenses		(5,302)	(2,374)
Listing expenses		(16,769)	(139)
Finance costs	6	<u>(34)</u>	<u>–</u>
Profit before income tax	7	11,476	19,069
Income tax expense	8	<u>(4,610)</u>	<u>(2,975)</u>
Profit and total comprehensive income for the year		<u>6,866</u>	<u>16,094</u>
		<i>HK cents</i>	<i>HK cents</i>
Earnings per share attributable to equity holders of the Company			
Basic and diluted	10	<u>2.25</u>	<u>5.36</u>

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 3.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	<i>Notes</i>	2019 HK\$'000	2018 HK\$'000 <i>(Note)</i>
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		2,692	1,641
Deposits paid for acquisition of property, plant and equipment	<i>11</i>	723	–
		3,415	1,641
Current assets			
Contract assets	<i>12</i>	21,198	17,133
Trade and other receivables	<i>11</i>	16,744	8,932
Cash and bank balances		66,701	12,434
		104,643	38,499
Current liabilities			
Trade and other payables	<i>13</i>	14,536	7,576
Amounts due to directors		–	4,931
Lease liabilities	<i>14</i>	329	–
Current tax liabilities		5,424	883
		20,289	13,390
Net current assets		84,354	25,109
Total assets less current liabilities		87,769	26,750
Non-current liabilities			
Deferred tax liabilities		257	188
Net assets		87,512	26,562
EQUITY			
Share capital	<i>15</i>	4,000	1
Reserves		83,512	26,561
Equity attributable to equity holders of the Company		87,512	26,562

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 3.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

1. GENERAL INFORMATION AND BASIS OF PRESENTATION

1.1 General information

The Company was incorporated as an exempted company with limited liability in the Cayman Islands under the Companies Law of the Cayman Islands on 30 January 2019. The addresses of the Company's registered office and principal place of business are Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and Room 2302-2303, 23/F., Omega Plaza, 32-34A Dundas Street, Mongkok, Hong Kong, respectively.

The Company's shares are listed on the GEM of the Stock Exchange of Hong Kong Limited (the "**SEHK**") on 13 December 2019 (the "**Listing**").

The Company is an investment holding company. The Group is principally engaged in undertaking slope works in Hong Kong.

The Company's immediate and ultimate holding company is Good Hill Investment Limited ("**Good Hill**"), a company incorporated in the British Virgin Islands (the "**BVI**"). The ultimate controlling shareholders of the Group are Mr. Sieh Shing Kee ("**Mr. Sieh**") and Mr. Ho Ka Ki ("**Mr. Ho**") (collectively, the "**Controlling Shareholders**").

The consolidated financial statements were approved for issue by the board of directors on 25 March 2020.

1.2 Reorganisation and basis of presentation

Pursuant to a group reorganisation (the "**Reorganisation**"), which was completed by interspersing the investment holding companies between Mr. Sieh and Mr. Ho and A-City Workshop Limited ("**A-City Workshop**") in connection with the Listing, the Company became the holding company of the companies now comprising the Group on 15 March 2019.

Details of the Reorganisation are set out in the section headed "History, Development and Reorganisation – Reorganisation" in the Prospectus. The Group is under the common control of the Controlling Shareholders prior to and after the Reorganisation. The Group comprising the Company and its subsidiaries resulting from the Reorganisation is regarded as a continuing entity.

The consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group have been prepared to present the results and cash flows of the companies now comprising the Group, as if the group structure upon the completion of the Reorganisation had been in existence throughout the years ended 31 December 2019 and 2018 or since their respective dates of incorporation, where there is a shorter period. The consolidated statement of financial position of the Group as at 31 December 2018 have been prepared to present the assets and liabilities of the companies now comprising the Group as if the current group structure had been in existence at those dates taking into account the respective dates of incorporation, where applicable.

2. BASIS OF PREPARATION

The annual consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) and the accounting principles generally accepted in Hong Kong.

The consolidated financial statements also comply with the disclosure requirements of the Hong Kong Companies Ordinance and include the applicable disclosure requirements of the Rules Governing the Listing of Securities on the GEM of the SEHK (“**Listing Rules**”).

The significant accounting policies that have been used in the preparation of the consolidated financial statements have been consistently applied to all the years presented unless otherwise stated. The adoption of new or amended HKFRSs and the impacts on the Group’s financial statements, if any, are disclosed in note 3.

The consolidated financial statements have been prepared under the historical cost basis. The consolidated financial statements are presented in Hong Kong dollars (“**HK\$**”), which is also the functional currency of the Company and its subsidiaries, and all values are rounded to the nearest thousand (“**HK\$’000**”), except where otherwise indicated.

3. ADOPTION OF NEW AND AMENDED HKFRSs

New and amended HKFRSs that are effective for annual periods beginning or after 1 January 2019

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, HKFRS 16 “Leases” (“**HKFRS 16**”) is relevant to the Group’s financial statements.

Except for HKFRS 16, none of the developments have had a material effect on how the Group’s results and financial position for the current or prior periods have been prepared or presented in the consolidated financial statements. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

HKFRS 16

HKFRS 16 replaces HKAS 17 “Leases” (“**HKAS 17**”) along with three interpretations (HK(IFRIC) – Int 4 “Determining whether an Arrangement contains a Lease” (“**HK(IFRIC) – Int 4**”), HK(SIC) Int – 15 “Operating Leases - Incentives” and HK(SIC) Int – 27 “Evaluating the Substance of Transactions Involving the Legal Form of a Lease”).

The Group has applied HKFRS 16 and the related consequential amendments to other HKFRSs on 1 January 2019 which resulted in changes in accounting policies and adjustments to the amounts recognised in the consolidated financial statements. In accordance with the transitional provisions in HKFRS 16, the Group has elected to apply HKFRS 16 using the modified retrospective approach, adopting HKFRS 16 being recognised in equity as an adjustment to the opening balance of retained earnings for the current year with the cumulative effect.

Before the adoption of HKFRS 16, commitments under operating leases for future periods were not recognised by the Group as liabilities. Operating lease rental expenses were recognised in the consolidated statement of profit or loss and other comprehensive income over the lease period on a straight-line basis.

Upon adoption of HKFRS 16, the Group recognised the full lease liabilities in relation to leases which had previously been classified as operating leases if they meet certain criteria set out in HKFRS 16. These liabilities were subsequently measured at the present value of the remaining lease payments, discounted using the incremental borrowing rate. The difference between the present value and the total remaining lease payments represents the cost of financing. Such finance cost will be charged to the consolidated statement of profit or loss and other comprehensive income in the period in which it is incurred using effective interest method.

For contracts in place at the date of initial application, the Group has elected to apply the definition of a lease from HKAS 17 and HK(IFRIC) - Int 4 and has not applied HKFRS 16 to arrangements that were previously not identified as lease under HKAS 17 and HK(IFRIC) - Int 4.

The Group has elected not to include initial direct costs in the measurement of the right-of-use asset for operating leases in existence at the date of initial application of HKFRS 16, being 1 January 2019. At this date, the Group has also elected to measure the right-of-use assets at an amount equal to the lease liability adjusted for any prepaid or accrued lease payments that existed at the date of transition.

Instead of performing an impairment review on the right-of-use assets at the date of initial application, the Group has relied on its historic assessment as to whether leases were onerous immediately before the date of initial application of HKFRS 16.

In summary, the following adjustments were made to the amounts recognised in the consolidated statement of financial position at the date of initial application (1 January 2019):

	Carrying amount on 31 December 2018 under HKAS 17 <i>HK\$'000</i>	Adjustment <i>HK\$'000</i>	Carrying amount on 1 January 2019 under HKFRS 16 <i>HK\$'000</i>
Non-current assets			
Right-of-use assets, presented in property, plant and equipment	–	845	845
Current assets			
Trade and other receivables	8,932	(42)	8,890
Current liabilities			
Leases liabilities	–	474	474
Non-current liabilities			
Leases liabilities	–	329	329
	<u>–</u>	<u>329</u>	<u>329</u>

When measuring lease liabilities for leases that were classified as operating leases under HKAS 17, the Group discounted lease payments using its incremental borrowing rate at 1 January 2019. The incremental borrowing rate applied to lease liabilities recognised under HKFRS 16 was 5.07%.

The following is a reconciliation of total operating lease commitments as at 31 December 2018 to the lease liabilities recognised as at 1 January 2019:

	<i>HK\$'000</i>
Operating lease commitment as at 31 December 2018	839
Less: discounting using incremental borrowing rate as at 1 January 2019	(36)
	803
Lease liabilities recognised under HKFRS 16 as at 1 January 2019	803

Issued but not yet effective HKFRSs

At the date of authorisation of the consolidated financial statements, certain new and amended HKFRSs have been published but are not yet effective, and have not been adopted early by the Group. These developments include the following which may be relevant to the Group.

Amendments to HKAS 1 and HKAS 8	Definition of Material ¹
Amendments to HKFRS 3	Definition of a Business ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³

¹ Effective for annual periods beginning on or after 1 January 2020

² Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020

³ Effective date not yet determined

The Group is in the process of making an assessment of what the impact of these developments expected to be in the period of initial application. Currently it has been considered that the adoption of them is unlikely to have a material impact on the Group's consolidated financial statements.

4. REVENUE AND SEGMENT INFORMATION

4.1 Revenue

The Group's principal activities are disclosed in note 1.1 to this announcement. Revenue represents income arising on the provision of slope works to external customers. The Group's revenue is recognised over time.

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Provision of slope works		
– Public sector projects	149,812	106,045
– Private sector projects	34,091	5,200
	183,903	111,245

Remaining performance obligations

The following table includes revenue expected to be recognised in the future related to performance obligations that are unsatisfied (or partially unsatisfied) at the end of the reporting period.

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Remaining performance obligations expected to be satisfied during the year ending		
31 December 2019	–	122,825
31 December 2020	149,772	32,676
31 December 2021	9,548	–
	159,320	155,501

4.2 Segment information

The chief operating decision-maker has been identified as the executive directors of the Company. The Directors regard the Group's business of undertaking slope works as a single operating segment and review the overall results of the Group as a whole to make decision about resources allocation. Accordingly, no segment analysis information is presented.

Geographical information

No separate analysis of segment information by geographical segment is presented as the Group's revenue and non-current assets are principally attributable to a single geographical region, which is Hong Kong.

Information about major customers

Revenue from customers which individually contributed over 10% of the Group's revenue is as follows:

	2019	2018
	HK\$'000	HK\$'000
Customer A	N/A*	34,578
Customer B	63,842	33,770
Customer C	49,946	28,556
Customer D	45,007	N/A*

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

5. OTHER INCOME, GAINS AND LOSSES

	2019	2018
	HK\$'000	HK\$'000
Interest income	41	–
Gain/(loss) on disposal of property, plant and equipment	182	(4)
Sundry income	1	1
	224	(3)

6. FINANCE COSTS

	2019	2018
	HK\$'000	HK\$'000
Interest expense on bank overdrafts	4	–
Interest expense on lease liabilities	30	–
	34	–

7. PROFIT BEFORE INCOME TAX

	2019	2018
	HK\$'000	HK\$'000

Profit before income tax is stated after charging:

(a) Staff costs (including directors' emoluments) (<i>note</i>)		
– Salaries, wages and other benefits	48,442	32,767
– Contributions to defined contribution retirement plans	1,933	1,486
	50,375	34,253

Note: Presenting in consolidated statement of profit or loss and other comprehensive income as:

– Cost of services	47,819	32,631
– Administrative expenses	2,556	1,622
	50,375	34,253

(b) Other items		
Depreciation, included in:		
Cost of services		
– owned assets	579	566
Administrative expenses		
– owned assets	51	48
– right-of-use assets	507	–
	1,137	614

Auditor's remuneration	600	–
Subcontracting charges (included in cost of services)	43,248	24,820
Machinery rental expenses (included in cost of services)	3,782	2,118
Operating lease charges in respect of leased premises	–	212
Listing expenses	16,769	139

8. INCOME TAX EXPENSE

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Provision for Hong Kong Profits Tax		
– Current tax	4,541	3,126
– Statutory tax concession	–	(30)
	<u>4,541</u>	<u>3,096</u>
Deferred tax	<u>69</u>	<u>(121)</u>
	<u><u>4,610</u></u>	<u><u>2,975</u></u>

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

Pursuant to the rules and regulations of the Cayman Islands and the BVI, the Group is not subject to any income tax in the Cayman Islands and the BVI.

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the “**Bill**”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day.

Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of qualifying corporations will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%.

For the years ended 31 December 2019 and 2018, Hong Kong Profits Tax of A-City Workshop is calculated in accordance with the two-tiered profits tax rates regime.

9. DIVIDENDS

The Company

The Directors of the Company do not recommend the payment of any dividend in respect of the period from 30 January 2019 (date of incorporation of the Company) to 31 December 2019.

A-City Workshop

	2018 <i>HK\$'000</i>
Dividends declared and paid by A-City Workshop prior to the Reorganisation	<u><u>9,999</u></u>

10. EARNINGS PER SHARE

	2019	2018
Earnings for the purpose of calculating basic earnings per share (profit for the year) (<i>HK\$'000</i>)	6,866	16,094
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share (<i>in thousand</i>)	<u>305,479</u>	<u>300,000</u>

The weighted average number of ordinary shares for the purpose of calculating basic earnings per share during the year ended 31 December 2019 includes (i) 1 and 2,000 ordinary shares in issue upon incorporation and during the year respectively; (ii) 299,997,999 new ordinary shares issued pursuant to the capitalisation issue as detailed in note 15(v) (“**Capitalisation Issue**”), as if all these shares had been in issue throughout the year ended 31 December 2019, and (iii) 5,479,452 shares, representing the weighted average of 100,000,000 new ordinary shares issued pursuant to the public offering and placing as detailed in note 15(iv).

The weighted average number of ordinary shares for the purpose of calculating basic earnings per share during the year ended 31 December 2018 are retrospectively adjusted based on the Reorganisation and taking into account the effect arising from the completion of Capitalisation Issue.

There were no dilutive potential ordinary shares during the years ended 31 December 2019 and 2018 and therefore, diluted earnings per share equals to basic earnings per share.

11. TRADE AND OTHER RECEIVABLES

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Trade receivables (<i>note (a)</i>)	10,569	3,975
Other receivables	1	2
Prepayments (<i>note (b)</i>)	1,988	4,108
Utility and other deposits	<u>4,909</u>	<u>847</u>
	17,467	8,932
Less: non-current portion		
Deposits paid for acquisition of property, plant and equipment	<u>(723)</u>	—
Current portion	<u>16,744</u>	<u>8,932</u>

The Directors consider that the fair values of trade and other receivables are not materially different from their carrying amounts, because their balances have short maturity periods on their inception.

(a) **Trade receivables**

The Group grants credit terms to customers for a period of 30 to 60 days from the invoice date for trade receivables. For settlement of trade receivables from provision of undertaking slope works, the Group usually reaches an agreement on the term of each payment with the customer by taking into account of factors such as, among other things, the credit history of the customer, its liquidity position and the Group's working capital needs, which varies on a case-by-case basis that requires the judgment and experience of the management.

Based on the invoice date, the ageing analysis of the trade receivables is as follows:

	2019 HK\$'000	2018 <i>HK\$'000</i>
0-30 days	10,569	3,856
91-365 days	<u>–</u>	<u>119</u>
	<u>10,569</u>	<u>3,975</u>

The Group applies the simplified approach to provide for expected credit losses (“ECL”) prescribed by HKFRS 9 “Financial Instruments” which permits the use of lifetime ECL provision for all trade receivables. As at 31 December 2019 and 2018, the ECL rates are close to be zero and therefore no provision has been made during the years ended 31 December 2019 and 2018.

(b) **Prepayments**

As at 31 December 2019, prepayments mainly comprised of: (i) prepaid listing expenses amounted to HK\$nil (2018: HK\$1,861,000) and (ii) prepaid expenses for insurance covered in sites operation and machinery rentals expenses amounted to HK\$1,607,000 (2018: HK\$2,193,000).

12. CONTRACT ASSETS

	2019 HK\$'000	2018 <i>HK\$'000</i>
Unbilled revenue	17,847	15,927
Retention receivables	<u>3,351</u>	<u>1,206</u>
	<u>21,198</u>	<u>17,133</u>

Contract assets represent the Group's right to considerations from customers for the provision of undertaking slope work, which arise when: (i) the Group completed the relevant services under such contracts but yet certified by architects, surveyors or other representatives appointed by customers; and (ii) the customers withhold certain certified amounts payable to the Group as retention money to secure the due performance of the contracts after the expiry of the defect liability period of construction projects. Any amount previously recognised as a contract asset is reclassified to trade receivables at the point at which it becomes unconditional and is invoiced to the customer. As at 31 December 2019 and 2018, the ECL rates are close to be zero and therefore no provision has been made during the years ended 31 December 2019 and 2018.

Changes of contract assets during the year ended 31 December 2019 were mainly due to:

- (1) Changes in retention receivables as a result of an increase in number of ongoing and completed contracts under the defect liability period during the year; and
- (2) Changes in number of contract works that the relevant services were completed but yet been certified at the end of each reporting period.

Movements in the contract assets balances during the years are as follows:

	2019 HK\$'000	2018 <i>HK\$'000</i>
Transfers from contract assets recognised at the beginning of the year to trade receivables	<u>15,779</u>	<u>10,605</u>

No contract liability was noted during the years ended 31 December 2019 and 2018.

13. TRADE AND OTHER PAYABLES

	2019 HK\$'000	2018 <i>HK\$'000</i>
Trade payables (<i>note (a)</i>)	12,286	7,226
Accruals and other payables	<u>2,250</u>	<u>350</u>
	<u>14,536</u>	<u>7,576</u>

(a) Trade payables

The Group is granted by its suppliers a credit period ranging from 0 to 45 days. The ageing analysis of trade payables based on the invoice date is as follows:

	2019 HK\$'000	2018 <i>HK\$'000</i>
0-30 days	11,185	7,192
31-60 days	999	–
61-90 days	–	7
91-365 days	<u>102</u>	<u>27</u>
	<u>12,286</u>	<u>7,226</u>

All amounts are short-term and hence, the carrying values of the Group's trade and other payables are considered to be a reasonable approximation of fair value.

14. LEASE LIABILITIES

The following table shows the remaining contractual maturities of the Group's lease liabilities:

	As at 31 December 2019	
	Present value of the minimum lease payments HK\$'000	Total minimum lease payments HK\$'000
Within 1 year	<u>329</u>	335
Less: total future interest expenses		<u>(6)</u>
Present value of lease liabilities		<u><u>329</u></u>

During the year ended 31 December 2019, the total cash outflows for the leases are approximately HK\$504,000,

15. SHARE CAPITAL

For the purpose of the preparation of the consolidated statement of financial position, the balance of share capital at 31 December 2018 represents the aggregate of the paid up share capital of the subsidiaries comprising the Group prior to the Reorganisation.

Movements of the authorised and issued share capital of the Company for the period from 30 January 2019 (date of incorporation of the Company) to 31 December 2019 are as follows:

	Number of shares	HK\$'000
Authorised:		
Ordinary shares of HK\$0.01 each upon incorporation	38,000,000	380
Increase in authorised share capital (<i>note (iii)</i>)	<u>962,000,000</u>	<u>9,620</u>
As at 31 December 2019	<u>1,000,000,000</u>	<u>10,000</u>
Issued and fully paid:		
Upon incorporation (<i>note (i)</i>)	1	—*
Issuance of shares upon the Reorganisation (<i>note (ii)</i>)	2,000	—*
Issue of share upon public offering and placing (<i>note (iv)</i>)	100,000,000	1,000
Capitalisation issue of shares (<i>note (v)</i>)	<u>299,997,999</u>	<u>3,000</u>
As at 31 December 2019	<u>400,000,000</u>	<u>4,000</u>

* The balances represented an amount less than HK\$1,000.

Notes:

- (i) On 30 January 2019, the Company issued and allotted one share, credited as fully paid at par, to the initial subscriber, which was then transferred to Good Hill on the same date for a consideration of HK\$0.01.
- (ii) On 15 March 2019, each of Mr. Ho and Mr. Sieh transferred 500 shares of A-City Workshop, in aggregate representing the entire issued share capital of A-City Workshop, to Kanic International Limited (“**Kanic International**”) for a consideration of HK\$26,780,000, which was determined based on the net asset value of A-City Workshop as at 31 December 2018 and settled by (a) Kanic International by issuing and allotting 10 shares, credited as fully paid at a premium, to the Company; (b) the Company by issuing and allotting 2,000 shares, credited as fully paid at a premium, to Good Hill; and (c) Good Hill by issuing and allotting one share, credited as fully paid at a premium, to each of Mr. Ho and Mr. Sieh.
- (iii) On 25 November 2019, the authorised share capital of the Company was increased from HK\$380,000 divided into 38,000,000 shares to HK\$10,000,000 divided into 1,000,000,000 shares by the creation of additional 962,000,000 new shares pursuant to a written resolution passed by the sole shareholder of the Company.
- (iv) On 12 December 2019, the Company issued a total of 100,000,000 ordinary shares of HK\$0.01 each at a price of HK\$0.6 per share in relation to the public offering and placing of the Company’s shares (“**Share Offer**”). Of the gross total proceeds of HK\$60,000,000, HK\$1,000,000 representing the par value was credited to the Company’s share capital, and HK\$59,000,000 before reduction of the share issuance expenses of HK\$5,916,000, was credited to the share premium account.
- (v) Pursuant to the written resolutions of the shareholders passed on 25 November 2019, subject to the share premium account of the Company being credited as the result of the Share Offer, the Directors were authorised to allot and issue a total of 299,997,999 ordinary shares of HK\$0.01 each, credited as fully paid at par, by way of capitalisation of the sum of approximately HK\$2,999,980 standing to the credit of the share premium account to the Company. The Capitalisation Issue was completed on 13 December 2019. The shares allotted and issued rank pari passu in all respects with the then existing issued shares.

MANAGEMENT'S DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is a slope works contractor in Hong Kong. The slope works undertaken by the Group generally involve landslip preventive and remedial works for improving or maintaining the stability of slopes and/or retaining walls. The Group is experienced in undertaking different kinds of slope works which mainly comprise (i) drilling and installation of soil nails; (ii) construction of retaining walls; (iii) installation of debris flow protection rigid barriers; (iv) construction of flexible barrier system; (v) installation of raking drains; (vi) installation of wire meshes and mats for erosion control; (vii) construction of concrete maintenance stairway/access; and (viii) landscape softworks and establishment works. A-City Workshop, the Group's principal operating subsidiary, is registered under the Buildings Ordinance as a Registered General Building Contractor and a Registered Specialist Contractor under the sub register of "site formation works" category. A-City Workshop is also registered as specialist trade contractors scheme in Construction Industry Council for reinforcement bar fixing, concreting formwork and concreting and registered as subcontractor for earthwork and geotechnical works.

During the year ended 31 December 2019, the Group undertook 18 contracts with an aggregate contract sum of approximately HK\$493.4 million in which the Group had completed 3 contracts with an aggregate contract sum of approximately HK\$4.0 million. As at 31 December 2019, the Group had 15 contracts in progress with an aggregate contract sum of approximately HK\$489.4 million.

PROSPECTS

The shares of the Company were listed on the GEM on 13 December 2019 (the "**Listing Date**"). Net proceeds from the Listing were approximately HK\$37.1 million after deduction of the underwriting commission and relevant listing expenses. The Group utilised the fund for satisfying the requirements of working capital and machineries stated in the application of a probationary contractor on the List of Approved Specialist Contractors for Public Works maintained by the Development Bureau under the category of "Landslip preventive/remedial works to slopes/retaining walls" ("**Approved Specialist Contractors**"). In addition, we applied the fund for our staff recruitment on new projects.

We believe that the registration of an Approved Specialist Contractor will significantly enhance our market position and facilitate us to expand our market share in the slope works industry in Hong Kong. After being registered as an Approved Specialist Contractor, we will be able to tender for public slope works directly from the Government of Hong Kong, which will provide more business opportunities and better position for us to capture the forecasted growth in public slope works.

In view of the outbreak of novel coronavirus pneumonia (“**2019-nCoV**”) in Hong Kong, mainland China and elsewhere in the world (the “**Epidemic**”) since January 2020, the Group has implemented measures, including frequent cleaning with disinfectant, ensuring all staffs wearing face masks at work, and conducting body temperature test, etc., to protect the health and safety of the employees. We closely monitor the development of the Epidemic and use every effort on epidemic prevention and control during our daily operation. In mainland China, the outbreak of the 2019-nCoV heavily affected the operation of many industries, amongst which logistics is one of the most affected industries, and it has put pressure on our material supply since many of our local suppliers source their products from mainland China. We are communicating with our suppliers to source necessary materials to maintain our project progress. The outbreak of the 2019-nCoV in other areas has not brought a huge impact on our operation based on the fact that we do not rely on those materials from these areas. We believe this situation will not be lasting and thus, our supplies should return to normal when the Epidemic is under control. Our Directors believe that 2019-nCoV will not have significant impact on the Group’s continuing business operations.

FINANCIAL REVIEW

Revenue

Our revenue increased significantly from approximately HK\$111.2 million for the year ended 31 December 2018 to approximately HK\$183.9 million for the year ended 31 December 2019, representing a significant increase of approximately 65.3% or approximately HK\$72.7 million. Our revenue significantly increased primarily due to the increase in the number of projects during the year ended 31 December 2019 and an increase in our total number of projects with revenue contributed to us and an increase in our revenue derived from projects of relatively larger scale as illustrated in the tables below:

Number of projects with revenue contributions:

	2019	2018
Public sector projects	12	11
Private sector projects	6	5
	<hr/>	<hr/>
Total	18	16
	<hr/> <hr/>	<hr/> <hr/>

Revenue recognised:

	2019	2018
HK\$10.0 million or above	6	4
HK\$5.0 million to below HK\$10.0 million	2	2
HK\$1.0 million to below HK\$5.0 million	5	6
Below HK\$1.0 million	5	4
	<hr/>	<hr/>
Total	18	16
	<hr/> <hr/>	<hr/> <hr/>

Cost of Services

Cost of services increased significantly by approximately HK\$60.9 million, or 67.9%, from approximately HK\$89.7 million for the year ended 31 December 2018 to approximately HK\$150.5 million for the year ended 31 December 2019. Such increase in cost of services was generally in line with the increase in revenue.

Gross Profit and Gross Profit Margin

Gross profit increased significantly by approximately HK\$11.8 million, or 54.5%, from approximately HK\$21.6 million for the year ended 31 December 2018 to approximately HK\$33.4 million for the year ended 31 December 2019. Our gross profit margin decreased by 1.3% from approximately 19.4% for the year ended 31 December 2018 to approximately 18.1% for the year ended 31 December 2019 which remained relatively constant in both years.

Other Income, Gains and Losses

Other income, gains and losses increased by approximately HK\$227,000 from an approximate loss of HK\$3,000 for the year ended 31 December 2018 to an approximate gain of HK\$224,000 for the year ended 31 December 2019. Such increase was mainly due to the gains on disposal of motor vehicles for the year ended 31 December 2019 as compared to the losses on disposal of motor vehicles for the year ended 31 December 2018.

Administrative Expenses

Administrative expenses increased significantly by approximately HK\$2.9 million or 123.3% from approximately HK\$2.4 million for the year ended 31 December 2018 to approximately HK\$5.3 million for the year ended 31 December 2019. The significant increase of administrative expense was mainly contributed by the increase of our finance and administrative staffs as a result of the increased administrative works in the preparation of Listing and the general increment in salaries for the Directors and administration and finance staffs, an increase in bank charges for arranging banking facilities to support our daily operation and professional fee after listing.

Listing Expenses

Listing expenses increased significantly by approximately HK\$16.6 million from approximately HK\$0.1 million for the year ended 31 December 2018 to approximately HK\$16.8 million for the year ended 31 December 2019. The listing expenses was attributable to the professional fee for the Listing.

Finance Costs

The Group's finance costs for the year ended 31 December 2019 was mainly approximately HK\$34,000, which was mainly derived from the lease liabilities and the bank overdrafts. It was fully settled by end of the year.

Income Tax Expenses

Income tax expenses increased significantly by approximately HK\$1.6 million or 55.0% from approximately HK\$3.0 million for the year ended 31 December 2018 to approximately HK\$4.6 million for the year ended 31 December 2019. The significant increase in this expense is in line with the increase in profits before income tax (excluding listing expenses) as a result of the increase in our revenue and gross profit.

Profit and Total Comprehensive Income for the Year

Profit and total comprehensive income for the year ended 31 December 2019 amounted to approximately HK\$6.9 million, decreased significantly by approximately HK\$9.2 million or 57.3% as compared with HK\$16.1 million for the year ended 31 December 2018. Such significant decrease was mainly attributable to listing expenses incurred by the Group during the year ended 31 December 2019. Adjusted profit and total comprehensive income for the year ended 31 December 2019 (excluding listing expenses) amounted to approximately HK\$23.6 million as compared to the year ended 31 December 2018, increased by approximately HK\$7.4 million or 45.6%.

NOTE OF APPRECIATION

The Board would like to take this opportunity to express our sincere gratitude to our shareholders, customers, subcontractors, suppliers and business partners for their continuous support, and to our management and staff members for their diligence, dedication and contribution to the growth of the Group.

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

During the period from the Listing Date to 31 December 2019, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to achieving high standards of corporate governance. The Directors believe that sound and reasonable corporate governance practices are essential in providing a framework for the Company to safeguard the interests of shareholders, enhance corporate value, formulate its business strategies and policies, and enhance its transparency and accountability.

The Company has adopted the principles and code provisions as set out in the corporate governance (“**CG Code**”) contained in Appendix 15 of the GEM Listing Rules as the basis of the Company’s corporate governance practices.

The CG Code has been applicable to the Company with effect from the Listing Date. The Board is of the view that since the Listing Date and up to the date of this announcement, the Company has complied with all applicable code provisions as set out in the CG Code.

AUDIT COMMITTEE

As at the date of this announcement, our audit committee consists of three members, namely, Mr. Tso Ping Cheong Brian, Mr. Kwong Che Sing and Mr. Ling Siu Tsang. Mr. Tso Ping Cheong Brian is the chairman of our Audit Committee. The annual results of the Group for the year ended 31 December 2019 have been reviewed by the audit committee of the Company and opined that the applicable accounting standard and requirements have been complied with and adequate disclosures have been made.

LIQUIDITY AND FINANCIAL RESOURCES

The Group maintained a sound financial position during the year ended 31 December 2019. As at 31 December 2019, the Group had cash and bank balances of approximately HK\$66.7 million (as at 31 December 2018: approximately HK\$12.4 million), increased by approximately HK\$54.3 million, or 436.4%, which was mainly attributable to approximately HK\$37.1 million raised upon the Listing.

Gearing ratio

The Group's gearing ratio (dividing amounts due to directors and lease liabilities by equity attributable to equity holders of the Company at period end date) decreased from 18.6% as at 31 December 2018 to 0.4% as at 31 December 2019. The decrease was mainly due to the repayment of amounts due to directors immediately before the Listing and the net proceeds from the Share Offer.

Current ratio

As at 31 December 2019, the Group had net current assets of approximately HK\$84.4 million, representing a significant increase of approximately HK\$59.2 million as compared to that of approximately HK\$25.1 million as at 31 December 2018. As a result, current ratio increased to 5.2 times as at 31 December 2019 (as at 31 December 2018: 2.9 times).

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2019, the Group had 193 employees excluding the Directors. Total staff costs excluding Directors' remuneration amounted to approximately HK\$48.9 million. The remuneration packages the Group offers to its employees include salary and discretionary bonuses. The Group's remuneration policies are in line with the prevailing market practices and the staff remuneration is determined on the basis of the performance and experience of each individual employee.

CONTINGENT LIABILITIES

As at 31 December 2019, the Group did not have any contingent liabilities.

SIGNIFICANT INVESTMENTS AND FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

During the year ended 31 December 2019, the Group did not have any significant investment, material acquisitions nor disposals of subsidiaries and affiliated companies save for those reorganisation activities done for the purpose of Listing as set out in the paragraph headed “Reorganisation” under the section headed “History, Development and Reorganisation” in the Prospectus.

USE OF PROCEEDS

The shares were listed on the Stock Exchange on the Listing Date. A total of 100,000,000 new shares with nominal value of HK\$0.01 each of the Company were issued at HK\$0.6 per share for a total of approximately HK\$60.0 million. The net proceeds raised from the issue of new shares of the Company, after deduction of the professional fees, underwriting commissions and other fees payable by the Company in connection with the listing, were estimated to be HK\$37.1 million. Up to 31 December 2019, HK\$22.5 million was utilised.

CAPITAL COMMITMENT

During the year ended 31 December 2019, the Group has committed to acquire approximately HK\$3.0 million worth of plant and equipment and motor vehicles in order to meet the requirements for the application of Approved Specialist Contractor. The Group has made a deposit of approximately HK\$0.7 million for such acquisition. As at 31 December 2019, the outstanding capital commitment was approximately HK\$2.3 million.

SIGNIFICANT EVENT AFTER THE REPORTING PERIOD

After the year ended 31 December 2019 and up to the date of this announcement, there was no significant events relevant to the business or financial performance of the Group that come to the attention of the Directors.

DIVIDEND

The Directors do not recommend the payment of any dividend for the year ended 31 December 2019.

SHARE OPTION SCHEME

The Company has conditionally adopted a share option scheme (the “**Share Option Scheme**”) pursuant to the written resolution of our sole shareholder passed on 25 November 2019. No share option has been granted under the Share Option Scheme since its adoption. Accordingly, as at the date of this announcement, there was no share option outstanding under the Share Option Scheme.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

From the Listing Date to the date of this announcement, none of the Directors, the Controlling Shareholders and the substantial shareholders of the Company or their respective close associates (as defined under the GEM Listing Rules) had any business or interests in a business that competes or may compete, either directly or indirectly, with the business of the Group and any other conflicts of interest which any such person has or may have with the Group. The independent non-executive Directors confirmed that the internal control measures in relation to managing actual or potential conflict of interest of the Group have been properly implemented.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a Code of Ethics and Securities Transactions (the “**Code**”) on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules as its own code of conduct regarding securities transactions by Directors. Having made specific enquiries of all Directors, all Directors confirmed that they had complied with the required standard of dealings and the Code regarding securities transactions during the year ended 31 December 2019.

INTERESTS OF THE COMPLIANCE ADVISER

Pursuant to Rule 6A.19 of the GEM Listing Rule, the Company has appointed Grande Capital Limited as the independent compliance adviser (the “**Compliance Adviser**”) on an on-going basis for consultation on compliance with the GEM Listing Rules. As at 31 December 2019, as informed by the Compliance Adviser, save for the compliance adviser’s agreement entered into between the Company and the Compliance Adviser dated 25 March 2019, neither the Compliance Adviser nor any of its directors, employees or close associates (as defined under the GEM Listing Rules) had any interests in the Group which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

CLOSURE OF THE REGISTER OF MEMBERS OF SHARES

To be eligible to attend and vote in the forthcoming annual general meeting, the register of members of the Company will be closed from Tuesday, 12 May 2020 to Friday, 15 May 2020 (both dates inclusive) during which period no transfer of Shares will be registered. To be qualified for attending and voting at the forthcoming annual general meeting, all Share transfer documents must be lodged with Boardroom Share Registrars (HK) Limited, the Company’s share registrar in Hong Kong, at 2103B, 21/F, 148 Electric Road, North Point, Hong Kong, for registration no later than 4:00 p.m. on Monday, 11 May 2020.

SCOPE OF WORK OF THE AUDITOR

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2019 have been agreed by the Company's auditor, Grant Thornton Hong Kong Limited ("**Grant Thornton**"), to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2019. The work performed by Grant Thornton in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements of Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Grant Thornton on this preliminary announcement.

PUBLICATION OF ANNUAL RESULTS ON THE STOCK EXCHANGE'S WEBSITE AND DESPATCH OF ANNUAL REPORT

This annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.maxicity.com.hk). The annual report of the Company for the year ended 31 December 2019 containing all the information required by the GEM Listing Rules will be despatched to the shareholders and will be published on the websites of both the Stock Exchange and the Company in due course.

By order of the Board
Maxicity Holdings Limited
Sieh Shing Kee
Chairman

Hong Kong, 25 March 2020

As at the date of this announcement, the Board comprises Mr. Sieh Shing Kee (chairman of the Board) and Mr. Ho Ka Ki (chief executive officer) as executive directors and Mr. Kwong Che Sing, Mr. Ling Siu Tsang and Mr. Tso Ping Cheong Brian as independent non-executive directors of the Company.

This announcement, for which the directors of the Company collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Company. The directors of the Company, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

This announcement will remain on the "Latest Company Announcements" page of the website of GEM (www.hkgem.com) for at least 7 days from its date of publication and on the website of the Company at www.maxicity.com.hk.