



Maxicity Holdings Limited 豐城控股有限公司

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

Stock code: 8216

THIRD QUARTERLY REPORT

2020

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*This report, for which the directors (the “**Directors**”) of Maxicity Holdings Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”, “**we**”, “**us**”, “**our**”) 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 (the “**GEM Listing Rules**”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquires, confirm that, to the best of their knowledge and belief, the information contained in this report 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 report misleading.*

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Sieh Shing Kee (*Chairman*)
Mr. Ho Ka Ki (*Chief Executive Officer*)

Independent non-executive Directors

Mr. Kwong Che Sing
Mr. Ling Siu Tsang
Mr. Tso Ping Cheong Brian

AUDIT COMMITTEE

Mr. Tso Ping Cheong Brian (*Chairman*)
Mr. Kwong Che Sing
Mr. Ling Siu Tsang

REMUNERATION COMMITTEE

Mr. Ling Siu Tsang (*Chairman*)
Mr. Sieh Shing Kee
Mr. Kwong Che Sing

NOMINATION COMMITTEE

Mr. Sieh Shing Kee (*Chairman*)
Mr. Kwong Che Sing
Mr. Ling Siu Tsang

COMPANY SECRETARY

Mr. Lam Kau Wang (*HKICPA, ACCA*)

COMPLIANCE OFFICER

Mr. Ho Ka Ki

AUTHORISED REPRESENTATIVES

Mr. Ho Ka Ki
Mr. Lam Kau Wang

PRINCIPAL BANKER

Hang Seng Bank Limited
83 Des Voeux Road Central
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AUDITOR

Grant Thornton Hong Kong Limited
Certified Public Accountants
Level 12
28 Hennessy Road
Wanchai
Hong Kong

COMPLIANCE ADVISER

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Room 2701, 27/F, Tower 1
Admiralty Centre
18 Harcourt Road
Admiralty
Hong Kong

LEGAL ADVISERS AS TO HONG KONG LAW

Loeb & Loeb LLP
21st Floor, CCB Tower
3 Connaught Road
Central
Hong Kong

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Boardroom Share Registrars (HK) Limited
Room 2103B, 21/F
148 Electric Road
North Point
Hong Kong

CORPORATE INFORMATION

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited
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Cayman Islands

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Grand Cayman, KY1-1111
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Hong Kong

WEBSITE

www.maxicity.com.hk

STOCK CODE

8216

FINANCIAL HIGHLIGHTS

Our revenue increased from approximately HK\$137.8 million for the nine months ended 30 September 2019 to approximately HK\$189.7 million for the nine months ended 30 September 2020, representing an increase of approximately HK\$51.9 million or 37.6%.

Our profit and total comprehensive income attributable to equity holders of the Company increased significantly from approximately HK\$10.7 million for the nine months ended 30 September 2019 to approximately HK\$31.0 million for the nine months ended 30 September 2020, representing a significant increase of approximately HK\$20.3 million or 189.6%.

However, our adjusted profit and total comprehensive income attributable to equity holders of the Company for the nine months ended 30 September 2020 amounted to approximately HK\$26.0 million (excluding listing expenses and the financial support from the Anti-epidemic Fund), which increased by HK\$6.7 million or 34.8% as compared with HK\$19.3 million for the nine months ended 30 September 2019.

Basic and diluted earnings per share amounted to approximately HK7.7 cents for nine months ended 30 September 2020 (nine months ended 30 September 2019: HK3.6 cents).

The board of Directors does not recommend the declaration of any interim dividend for the nine months ended 30 September 2020 (nine months ended 30 September 2019: nil).

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months and the nine months ended 30 September 2020

The board of Directors (the "Board") of the Company is pleased to announce the unaudited condensed consolidated financial results of the Group for the three months and the nine months ended 30 September 2020 (the "Reporting Period"), together with the respective unaudited comparative figures for the corresponding period in 2019, as follows:

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Revenue	3	68,819	42,136	189,663	137,792
Cost of services		(53,823)	(34,570)	(152,051)	(111,846)
Gross profit		14,996	7,566	37,612	25,946
Other income, gains and losses		5,053	6	5,393	103
Administrative expenses		(1,866)	(781)	(7,040)	(3,073)
Listing expenses		–	–	–	(8,562)
Finance costs	4	(2)	(13)	(8)	(31)
Profit before income tax	5	18,181	6,778	35,957	14,383
Income tax expense	6	(1,934)	(1,151)	(5,004)	(3,695)
Profit and total comprehensive income for the period attributable to equity holders of the Company		16,247	5,627	30,953	10,688
Earnings per share attributable to equity holders of the Company					
Basic and diluted	7	HK4.1 cents	HK1.9 cents	HK7.7 cents	HK3.6 cents

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2019 and 2020

	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 1 January 2019 (Audited)	1	–	–	26,561	26,562
Profit and total comprehensive income for the period	–	–	–	10,688	10,688
Issuance of shares upon incorporation ^(note 1)	–*	–	–	–	–
Effect of group reorganisation ^(note 2)	(1)	–	1	–	–
Total transactions with owners	(1)	–	1	–	–
At 30 September 2019 (Unaudited)	–	–	1	37,249	37,250
At 1 January 2020 (Audited)	4,000	50,084	1	33,427	87,512
Profit and total comprehensive income for the period	–	–	–	30,953	30,953
At 30 September 2020 (Unaudited)	4,000	50,084	1	64,380	118,465

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

Note

- 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 Investment Limited ("**Good Hill**") on the same date for a consideration of HK\$0.01.
- On 15 March 2019, each of Mr. Ho Ka Ki ("**Mr. Ho**") and Mr. Sieh Shing Kee ("**Mr. Sieh**") transferred 500 shares of A-City Workshop Limited ("**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.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 30 September 2020

1. GENERAL INFORMATION AND BASIS OF PRESENTATION

General information

Maxicity Holdings Limited 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 Unit 1A, 6/F, Harbour Crystal Centre, 100 Granville Road, Tsim Sha Tsui, Hong Kong, respectively.

The Company's shares (the "**Shares**") have been 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 Company and its subsidiaries are principally engaged in undertaking slope works in Hong Kong. The Company's immediate and ultimate holding company is Good Hill, a company incorporated in the British Virgin Islands (the "**BVI**").

The condensed consolidated financial statements of the Group for the nine months ended 30 September 2020 (the "**Condensed Consolidated Financial Statements**") are unaudited, but have been reviewed by the audit committee of the Company. The Condensed Consolidated Financial Statements were approved and authorised for issue by the Directors on 4 November 2020.

2. BASIS OF PREPARATION

2.1 General

The Condensed Consolidated Financial Statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("**HKASs**") and Interpretations issued by Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and the accounting principles generally accepted in Hong Kong. The Condensed Consolidated Financial Statements also comply with the applicable disclosure requirements of the Rules Governing the Listing of Securities on the GEM Listing Rules.

The Condensed Consolidated Financial Statements have been prepared under the historical cost basis. The Condensed 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.

The Condensed Consolidated Financial Statements have been prepared in accordance with the accounting policies adopted in the Group's annual financial statements, except for the adoption of the new and amended HKFRSs effective as of January 2020.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 30 September 2020

The preparation of the Condensed Consolidated Financial Statements is in conformity with the HKFRSs requirements in the use of certain critical accounting estimates. The HKFRSs also require the management to exercise their judgements in the process of applying the Group's accounting policies

2.2 Reorganisation

Pursuant to a group reorganisation (the “**Reorganisation**”), which was completed by interspersing the investment holding companies among Mr. Sieh, Mr. Ho and 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 Company's prospectus dated 30 November 2019 (the “**Prospectus**”).

The Group is under the common control of Mr. Sieh, Mr. Ho and Good Hill (collectively, 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 Condensed Consolidated Financial Statements have been prepared to present the results of the companies now comprising the Group, as if the group structure upon the completion of the Reorganisation had been in existence throughout the nine months ended 30 September 2019 or since their respective dates of incorporation, where there is a shorter period.

3. REVENUE

Revenue represents income arising on the provision of slope works to external customers. The Group's revenue is recognised over time.

	Three months ended 30 September		Nine months ended 30 September	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Provision of slope works				
Public sector projects	56,481	36,086	167,906	109,824
Private sector projects	12,338	6,050	21,757	27,968
	68,819	42,136	189,663	137,792

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 30 September 2020

4. FINANCE COSTS

	Three months ended 30 September		Nine months ended 30 September	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Interest expense on bank overdraft	-	6	-	6
Interest expense on lease liabilities	2	7	8	25
	2	13	8	31

5. PROFIT BEFORE TAXATION

	Three months ended 30 September		Nine months ended 30 September	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Profit before income tax is stated after charging:				
(a) Staff costs (including directors' emoluments)				
– Directors' emoluments	722	357	2,165	1,071
– Salaries, wages and other benefits	18,873	11,497	47,981	32,987
– Contributions to defined contribution retirement plans	816	472	1,938	1,312
	20,411	12,326	52,084	35,370
<i>Note:</i> Presenting in consolidated statement of profit or loss and other comprehensive income as:				
– Cost of services	19,351	11,704	48,590	33,508
– Administrative expenses	1,060	622	3,494	1,862
	20,411	12,326	52,084	35,370
(b) Other items				
Depreciations, included in				
Cost of service				
– owned assets	335	149	833	430
Administrative expenses				
– owned assets	14	13	41	38
– right-of-use assets	106	127	359	380
	455	289	1,233	848
Auditor's remuneration	150	150	450	450

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 30 September 2020

6. INCOME TAX EXPENSES

	Three months ended 30 September		Nine months ended 30 September	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Provision for Hong Kong Profits Tax				
Current tax	1,800	1,157	4,700	3,675
Deferred tax	134	(6)	304	20
	1,934	1,151	5,004	3,695

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\$2.0 million of profits of qualifying corporations will be taxed at 8.25%, and profits above HK\$2.0 million will be taxed at 16.5%.

For the nine months ended 30 September 2020 and 2019, Hong Kong Profits Tax of A-City Workshop is calculated in accordance with the two-tiered profits tax rates regime.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 30 September 2020

7. EARNINGS PER SHARE

	Three months ended 30 September		Nine months ended 30 September	
	2020 <i>HK\$'000</i> (Unaudited)	2019 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Unaudited)	2019 <i>HK\$'000</i> (Unaudited)
Earnings for the purpose of calculating basic earnings per share (profit for the period) (HK\$'000)	16,247	5,627	30,953	10,688
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share (in thousand)	400,000	300,000	400,000	300,000

There were no dilutive potential ordinary shares during the nine months ended 30 September 2020 and 2019 and therefore, diluted earnings per share equals to basic earnings per share.

8. DIVIDEND

The directors of the Company do not recommend the payment of any dividend in respect of the period for the nine months ended 30 September 2020 (nine months ended 30 September 2019: Nil).

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. On 18 June 2020, A-City Workshop was approved and was registered as 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**").

PROSPECTS

The Shares 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 Approved Specialist Contractors. Such application was completed and A-City Workshop was approved and was registered as Approved Specialist Contractors on 18 June 2020. 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

In view of the outbreak of novel coronavirus pneumonia (the “**Epidemic**”) in Hong Kong since January 2020, the Group has implemented measures, including frequent cleaning with disinfectant, ensuring all staffs wearing face masks at work, conducting body temperature test, etc., to protect the health and safety of the employees. We will continue to closely monitor the development of the Epidemic and use every effort on epidemic prevention and control during our daily operation. Our Directors believe that Epidemic will not bring significant impact on the Group’s continuing business operations.

FINANCIAL REVIEW

Revenue

Our revenue increased from approximately HK\$137.8 million for the nine months ended 30 September 2019 to approximately HK\$189.7 million for the nine months ended 30 September 2020, representing an increase of approximately HK\$51.9 million or 37.6%. Our revenue increased primarily due to the increase in the number of projects with revenue contributed to our Group during the nine months ended 30 September 2020 and an increase in our revenue derived from the relatively larger scale projects. They are illustrated in the tables below:

Number of projects with revenue contributions:

	Nine months ended 30 September	
	2020	2019
Public sector projects	15	11
Private sector projects	11	5
Total	26	16

MANAGEMENT'S DISCUSSION AND ANALYSIS

Number of projects with revenue recognised:

	Nine months ended 30 September	
	2020	2019
HK\$10.0 million or above	7	5
HK\$5.0 million to below HK\$10.0 million	2	1
HK\$1.0 million to below HK\$5.0 million	6	5
Below HK\$1.0 million	11	5
Total	26	16

Cost of Services

Cost of services increased by approximately HK\$40.2 million, or 35.9%, from approximately HK\$111.8 million for the nine months ended 30 September 2019 to approximately HK\$152.1 million for the nine months ended 30 September 2020. Such increase in cost of services was generally in line with the increase in revenue.

Gross Profit and Gross Profit Margin

Gross profit increased by approximately HK\$11.7 million, or 45.0%, from approximately HK\$25.9 million for the nine months ended 30 September 2019 to approximately HK\$37.6 million for the nine months ended 30 September 2020. Our gross profit margin increased from approximately 18.8% for the nine months ended 30 September 2019 to approximately 19.8% for the nine months ended 30 September 2020 which remained broadly stable in both period.

Other Income, Gains and Losses

Other income, gains and losses increased significantly by approximately HK\$5.3 million, or 5,135.9%. Such significant increase was mainly due to the time-limited financial support from the Employment Support Scheme under the Anti-epidemic Fund launched by The Government of the Hong Kong Special Administrative Region and the increase in bank interest income.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Administrative Expenses

Administrative expenses increased significantly by approximately HK\$3.9 million or 129.1% from approximately HK\$3.1 million for the nine months ended 30 September 2019 to approximately HK\$7.0 million for the nine months ended 30 September 2020. The significant increase of administrative expense was mainly contributed by the general increment in Directors' and administration and finance staffs' salaries and professional fee after listing.

Listing Expenses

Listing expenses decreased significantly by approximately HK\$8.6 million or 100% from approximately HK\$8.6 million for the nine months ended 30 September 2019 to nil for the nine months ended 30 September 2020.

Finance Costs

The Group's finance costs for the nine months ended 30 September 2020 amounted to approximately HK\$8,000, which was mainly derived from lease liabilities. The finance costs for the nine months ended 30 September 2019 amounted to approximately HK\$31,000, which were derived from lease liabilities and bank overdrafts.

Income Tax Expenses

Income tax expenses increased by approximately HK\$1.3 million or 35.4% from approximately HK\$3.7 million for the nine months ended 30 September 2019 to approximately HK\$5.0 million for the nine months ended 30 September 2020. The increase in the income tax expense was 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 attributable to equity holders of the Company for the Period

Profit and total comprehensive income attributable to equity holders of the Company increased significantly from approximately HK\$10.7 million for the nine months ended 30 September 2019 to approximately HK\$31.0 million for the nine months ended 30 September 2020, representing a significant increase of approximately HK\$20.3 million or 189.6%. Such significant increase was mainly attributable to the financial support received from the Anti-epidemic Fund and the significant decrease in listing expenses incurred by the Group for the nine months ended 30 September 2020 as compared to the nine months ended 30 September 2019. As such, adjusted profit and total comprehensive income attributable to equity holders of the Company amounted to approximately HK\$26.0 million (excluding listing expenses and the financial support from the Anti-epidemic Fund) for the nine months ended 30 September 2020, which increased by HK\$6.7 million or 34.8% as compared with HK\$19.3 million for the nine months ended 30 September 2019.

MANAGEMENT'S DISCUSSION AND ANALYSIS

DIVIDEND

The Board does not recommend the payment of any dividend for the nine months ended 30 September 2020 (nine months ended 30 September 2019: nil).

USE OF PROCEEDS

The net proceeds from the Listing (after deducting the underwriting fees and other listing expenses borne by the Company) amounted to approximately HK\$37.1 million. After the Listing, a part of these proceeds have been applied for the purposes as set out in the section headed the "Future Plans And Use of Proceeds" in the Prospectus.

As disclosed in the Prospectus, the estimated net proceeds from the Listing, after deduction of the underwriting fees and expenses paid by the Company in connection therewith, were approximately HK\$40.0 million. The actual net proceeds received by the Company were approximately HK\$37.1 million. The Company adjusted the difference of approximately HK\$2.9 million accordingly to each business strategies in the same proportion as the original funds applied as shown in the Prospectus. The adjusted net proceeds is shown as below:

	Estimated net proceeds <i>HK\$ million</i>	Actual net proceeds <i>HK\$ million</i>
Strengthening our manpower by recruiting additional staff	11.3	10.5
Acquisition of additional machinery	4.7	4.4
Increasing our reserve for financing the issue of performance guarantees in favour of our customers	2.0	1.8
Maintaining the specific working capital required for being an Approved Specialist Contractor	22.0	20.4
Total	40.0	37.1

MANAGEMENT'S DISCUSSION AND ANALYSIS

An analysis of the planned usage of net proceeds as stated in the Prospectus and the actual utilisation of the net proceeds from the Listing Date up to 30 September 2020 are set out as below:

Period	Strengthening our manpower by recruiting additional staff <i>HK\$ million</i>	Acquisition of additional machinery <i>HK\$ million</i>	Increasing our reserve for financing the issue of performance guarantees in favour of our customers <i>HK\$ million</i>	Maintaining the specific working capital required for being an Approved Specialist Contractor <i>HK\$ million</i>	Total <i>HK\$ million</i>
Planned use of net proceeds					
From Listing Date to 31 December 2019	1.0	4.7	2.0	22.0	29.7
From 1 January 2020 to 31 March 2020	1.5	-	-	-	1.5
From 1 April 2020 to 30 June 2020	1.5	-	-	-	1.5
From 1 July 2020 to 30 September 2020	2.4	-	-	-	2.4
Total	6.4	4.7	2.0	22.0	35.1
Adjusted use of net proceeds					
From Listing Date to 31 December 2019	0.8	4.4	1.8	20.4	27.4
From 1 January 2020 to 31 March 2020	1.4	-	-	-	1.4
From 1 April 2020 to 30 June 2020	1.4	-	-	-	1.4
From 1 July 2020 to 30 September 2020	2.2	-	-	-	2.2
Total	5.8	4.4	1.8	20.4	32.4
Actual use of net proceeds					
From Listing Date to 31 December 2019	0.8	4.4	1.8	20.4	27.4
From 1 January 2020 to 31 March 2020	1.4	-	-	-	1.4
From 1 April 2020 to 30 June 2020	1.4	-	-	-	1.4
From 1 July 2020 to 30 September 2020	2.2	-	-	-	2.2
Total	5.8	4.4	1.8	20.4	32.4

MANAGEMENT'S DISCUSSION AND ANALYSIS

COMPARISON BETWEEN BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

During the period between the Listing Date and 30 September 2020, the Group has utilised approximately HK\$32.4 million to further strengthen its market position, to increase its market share and to capture the growth in the Hong Kong slope works industry. An analysis comparing the intended business objectives as set out in the Prospectus with the Group's actual business progress for the period from the Listing Date to 30 September 2020 is set out below:

Business strategies as stated in the Prospectus	Implementation activity up to 30 September 2020 as stated in the Prospectus	Actual business progress up to 30 September 2020
Strengthening our manpower by recruiting additional staff	Recruit a project manager/site agent, a site engineer, a site foreman, a safety officer/supervisor, a labour officer, a crane truck operator, site foreman, 25 site workers and 2 administrative staff.	Recruited a project manager/site agent, a site engineer, a site foreman, a safety officer/supervisor, a labour officer, a crane truck operator, a site foreman, 25 site workers and 2 administrative staff.
Acquisition of additional machinery	Acquire four drilling rigs, three grout pumps, one shotcrete machine, one pneumatic drill, one crane truck, four air compressors, two generators and five motor vehicles.	Acquired four drilling rigs, three grout pumps, one shotcrete machine, one pneumatic drill, one crane truck, four air compressor, two generators and five motor vehicles. ^(note 1)
Increasing our reserve for financing the issue of performance guarantees in favour of our customers	Increase our reserve for financing the issue of performance guarantees.	It was completed in February 2020.
Registration on Approved Specialist Contractors for Public Works	Amount earmarked for satisfying the applicable working capital requirement which is used to maintain a minimum working capital of 10% of the combined annual value of uncompleted works on outstanding contracts for being an Approved Specialist Contractor.	Such amount was reserved.

Note:

- The Group purchased two motor vehicles which will arrive before end of this year.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Save as disclosed above, the Group will apply the net proceeds in the manners consistent with the proposed applications set out in the section headed "Future Plans and Use of Proceeds" in the Prospectus. The implementation plans for business strategies and the use of net proceeds as stated in the Prospectus were based on the best estimation and assumption of future market conditions made by the Group at the time of preparing the Prospectus. The Group implemented its business strategies and applied the Net Proceeds based on the actual developments of the Group's business and industry, as well as market conditions.

ENVIRONMENT POLICIES AND PERFORMANCE

The principal activity of the Group is governed by environmental laws and regulations in Hong Kong such as those relation to air pollution control and noise control as set out in the section headed "Regulatory Overview" in the Prospectus.

The Group recognises the importance of environmental protection and has implemented various environmental protection measures, such as reducing air pollutant emissions and noise assessment, in order to minimise the operation impact on the environment and natural resources.

The Group will continue to monitor the business operations in order to ensure that it does not carry any significant adverse effect on the environment and that the Group's environment protection measures are adequate to ensure compliance with all applicable laws or regulations in Hong Kong.

As at the date of this report, no prosecution, penalty or punishment has been imposed upon the Group for the violation of any applicable environmental laws or regulations.

INTERESTS AND SHORT POSITIONS OF DIRECTORS AND CHIEF EXECUTIVE IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATION

As at 30 September 2020, the interests or short positions of each of the Directors and the chief executive of the Company in the shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) which (a) would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which such Directors and chief executives of the Company were taken or deemed to have under such provisions of the SFO); or (b) would be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) would be required, pursuant to Rule 5.46 of the GEM Listing Rules relating to securities transactions by directors, to be notified to the Company and the Stock Exchange were as follows:

Long positions in shares and underlying shares of the Company

Names of Directors	Company concerned	Nature of interest/ holding capacity	Number of Ordinary shares held	Percentage of interests in the issued share capital of the Company
Mr. Sieh	Company	Interest in a controlled corporation/Interests held jointly with another person	300,000,000 (L) <i>(Notes 2 and 3)</i>	75% <i>(Note 1)</i>
	Good Hill	Beneficial owner	2(L) <i>(Notes 3)</i>	50%
Mr. Ho	Company	Interest in a controlled corporation/Interests held jointly with another person	300,000,000 (L) <i>(Notes 2 and 3)</i>	75% <i>(Note 1)</i>
	Good Hill	Beneficial owner	2(L) <i>(Notes 3)</i>	50%

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Notes:

1. As at 30 September 2020, the Company's issued ordinary share capital was HK\$4.0 million divided into 400,000,000 shares of HK\$0.01 each.
2. These 300,000,000 Shares are held by Good Hill, which in turn are directly owned in equal share by each of Mr. Sieh and Mr. Ho. As such, Mr. Sieh and Mr. Ho are deemed under the SFO to be interested in the 300,000,000 Shares collectively held through Good Hill.
3. The letter "L" denotes the person's long position in the shares.

Save as disclosed above, as at the date of this report, none of the Directors or the chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered into the register required to be kept therein; or (iii) pursuant to Rules 5.46 of the GEM Listing Rules relating to securities transactions by directors to be notified to the Company and the Stock Exchange.

INTERESTS AND SHORT POSITIONS OF THE SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 30 September 2020, so far as it is known to the Directors, the following persons (not being a Director or chief executive of the Company) had or were deemed to have interests in shares or underlying shares of the Company which (i) were recorded in the register required to be kept by the Company under Section 336 of the SFO, or (ii) which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO and the GEM Listing Rules, or (iii) who will be,

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directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group.

Names of shareholders	Nature of Interest/ holding capacity	Number of ordinary shares held	Percentage of interests in the issued share capital of the Company <small>(Note 1)</small>
Good Hill	Beneficial owner	300,000,000 (L) <small>(Notes 2 and 5)</small>	75%
Ms. Cao Hongmei	Interest of spouse	300,000,000 (L) <small>(Notes 3 and 5)</small>	75%
Ms. Lee Kim Kum	Interest of spouse	300,000,000 (L) <small>(Notes 4 and 5)</small>	75%

Notes:

1. As at 30 September 2020, the Company's issued ordinary share capital was HK\$4.0 million divided into 400,000,000 shares of HK\$0.01 each.
2. These 300,000,000 Shares are held by Good Hill, which in turn are directly owned in equal share by each of Mr. Sieh and Mr. Ho. As such, Mr. Sieh and Mr. Ho are deemed under the SFO to be interested in the 300,000,000 Shares collectively held through Good Hill.
3. Ms. Cao Hongmei is the spouse of Mr. Sieh. As such, she is deemed to be interested in the shares of the Company in which Mr. Sieh Shing Kee is interested under Part XV of the SFO.
4. Ms. Lee Kim Kum is the spouse of Mr. Ho. As such, she is deemed to be interested in the shares of the Company in which Mr. Ho Ka Ki is interested under Part XV of the SFO.
5. The letter "L" denotes the person's long position in the shares of the Company.

Save as disclosed above, as at the 30 September 2020, the Directors have not been notified by any person who had interests or short positions in the Shares or underlying Shares or debentures of the Company as recorded in the register required to be kept pursuant to Section 336 of the SFO, or which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO.

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CHANGES IN THE COMPANY'S AND THE DIRECTORS' INFORMATION

Changes in the information of the Company's and the Directors since the date of the Company's annual report 2019 are as follow:

- (1) Mr. Sieh's residential address has been changed to Flat A, 55/F, Tower 6, Manhattan Hill, No. 1 Po Lun Street, Kowloon with effect from 20 June 2020.
- (2) Mr. Kwong Che Sing's residential address has been changed to Flat D, 4/F., Block 1, Lai King Disciplined Services Qt., 18 Lai Chi Ling Road, Kwai Chung, New Territories with effect from 18 June 2020.
- (3) The Company's principal place of business in Hong Kong has been changed to Unit 1A, 6/F, Harbour Crystal Centre, 100 Granville Road, Tsim Sha Tsui, Hong Kong.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's shares during the nine months ended 30 September 2020.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a Code of Ethics and Securities Transactions (the "**Code**") on the terms which are not exactly less 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 nine months ended 30 September 2020.

COMPETING INTERESTS

The Directors confirm that none of the Controlling Shareholders or the Directors and their respective close associates (as defined in the GEM Listing Rules) is interested in any business apart from the business operated by our Group which competes or is likely to compete, directly or indirectly, with our Group's business from the Listing Date to the date of this report.

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 30 September 2020, 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.

AUDIT COMMITTEE

Our Company established an audit committee on 25 November 2019 in compliance with Rule 5.28 to 5.33 of the GEM Listing Rules. Written terms of reference in compliance with paragraph C.3.3 of the principles and code provisions as set out in the corporate governance (the **"CG Code"**) were adopted. 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 and he is a certified public accountant with more than 18 years of experience in professional accounting. Accordingly, the Company has fully complied with Rule 5.05(2) of the GEM Listing Rules.

This report and the unaudited Condensed Consolidated Financial Statements have been reviewed by the audit committee of the Company and opined that the applicable accounting standards and requirements have been complied with and adequate disclosures have been made.

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the nine months ended 30 September 2020 (for the nine months ended 30 September 2019: nil).

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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 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 from the Listing Date to the date of this report, the Company has complied with all applicable code provisions as set out in the CG Code.

EVENTS AFTER THE END OF REPORTING PERIOD

There are no significant events affecting the Group from 30 September 2020 to the date of this report.

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

Hong Kong, 4 November 2020