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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 2020**

### **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 from approximately HK\$183.9 million for the year ended 31 December 2019 to approximately HK\$276.0 million for the year ended 31 December 2020, representing an increase of approximately HK\$92.1 million or 50.1%.
- Profit and total comprehensive income for the year amounted to approximately HK\$39.4 million, increased significantly by approximately HK\$32.5 million or 473.1% as compared with HK\$6.9 million for the year ended 31 December 2019.
- Adjusted profit and total comprehensive income for the year ended 31 December 2020 (excluding transfer of listing and related expenses/listing expenses and financial support from the Anti-epidemic fund) amounted to approximately HK\$36.5 million, as compared to the year ended 31 December 2019 for approximately HK\$23.7 million, increased significantly by approximately HK\$12.8 million or 54.3%.
- The Board has resolved not to recommend the declaration of a final dividend for the year ended 31 December 2020 (2019: 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 2020 together with the comparative figures for the year ended 31 December 2019 as follows.

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

	<i>Notes</i>	<b>2020</b> <b>HK\$'000</b>	2019 <i>HK\$'000</i>
<b>Revenue</b>	4	<b>276,006</b>	183,903
Cost of services		<u>(224,410)</u>	<u>(150,546)</u>
<b>Gross profit</b>		<b>51,596</b>	33,357
Other income, gains and losses, net	5	<b>4,784</b>	224
Administrative expenses		<b>(8,672)</b>	(5,302)
Transfer of listing and related expenses		<b>(1,449)</b>	–
Listing expenses		–	(16,769)
Finance costs	6	<u>(15)</u>	<u>(34)</u>
<b>Profit before income tax</b>	7	<b>46,244</b>	11,476
Income tax expense	8	<u>(6,894)</u>	<u>(4,610)</u>
<b>Profit and total comprehensive income for the year</b>		<u><b>39,350</b></u>	<u>6,866</u>
<b>Earnings per share attributable to equity holders of the Company</b>			
Basic and diluted	10	<u><b>HK9.84 cents</b></u>	<u>HK2.25 cents</u>

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	<i>Notes</i>	<b>2020</b> <b>HK\$'000</b>	2019 HK\$'000
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment		<b>4,948</b>	2,692
Deposits paid for acquisition of property, plant and equipment	<i>11</i>	<u>–</u>	<u>723</u>
		<b>4,948</b>	3,415
<b>Current assets</b>			
Contract assets	<i>12</i>	<b>50,494</b>	21,198
Trade and other receivables	<i>11</i>	<b>22,311</b>	16,744
Cash and bank balances		<u>83,531</u>	<u>66,701</u>
		<b>156,336</b>	104,643
<b>Current liabilities</b>			
Trade and other payables	<i>13</i>	<b>31,362</b>	14,536
Lease liabilities	<i>14</i>	<b>260</b>	329
Current tax liabilities		<u>2,160</u>	<u>5,424</u>
		<b>33,782</b>	20,289
<b>Net current assets</b>		<u><b>122,554</b></u>	<u>84,354</u>
<b>Total assets less current liabilities</b>		<u><b>127,502</b></u>	<u>87,769</u>
<b>Non-current liabilities</b>			
Lease liabilities	<i>14</i>	<b>181</b>	–
Deferred tax liabilities		<u>459</u>	<u>257</u>
		<b>640</b>	257
<b>Net assets</b>		<u><b>126,862</b></u>	<u>87,512</u>
<b>EQUITY</b>			
Share capital	<i>15</i>	<b>4,000</b>	4,000
Reserves		<u>122,862</u>	<u>83,512</u>
<b>Equity attributable to equity holders of the Company</b>		<u><b>126,862</b></u>	<u>87,512</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2020*

## 1. GENERAL INFORMATION AND BASIS OF PRESENTATION

### 1.1 General information

Maxicity Holdings Limited (the “**Company**”) was incorporated as an exempted company with limited liability in the Cayman Islands under the Companies Act of the Cayman Islands on 30 January 2019. The addresses of the Company’s registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. With effect from 2 September 2020, the address of principal place of business of the Company has been changed to Unit 1A, 6/F, Harbour Crystal Centre, 100 Granville Road, Tsim Sha Tsui, Hong Kong from Room 2302-2303, 23/F., Omega Plaza, 32-34A Dundas Street, Mongkok, Hong Kong.

The Company’s shares are listed on the GEM of the Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 13 December 2019 (the “**Listing**”).

The Company is an investment holding company. The Company and its subsidiaries (collectively referred to as the “**Group**”) are 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 26 February 2021.

### 1.2 Reorganisation and basis of presentation

Pursuant to the 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**”) in connection with the Listing, the Company became the holding company of the companies now comprising the Group on 15 March 2019. The Group is under 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. Accordingly, for the purpose of the preparation of the consolidated financial statements of the Group, the Company has been considered as the holding company of the companies comprising the Group after the Reorganisation throughout the years ended 31 December 2020 and 2019 or since their respective dates of incorporation, where there is a shorter period.

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 year ended 31 December 2019 or since their respective dates of incorporation, where there is a shorter period.

## 2. BASIS OF PREPARATION

These 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 applicable disclosure requirements of the Hong Kong Companies Ordinance and include the applicable disclosure requirements of the Rules Governing the Listing of Securities (“**Listing Rules**”) on the GEM of the Stock Exchange.

The significant accounting policies that have been used in the preparation of this consolidated financial statements are summarised below. These policies 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 2020**

In the current year, the Group has applied for the first time the following new and amended HKFRSs issued by the HKICPA, which are relevant to the Group’s operations and effective for the Group’s consolidated financial statements for the annual period beginning on 1 January 2020:

Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform
Amendments to HKAS 1 and HKAS 8	Definition of Material

The adoption of these new and amended HKFRSs do not have any material impact on the Group’s consolidated financial statements.

## Issued but not yet effective HKFRSs

At the date of authorisation of these 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.

HKFRS 17	Insurance Contracts and related amendments <sup>4</sup>
Amendments to HKFRS 3	Reference to the Conceptual Framework <sup>6</sup>
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform-Phase 2 <sup>2</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>5</sup>
Amendments to HKFRS 16	Covid-19-Related Rent Concessions <sup>1</sup>
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current <sup>4</sup>
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use <sup>3</sup>
Amendments to HKAS 37	Onerous Contracts-Cost of Fulfilling a Contract <sup>3</sup>
Amendments to HKFRSs	Annual Improvements to HKFRS Standards 2018-2020 <sup>3</sup>
Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combination <sup>6</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 June 2020

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2021

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2022

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2023

<sup>5</sup> Effective date not yet determined

<sup>6</sup> Effective for business combinations/common control combination for which the acquisition date/combination date is on or after the beginning of the first annual period beginning on or after 1 January 2022

The directors anticipate that all of the new and amended HKFRSs will be adopted in the Group's accounting policy for the first period beginning on or after the effective date of the new and amended HKFRSs. These new and amended HKFRSs are not expected 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 of the consolidated financial statements. Revenue represents income arising on the provision of slope works to external customers. The Group's revenue is recognised over time.

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
<b>Provision of slope works</b>		
– Public sector projects	239,915	149,812
– Private sector projects	<u>36,091</u>	<u>34,091</u>
	<u><u>276,006</u></u>	<u><u>183,903</u></u>

##### *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.

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
<b>Remaining performance obligations expected to be satisfied during the year ending</b>		
31 December 2020	–	149,772
31 December 2021	136,197	9,548
31 December 2022	18,125	–
31 December 2023	18,125	–
31 December 2024	<u>18,125</u>	<u>–</u>
	<u><u>190,572</u></u>	<u><u>159,320</u></u>

## 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 and performance assessment. 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:

	<b>2020</b>	2019
	<b>HK\$'000</b>	HK\$'000
Customer A	N/A*	63,842
Customer B	<b>59,339</b>	49,946
Customer C	<b>95,703</b>	45,007
Customer D	<b>78,018</b>	N/A*

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

## 5. OTHER INCOME, GAINS AND LOSSES, NET

	<b>2020</b>	2019
	<b>HK\$'000</b>	HK\$'000
Bank interest income	<b>450</b>	41
(Loss)/gain on disposal of property, plant and equipment	<b>(5)</b>	182
Government grant (note)	<b>4,332</b>	–
Sundry income	<b>7</b>	1
	<b>4,784</b>	224

*Note:*

During the year ended 31 December 2020, the Group recognised the subsidies of approximately HK\$4,332,000 in relation to Construction Industry Anti-epidemic Fund launched by the Construction Industry Council, a subsidy for registered owners of goods vehicles provided by Transport Department and Employment Support Scheme for Regular Employees and Construction Sector (Casual Employees) under Anti-epidemic Fund provided by the Government of Hong Kong Special Administrative Region as part of the relief measures on COVID-19 pandemic.

## 6. FINANCE COSTS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Interest expense on bank overdrafts	–	4
Finance charges on lease liabilities	<u>15</u>	<u>30</u>
	<u><b>15</b></u>	<u><b>34</b></u>

## 7. PROFIT BEFORE INCOME TAX

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Profit before income tax is arrived at after charging:		
(a) Staff costs (including directors' emoluments) (note)		
– Salaries, wages and other benefits	74,910	48,442
– Contributions to defined contribution retirement plans	<u>2,978</u>	<u>1,933</u>
	<u><b>77,888</b></u>	<u><b>50,375</b></u>

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

– Cost of services	73,332	47,819
– Administrative expenses	<u>4,556</u>	<u>2,556</u>
	<u><b>77,888</b></u>	<u><b>50,375</b></u>

### (b) Other items

Depreciation, included in:

– Cost of services		
– owned assets	1,184	579
– Administrative expenses		
– owned assets	52	51
– right-of-use assets	<u>422</u>	<u>507</u>
	<u><b>1,658</b></u>	<u><b>1,137</b></u>

Auditor's remuneration	700	600
Subcontracting charges (included in cost of services)	61,163	43,248
Short term lease with lease term less than 12 months in respect of machinery (included in cost of services)	5,722	3,782
Written-off of property, plant and equipment	57	–
Transfer of listing and related expenses	1,449	–
Listing expenses	<u>–</u>	<u>16,769</u>

## 8. INCOME TAX EXPENSE

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Provision for Hong Kong Profits Tax		
– Current tax	6,710	4,541
– Over provision in respect of prior years	<u>(18)</u>	<u>–</u>
	6,692	4,541
Deferred tax	<u>202</u>	<u>69</u>
	<u><b>6,894</b></u>	<u><b>4,610</b></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.

Under the two-tiered profits tax rates regime, the first HK\$2,000,000 of profits of qualifying corporations will be taxed at 8.25%, and profits above HK\$2,000,000 will be taxed at 16.5%.

For the years ended 31 December 2020 and 2019, Hong Kong Profits Tax of A-City, a subsidiary of the Group, is calculated in accordance with the two-tiered profits tax rates regime.

Reconciliation between income tax expense and accounting profit at applicable tax rate:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Profit before income tax	<u>46,244</u>	<u>11,476</u>
Tax at Hong Kong Profits Tax rate of 16.5%	7,630	1,894
Tax effect of non-taxable revenue	(789)	–
Tax effect of non-deductible expenses	236	2,881
Effect of two-tiered profits tax rates regime	(165)	(165)
Over provision in respect of prior years	<u>(18)</u>	<u>–</u>
Income tax expense	<u><b>6,894</b></u>	<u><b>4,610</b></u>

## 9. DIVIDENDS

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 2020.

## 10. EARNINGS PER SHARE

	2020	2019
Earnings for the purpose of calculating basic earnings per share (profit for the year) (HK\$'000)	39,350	6,866
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share (in thousand)	<u>400,000</u>	<u>305,479</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 ended 31 December 2019 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)(“**Share Offer**”).

For the year ended 31 December 2020, the weighted average number of ordinary shares is 400,000,000.

Diluted earnings per share is the same as basic earnings per share as there were no dilutive potential ordinary shares during the years ended 31 December 2020 and 2019.

## 11. TRADE AND OTHER RECEIVABLES

	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables (note (i))	18,713	10,569
Prepayments (note (ii))	2,788	1,988
Deposits (note (iii))	<u>810</u>	<u>4,910</u>
	22,311	17,467
<b>Less: non-current portion</b>		
Deposits paid for acquisition of property, plant and equipment (note (iii))	<u>–</u>	<u>(723)</u>
<b>Current portion</b>	<u>22,311</u>	<u>16,744</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.

Notes:

**(i) 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 judgement and experience of the management.

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

	<b>2020</b>	2019
	<b>HK\$'000</b>	HK\$'000
0-30 days	<b>12,496</b>	10,569
31-90 days	<b>6,217</b>	–
	<b><u>18,713</u></b>	<b><u>10,569</u></b>

The Group applies the simplified approach to provide for ECLs prescribed by HKFRS 9 which permits the use of lifetime ECL provision for all trade receivables. The management assessed the lifetime ECL rates and determined no loss allowance provision is necessary during the years ended 31 December 2020 and 2019.

**(ii) Prepayments**

As at 31 December 2020, prepayments mainly comprised of: (1) prepaid transfer of listing expenses amounted to HK\$851,000 (2019: nil); and (2) prepaid expenses for insurance covered in sites operation and machinery rentals expenses amounted to HK\$1,701,000 (2019: HK\$1,607,000).

**(iii) Deposits**

As at 31 December 2019, deposits mainly comprise of a performance bond of HK\$3,100,000 paid to an insurance company and deposits paid for acquisition of property, plant and equipment of HK\$723,000 respectively. The deposit of performance bond was released during the year ended 31 December 2020.

## 12. CONTRACT ASSETS

	<b>2020</b> <b>HK\$'000</b>	2019 <i>HK\$'000</i>
Unbilled revenue	<b>38,573</b>	17,847
Retention receivables	<b>11,921</b>	3,351
	<b><u>50,494</u></b>	<u>21,198</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 the customers or their appointed architects, surveyors or other representatives; 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. The management assessed the lifetime ECL rates and determined no loss allowance provision is necessary during the years ended 31 December 2020 and 2019.

Changes of contract assets during the year ended 31 December 2020 were mainly due to:

- (i) 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;
- (ii) Changes in number of contract works that the relevant services were completed but yet been certified at the end of each reporting period; and
- (iii) Performance bonds amounting to HK\$8,000,000 paid to its customer to secure the due performance of construction projects and are recognised as retention receivables during the year ended 31 December 2020.

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

	<b>2020</b> <b>HK\$'000</b>	2019 <i>HK\$'000</i>
Transfers from contract assets recognised at the beginning of the year to trade receivables	<b><u>18,622</u></b>	<u>15,779</u>

No contract liability was noted during the years ended 31 December 2020 and 2019.

### 13. TRADE AND OTHER PAYABLES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade payables (note (i))	28,324	12,286
Accruals and other payables	2,300	2,250
Deferred government grant (note (ii))	<u>738</u>	<u>–</u>
	<u><b>31,362</b></u>	<u><b>14,536</b></u>

*Notes:*

- (i) 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:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
0-30 days	28,233	11,185
31-60 days	–	999
91-365 days	<u>91</u>	<u>102</u>
	<u><b>28,324</b></u>	<u><b>12,286</b></u>

- (ii) Deferred government grant related to Employment Support Scheme for the Construction Sector (Casual Employees) under Anti-epidemic Fund provided by the Government of Hong Kong Special Administrative Region. The government grant is credited to the consolidated statement of profit or loss and other comprehensive income upon fulfilment of the conditions and on a straight line basis over the period necessary to match them with the costs that the grant is intended to compensate.
- (iii) 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:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
<b>Total minimum lease payments:</b>		
Within one year	276	335
After one year but within two years	<u>184</u>	<u>–</u>
	460	335
Less: Future finance charges on lease liabilities	<u>(19)</u>	<u>(6)</u>
Present value of lease liabilities	<u><b>441</b></u>	<u><b>329</b></u>
<b>Present value of minimum lease payments:</b>		
Within one year	260	329
After one year but within two years	<u>181</u>	<u>–</u>
	441	329
Less: Portion due within one year included under current liabilities	<u>(260)</u>	<u>(329)</u>
Portion due after one year included under non-current liabilities	<u><b>181</b></u>	<u><b>–</b></u>

During the year ended 31 December 2020, the total cash outflows for the leases are approximately HK\$6,118,000 (2019: HK\$4,286,000).

## 15. SHARE CAPITAL

Movements of the authorised and issued share capital of the Company for the years ended 31 December 2020 and 2019 are as follows:

	Number of shares	HK\$'000
<b>Authorised:</b>		
Ordinary shares of HK\$0.01 each upon incorporation	38,000,000	380
Increase in authorised share capital (note (iii))	<u>962,000,000</u>	<u>9,620</u>
<b>As at 31 December 2019 and 2020</b>	<b><u>1,000,000,000</u></b>	<b><u>10,000</u></b>
<b>Issued and fully paid:</b>		
Upon incorporation (note (i))	1	—*
Issuance of shares upon the Reorganisation (note (ii))	2,000	—*
Issue of share upon public offering and placing (note (iv))	100,000,000	1,000
Capitalisation issue of shares (note (v))	<u>299,997,999</u>	<u>3,000</u>
<b>As at 31 December 2019 and 2020</b>	<b><u>400,000,000</u></b>	<b><u>4,000</u></b>

\* 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, Mr. Ho and Mr. Sieh transferred 500 shares of A-City each, in aggregate representing the entire issued share capital of A-City, to Kanic International for a consideration of HK\$26,780,000, which was determined based on the net asset value of A-City 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. 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 a 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 from 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". A-City Workshop is also registered as a Registered Specialist Trade Contractor for reinforcement bar fixing, concreting formwork and concreting and registered as a Registered Subcontractor for earthwork and geotechnical works under Registered Specialist Trade Contractors Scheme in Construction Industry Council. On 18 June 2020, A-City Workshop was approved and was registered as an Approved Specialist Contractor.

During the year ended 31 December 2020, the Group undertook 28 contracts with an aggregate contract sum of approximately HK\$792.4 million in which the Group had completed 9 contracts with an aggregate contract sum of approximately HK\$220.2 million. As at 31 December 2020, the Group had 19 contracts in progress with an aggregate contract sum of approximately HK\$572.2 million.

### PROSPECTS/BUSINESS OUTLOOK

The estimated revenue of slope works in Hong Kong is forecasted to grow from 2020 to 2025. Our executive Directors believe that the development of slope works industry is closely related to the construction industry as a whole, and the slope works industry is expected to benefit from the Promotion of Landslip Prevention and Mitigation Programme ("**LPMitP**"), continuous demand for slope work from large scale public infrastructure projects and rising supply of residential buildings and slope converted net site area. In order to capture such growth, we strengthened our manpower by recruiting additional staff for new slope works projects and were in the process of financing the issue of performance guarantees in favour of our customers for coming projects as stated in our business objectives in the prospectus of the Company dated 30 November 2019 (the "**Prospectus**").

On 18 June 2020, A-City Workshop Limited ("**A-City Workshop**"), the Group's principal operating subsidiary, 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 Contractor**"). Our executive Directors consider that such registration will significantly enhance our market position and facilitate us to expand our market share in the slope works industry in Hong Kong. Our rights to tender public slope works directly from the Government of Hong Kong (the "**Government**") will give us exposure to more business opportunities and will allow us to capture the forecasted growth in public slope works.

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 wear face masks at work, and 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 operations. Our Directors believe that Epidemic will not have significant impact on the Group’s continuing business operations.

## FINANCIAL REVIEW

### Revenue

Our revenue increased from approximately HK\$183.9 million for the year ended 31 December 2019 to approximately HK\$276.0 million for the year ended 31 December 2020, representing an increase of approximately 50.1% or approximately HK\$92.1 million. Our revenue increased primarily due to the increase in the number of projects with revenue contributed to our Group during the year ended 31 December 2020 and an increase in our revenue derived from relatively larger scale projects. They are illustrated in the tables below:

Number of projects with revenue contributions:

	2020	2019
Public sector projects	16	12
Private sector projects	12	6
	<hr/>	<hr/>
Total	<b>28</b>	<b>18</b>
	<hr/> <hr/>	<hr/> <hr/>

	2020	2019
Revenue recognised:		
HK\$10.0 million or above	9	6
HK\$5.0 million to below HK\$10.0 million	1	2
HK\$1.0 million to below HK\$5.0 million	8	5
Below HK\$1.0 million	10	5
	<hr/>	<hr/>
Total	<b>28</b>	<b>18</b>
	<hr/> <hr/>	<hr/> <hr/>

### Cost of Services

Cost of services increased by approximately HK\$73.9 million, or 49.1%, from approximately HK\$150.5 million for the year ended 31 December 2019 to approximately HK\$224.4 million for the year ended 31 December 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 significantly by approximately HK\$18.2 million, or 54.7%, from approximately HK\$33.4 million for the year ended 31 December 2019 to approximately HK\$51.6 million for the year ended 31 December 2020. Our gross profit margin slightly increased by 0.6% from approximately 18.1% for the year ended 31 December 2019 to approximately 18.7% for the year ended 31 December 2020 which remained broadly stable in both years.

## **Other Income, Gains and Losses, Net**

Other income, gains and losses, net increased by approximately HK\$4.6 million from approximately HK\$0.2 million for the year ended 31 December 2019 to approximately of HK\$4.8 million for the year ended 31 December 2020. Such increase was primarily attributable to the government grants received by our Group of approximately HK\$4.3 million in relation to Anti-epidemic Fund during the year ended 31 December 2020.

## **Administrative Expenses**

Administrative expenses increased significantly by approximately HK\$3.4 million, or 63.6% from approximately HK\$5.3 million for the year ended 31 December 2019 to approximately HK\$8.7 million for the year ended 31 December 2020. Such significant increase in administrative expense was mainly contributed by (i) the increase of our finance and administrative staffs and the increase in Directors' salaries and allowance, and (ii) an increase in legal and professional fees of approximately HK\$1.8 million such as compliance adviser fee, legal adviser fee, auditor's remuneration and annual listing fee.

## **Transfer of Listing and Related Expenses/Listing Expenses**

The Listing expenses amounting to approximately HK\$16.8 million was attributable to the professional fee for the Listing during the year 31 December 2019. The transfer of listing and related expenses amounting to approximately HK\$1.4 million was attributable to the proposed transfer of the listing of the Company's shares from GEM to the Main Board of HKEx during the year 31 December 2020.

## **Finance Costs**

The Group's finance costs for the year ended 31 December 2020 was approximately HK\$15,000, which was mainly derived from the lease liabilities. The finance costs for the year ended 31 December 2019 amounted to approximately HK\$34,000, which were derived from lease liabilities and bank overdrafts.

## **Income Tax Expenses**

Our income tax expenses significantly increased from approximately HK\$4.6 million for the year ended 31 December 2019 to approximately HK\$6.9 million for the year ended 31 December 2020, representing an increase of approximately HK\$2.3 million or 50.0%. The significant increase was primarily driven by the increase of our profit before income tax as a result of all of the aforesaid and in particular the increase in revenue and gross profit.

## **Profit and Total Comprehensive Income for the Year**

As a result of the aforesaid as well as the decrease in the listing expenses of approximately HK\$16.8 million for the year ended 31 December 2019 is replaced by the increase in transfer of listing and related expenses of approximately HK\$1.4 million for the year ended 31 December 2020, our profit and total comprehensive income for the year increased significantly by approximately HK\$32.5 million or 473.1% from approximately HK\$6.9 million for the year ended 31 December 2019 to approximately HK\$39.4 million for the year ended 31 December 2020.

## **NOTE OF APPRECIATION**

On behalf of the Board, I would like to take this opportunity to express my 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 year ended 31 December 2020, 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 during the year ended 31 December 2020 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 2020 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 2020. As at 31 December 2020, the Group had cash and bank balances of approximately HK\$83.5 million (as at 31 December 2019: approximately HK\$66.7 million), increased by approximately HK\$16.8 million, or 25.2%, which was mainly attributable to cash generated from operations.

### **Gearing ratio**

The Group's gearing ratio (dividing lease liabilities by equity attributable to equity holders of the Company at year end date) decreased from 0.4% as at 31 December 2019 to 0.3% as at 31 December 2020. The decrease was mainly due to the increase in equity attributable to equity holders of the Company.

### **Current ratio**

As at 31 December 2020, the Group had net current assets of approximately HK\$122.6 million, representing a significant increase of approximately HK\$38.2 million as compared to that of approximately HK\$84.4 million as at 31 December 2019. As a result, current ratio increased to 4.6 times as at 31 December 2020 (as at 31 December 2019: 5.2 times).

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 31 December 2020, the Group had 224 employees (2019: 193 employees) excluding the Directors. Total staff costs excluding Directors' remuneration amounted to approximately HK\$75.0 million for the year ended 31 December 2020 (2019: 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 2020, 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 2020, the Group did not have any significant investment, material acquisitions nor disposals of subsidiaries and affiliated companies.

## **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 2020, HK\$34.7 million was utilised. The remaining unutilised proceeds is expected to be fully utilised by 30 June 2021.

## **SIGNIFICANT EVENT DURING AND AFTER THE REPORTING PERIOD**

During the year ended 31 December 2020, the Controlling Shareholders of Company proposed the transfer of the Listing of the Company's shares from GEM to the Main Board of the Stock Exchange in accordance with the Listing Rules.

After the year ended 31 December 2020 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 Board does not recommend the payment of any dividend for the year ended 31 December 2020 (2019: nil).

## **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**

During the year ended 31 December 2020 and up 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 2020.

## **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 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 and the financial adviser agreement in respect of proposed transfer of listing dated 8 December 2020, 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 Monday, 3 May 2021 to Thursday, 6 May 2021 (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 4:30 p.m. on Friday, 30 April 2021.

## **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 2020 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 2020. 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](http://www.hkexnews.hk)) and the Company ([www.maxicity.com.hk](http://www.maxicity.com.hk)). The annual report of the Company for the year ended 31 December 2020 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, 26 February 2021

*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](http://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](http://www.maxicity.com.hk).*