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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: 2295)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2021

HIGHLIGHTS:

- The Group's revenue increased from approximately HK\$276.0 million for the year ended 31 December 2020 to approximately HK\$293.9 million for the year ended 31 December 2021, representing an increase of approximately HK\$17.9 million or 6.5%.
- Profit and total comprehensive income for the year amounted to approximately HK\$27.8 million, decreased significantly by approximately HK\$11.5 million or 29.3% as compared with HK\$39.4 million for the year ended 31 December 2020.
- Adjusted profit and total comprehensive income for the year ended 31 December 2021 (excluding Transfer of Listing and related expenses and financial support from the Anti-epidemic fund) amounted to approximately HK\$38.3 million, as compared to the year ended 31 December 2020 for approximately HK\$36.5 million, increased by approximately HK\$1.9 million or 5.1%.
- The Board has resolved not to recommend the declaration of a final dividend for the year ended 31 December 2021 (2020: nil).

The board (the “**Board**”) of directors (the “**Directors**”) of Maxicity Holdings Limited (the “**Company**”) hereby announces the audited consolidated financial results of the Company and its subsidiaries (collectively, the “**Group**”) for the financial year ended 31 December 2021 together with the comparative figures for the corresponding year ended 31 December 2020 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

	<i>Notes</i>	2021 <i>HK\$’000</i>	2020 <i>HK\$’000</i>
Revenue	4	293,907	276,006
Cost of services		<u>(240,162)</u>	<u>(224,410)</u>
Gross profit		53,745	51,596
Other income, gains and losses, net	5	2,186	4,784
Administrative expenses		(8,852)	(8,672)
Transfer of Listing and related expenses		(11,807)	(1,449)
Finance costs	6	<u>(16)</u>	<u>(15)</u>
Profit before income tax	7	35,256	46,244
Income tax expense	8	<u>(7,455)</u>	<u>(6,894)</u>
Profit and total comprehensive income for the year		<u>27,801</u>	<u>39,350</u>
Earnings per share attributable to equity holders of the Company			
Basic and diluted	10	<u>HK6.95 cents</u>	<u>HK9.84 cents</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	Notes	2021 HK\$'000	2020 HK\$'000
ASSETS AND LIABILITIES			
Non-current asset			
Property, plant and equipment		<u>3,863</u>	<u>4,948</u>
Current assets			
Contract assets	12	50,679	50,494
Trade and other receivables	11	13,122	22,311
Cash and bank balances		<u>119,417</u>	<u>83,531</u>
		<u>183,218</u>	<u>156,336</u>
Current liabilities			
Trade and other payables	13	30,698	31,362
Lease liabilities	14	181	260
Current tax liabilities		<u>1,040</u>	<u>2,160</u>
		<u>31,919</u>	<u>33,782</u>
Net current assets		<u>151,299</u>	<u>122,554</u>
Total assets less current liabilities		<u>155,162</u>	<u>127,502</u>
Non-current liabilities			
Lease liabilities	14	–	181
Deferred tax liabilities		<u>499</u>	<u>459</u>
		<u>499</u>	<u>640</u>
Net assets		<u>154,663</u>	<u>126,862</u>
EQUITY			
Share capital	15	4,000	4,000
Reserves		<u>150,663</u>	<u>122,862</u>
Equity attributable to equity holders of the Company		<u>154,663</u>	<u>126,862</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

1. GENERAL INFORMATION AND BASIS OF PRESENTATION

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 and the principal place of business of the Company is Unit 1A, 6/F, Harbour Crystal Centre, 100 Granville Road, Tsim Sha Tsui, Hong Kong.

The Company’s shares were listed on the GEM of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 13 December 2019 (the “**Listing Date**”). On 31 December 2021, the listing of the shares of the Company has been transferred from the GEM to the Main Board of the Stock Exchange (the “**Transfer of 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 23 March 2022.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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 AMENDED HKFRSs

Amended HKFRSs that are effective for annual periods beginning on 1 January 2021

In the current year, the Group has applied for the first time the following 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 2021:

Amendment to HKFRS 16	Covid-19-Related Rent Concessions
Amendments to HKFRS 9, HKAS 39 and HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

The adoption of these 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 ²
Amendments to HKFRS 3	Reference to the Conceptual Framework ⁴
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021 ⁵
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ²
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ²
Amendments to HKAS 8	Definition of Accounting Estimates ²
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ²
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use ¹
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract ¹
Amendments to HKFRSs	Annual Improvements to HKFRS Standards 2018–2020 ¹
Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combination ⁴

¹ Effective for annual periods beginning on or after 1 January 2022

² Effective for annual periods beginning on or after 1 January 2023

³ Effective date not yet determined

⁴ Effective for business combination/common control combination for which the acquisition/combination date is on or after the beginning of the first annual period beginning on or after 1 January 2022

⁵ Effective for annual periods beginning on or after 1 April 2021

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 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.

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Provision of slope works		
– Public sector projects	254,735	239,915
– Private sector projects	39,172	36,091
	<u>293,907</u>	<u>276,006</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.

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Remaining performance obligations expected to be satisfied during the year ending		
31 December 2021	–	136,197
31 December 2022	158,486	18,125
31 December 2023	103,717	18,125
31 December 2024	101,617	18,125
31 December 2025	32,000	–
31 December 2026	48,000	–
	<u>443,820</u>	<u>190,572</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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Customer A	109,747	95,703
Customer B	76,900	78,018
Customer C	64,561	59,339

5. OTHER INCOME, GAINS AND LOSSES, NET

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Bank interest income	92	450
Gain/(loss) on disposal of property, plant and equipment	116	(5)
Government grant (<i>note</i>)	1,573	4,332
Insurance refund	395	–
Sundry income	10	7
	<u>2,186</u>	<u>4,784</u>

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.

During the year ended 31 December 2021, the Group recognised the subsidies from the 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 (“**Anti-epidemic Fund**”) and the Construction Innovation and Technology Fund of approximately HK\$1,276,000 and HK\$297,000, respectively.

6. FINANCE COSTS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Finance charges on lease liabilities	<u>16</u>	<u>15</u>

7. PROFIT BEFORE INCOME TAX

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Profit before income tax is arrived at after charging:		
(a) Staff costs (including directors' emoluments) (<i>note</i>)		
– Salaries, wages and other benefits	69,270	74,910
– Contributions to defined contribution retirement plans	<u>2,645</u>	<u>2,978</u>
	<u>71,915</u>	<u>77,888</u>
<i>Note:</i> Presenting in consolidated statement of profit or loss and other comprehensive income as:		
– Cost of services	67,532	73,332
– Administrative expenses	<u>4,383</u>	<u>4,556</u>
	<u>71,915</u>	<u>77,888</u>
(b) Other items		
Depreciation, included in:		
– Cost of services		
– owned assets	1,566	1,184
– Administrative expenses		
– owned assets	31	52
– right-of-use assets	<u>251</u>	<u>422</u>
	<u>1,848</u>	<u>1,658</u>
Auditor's remuneration	600	700
Subcontracting charges (included in cost of services)	79,356	61,163
Short term lease with lease term less than 12 months in respect of machinery (included in cost of services)	9,693	5,722
Short term lease with lease term less than 12 months in respect of a carpark (included in administrative expenses)	45	–
Written-off of property, plant and equipment	–	57
Transfer of Listing and related expenses	<u>11,807</u>	<u>1,449</u>

8. INCOME TAX EXPENSE

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Provision for Hong Kong Profits Tax		
– Current tax	7,559	6,710
– Over provision in respect of prior years	<u>(144)</u>	<u>(18)</u>
	7,415	6,692
Deferred tax	<u>40</u>	<u>202</u>
	<u>7,455</u>	<u>6,894</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 2021 and 2020, Hong Kong Profits Tax of A-City Workshop Limited (“**A-City Workshop**”), a subsidiary of the Group, is calculated in accordance with the two-tiered profits tax rates regime. Profit tax of other group entities continue to be taxed at the flat rate of 16.5%.

9. DIVIDENDS

The directors of the Company do not recommend the payment of any dividend for the year ended 31 December 2021 (2020: nil).

10. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the earning attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	2021	2020
Earnings for the purpose of calculating basic earnings per share (profit for the year) (<i>HK\$'000</i>)	27,801	39,350
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share (<i>in thousand</i>)	<u>400,000</u>	<u>400,000</u>

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 2021 and 2020.

11. TRADE AND OTHER RECEIVABLES

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables (<i>note (i)</i>)	9,154	18,713
Prepayments (<i>note (ii)</i>)	3,108	2,788
Utility deposits	<u>860</u>	<u>810</u>
	<u>13,122</u>	<u>22,311</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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
0–30 days	9,154	12,496
31–90 days	–	6,217
	9,154	18,713

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. As at 31 December 2021 and 2020, the ECL rates are close to be zero and therefore no provision have been made during the years ended 31 December 2021 and 2020.

(ii) Prepayments

As at 31 December 2021, prepayments mainly comprised of: (1) prepaid expenses for insurance covered in sites operation and machinery rentals expenses which amounted to HK\$2,707,000 (2020: HK\$1,701,000); (2) prepaid professional fee which amounted to HK\$261,000 (2020: HK\$213,000); and (3) prepaid Transfer of Listing and related expenses which amounted to nil (2020: HK\$851,000).

12. CONTRACT ASSETS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Unbilled revenue	34,311	38,573
Retention receivables	16,368	11,921
	50,679	50,494

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. As at 31 December 2021 and 2020, the ECL rates are close to be zero and therefore no provision have been made during the years ended 31 December 2021 and 2020.

Changes of contract assets during the year ended 31 December 2021 were mainly due to:

- (i) Changes in unbilled revenue as a result of number of contract works that the relevant services were completed and certified during the year;
- (ii) 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
- (iii) Changes in performance bonds of an increase amounting HK\$5,000,000 paid to its customer to secure the due performance of construction projects and are recognised as retention receivables during the year ended 31 December 2021.

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Transfers from contract assets recognised at the beginning of the year to trade receivables	<u>39,846</u>	<u>18,622</u>

No contract liability was recognised as at both 31 December 2021 and 2020.

13. TRADE AND OTHER PAYABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade payables (<i>note (i)</i>)	26,475	28,324
Accruals and other payables (<i>note (ii)</i>)	4,223	2,300
Deferred government grant	–	738
	<u>30,698</u>	<u>31,362</u>

Notes:

(i) 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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
0–30 days	26,403	28,233
31–60 days	53	–
91–365 days	–	91
Over 365 days	19	–
	<u>26,475</u>	<u>28,324</u>

(ii) **Accruals and other payables**

As at 31 December 2021, accruals and other payables mainly comprised of: (1) accrued Transfer of Listing and related expenses which amounted to HK\$2,618,000 (2020:HK\$464,000); (2) advance payment from customers which amounted to HK\$254,000 (2020: HK\$757,000); (3) other payable to subcontractor which amounted to HK\$340,000 (2020: HK\$379,000); and (4) accrued professional fee which amounted to HK\$866,000 (2020:HK\$700,000).

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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Total minimum lease payments:		
Within one year	184	276
After one year but within two years	—	184
	<u>184</u>	<u>460</u>
Less: Future finance charges on lease liabilities	<u>(3)</u>	<u>(19)</u>
Present value of lease liabilities	<u>181</u>	<u>441</u>
Present value of minimum lease payments:		
Within one year	181	260
After one year but within two years	—	181
	<u>181</u>	<u>441</u>
Less: Portion due within one year included under current liabilities	<u>(181)</u>	<u>(260)</u>
Portion due after one year included under non-current liabilities	<u>—</u>	<u>181</u>

During the year ended 31 December 2021, the total cash outflows for the leases are approximately HK\$10,014,000 (2020: HK\$6,118,000).

15. SHARE CAPITAL

Movements of the authorised and issued share capital of the Company for the years ended 31 December 2021 and 2020 are as follows:

	Number of shares	<i>HK\$'000</i>
Ordinary shares of HK\$0.01 each		
Authorised:		
As at 31 December 2021 and 2020	<u>1,000,000,000</u>	<u>10,000</u>
Issued and fully paid:		
As at 31 December 2021 and 2020	<u>400,000,000</u>	<u>4,000</u>

16. POTENTIAL LITIGATION

As at 31 December 2021 and 2020, the Group has been involved in certain potential litigations and claims against the Group regarding the employees' compensation and common law personal injury claim. The Directors are of the opinion that the potential litigations and claims are not expected to have a material impact on the Group's consolidated financial statements, and the outcome for potential claims is uncertain. Accordingly, no provision has been made to the consolidated financial statements.

MANAGEMENT’S DISCUSSION AND ANALYSIS

CAPITAL MARKET REVIEW

The ordinary shares of the Company (the “**Shares**”) have been successfully transferred from the GEM to Main Board on 31 December 2021, which marked a significant milestone for the Group.

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 the following activities:

- (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, has obtained the following registrations:

- (i) 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**”);
- (ii) a Registered General Building Contractor under section 8A of the Buildings Ordinance;
- (iii) a Registered Specialist Contractor under the sub-register of “site formation works” under section 8A of the Buildings Ordinance;

- (iv) a Registered Specialist Trade Contractor for reinforcement bar fixing, concreting formwork and concreting under the Registered Specialist Trade Contractors Scheme of the Construction Industry Council; and
- (v) a Registered Subcontractor for earthwork and geotechnical works under Registered Specialist Trade Contractors Scheme of the Construction Industry Council.

During the year ended 31 December 2021, the Group undertook 39 contracts with an aggregate contract sum of approximately HK\$1,023.4 million in which the Group had completed 21 contracts with an aggregate contract sum of approximately HK\$548.2 million. As at 31 December 2021, the Group had 18 contracts in progress with an aggregate contract sum of approximately HK\$475.2 million. As at 31 December 2021, two contracts with aggregate contract sum of approximately HK\$168.4 million were not yet commenced their works.

PROSPECTS/BUSINESS OUTLOOK

In 2021, the number of cases of COVID-19 in Hong Kong has remained relatively stable and the slope works industry has been recovering from the impact of COVID-19. The Civil Engineering and Development Department (the “**CEDD**”) continued the Landslip Prevention and Mitigation Programme (“**LPMitP**”) to upgrade government man-made slopes, mitigate landslide hazards and conduct safety screenings. Under the LPMitP, 176 man-made slopes were upgrade in 2021, representing an increase of 6.0% from 166 slopes in 2020. As put forward in the Hong Kong 2022–2023 Budget by the government of Hong Kong (the “**Government**”), the financial provision on slope safety and geotechnical standards has increased from HK\$416.9 million to HK\$432.5 million during 2019/20 to 2022/23. The Government estimated that the expenditure for landslip prevention and mitigation will continue to reach HK\$1.1 billion in 2022.

The Group is a slope works contractor in Hong Kong. The Group has commenced its business in 2013 and mainly undertook slope works in the role of subcontractor through A-City Workshop, the Group’s principal operating subsidiary. 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. In 2021, the Group was engaged in both public and private sector projects and the majority of the Group’s revenue was derived from public projects. In 2021, the slope works industry in Hong Kong was recovering from the impact of COVID-19 outbreak. The Group has continued to maintain healthy growth in revenue and gross profit despite unfavorable economic environment.

Despite the increasing public health awareness, vaccination programme and enhanced social distancing measures, Hong Kong has recorded the fifth wave of outbreak of COVID-19 attributable to the SARS-CoV-2 Omicron variant since January 2022. The daily number of confirmed cases reached over 50,000 in late-February/early-March 2022. On 5 January 2022, the Government announced measures to tighten social distancing in view of the development of the fifth wave of outbreak. In early February 2022, the Government further announced that aside from staff providing emergency and essential public services, all government employees would be arranged to work from home (“**WFH Policy**”). The Directors consider that the WFH Policy has an adverse impact on the public sector of construction industry. According to the press release of the Hong Kong Construction Association dated 6 March 2022, the WFH Policy has caused significantly delays in the certification process by architects, surveyors or other representatives of the Government. The WFH Policy also impeded the approval of billing process by the Government and affect the cash flow of construction contractors. Further, a significant number of workers had contracted COVID-19 or were required to be quarantined, resulting in severe labor shortage. The labor crunch has given rise to widespread delays in project schedule. Moreover, in light of tightening of the cross-border quarantine requirements and increasing number of truck drivers being tested positive for COVID-19, contractors have experienced disruption in supply of raw materials. There has been a reduction in supply of raw materials, including gravel, concrete blocks and wood, resulting in a short term surge in price of raw materials. Some contractors were forced to suspend their business operations temporarily consequential to the shortage of manpower and supply chain disruption.

As such, the Directors consider that projects’ progress or tendering process has been hampered by the pandemic. The Group’s business operation has also been impeded by the fifth wave of outbreak of COVID-19. A number of the Group’s employees have been tested positive for COVID-19 in the first quarter of 2022. Coupled with the increasing difficulty in hiring construction workers out of their fear of being infected with COVID-19, the Group experienced labour shortage and slowdown of the work progress of projects. Moreover, there have been occasions where the operation of the relevant sites had to be suspended temporarily for disinfection, which resulted in certain disruptions to the project schedule. Further, the Group also experienced delay in the commencement of a project. The Group is prepared for a big challenging times in 2022. It is generally expected that the fifth wave of outbreak will continue at least until the second quarter of 2022 and the business condition will gradually improve. Under an improved economic condition, the Group believes that a recovery in economic activities, together with favourable government policies, should ramp up the demand of slope works and offer plenty of opportunities for the Group to capture. The Directors are cautious on the Group’s business outlook in 2022.

FINANCIAL REVIEW

Revenue

The Group's revenue increased from approximately HK\$276.0 million for the year ended 31 December 2020 to approximately HK\$293.9 million for the year ended 31 December 2021, representing an increase of approximately 6.5% or approximately HK\$17.9 million. The Group's revenue increased primarily due to the increase in the number of projects with revenue contributed to the Group during the year ended 31 December 2021 and an increase in the Group revenue derived from relatively larger scale projects. They are illustrated in the tables below:

Number of projects with revenue contributions:

	2021	2020
Public sector projects	19	16
Private sector projects	20	12
Total	<u>39</u>	<u>28</u>

	2021	2020
Revenue recognised:		
HK\$10.0 million or above	10	9
HK\$5.0 million to below HK\$10.0 million	4	1
HK\$1.0 million to below HK\$5.0 million	10	8
Below HK\$1.0 million	15	10
Total	<u>39</u>	<u>28</u>

Cost of Services

Cost of services increased by approximately HK\$15.8 million, or 7.0%, from approximately HK\$224.4 million for the year ended 31 December 2020 to approximately HK\$240.2 million for the year ended 31 December 2021. 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\$2.1 million, or 4.2%, from approximately HK\$51.6 million for the year ended 31 December 2020 to approximately HK\$53.7 million for the year ended 31 December 2021. Gross profit margin remained broadly stable at approximately 18.3% for the year ended 31 December 2021 as compared to approximately 18.7% for the year ended 31 December 2020.

Other Income, Gains and Losses, Net

Other income, gains and losses, net decreased by approximately HK\$2.6 million from approximately HK\$4.8 million for the year ended 31 December 2020 to approximately of HK\$2.2 million for the year ended 31 December 2021. Such decrease was primarily attributable to the decrease in the government grants received by our Group of approximately HK\$3.0 million in relation to Anti-epidemic Fund during the year ended 31 December 2021.

Administrative Expenses

Administrative expenses remained broadly stable at approximately HK\$8.9 million for the year ended 31 December 2021 as compared to approximately HK\$8.7 million for the year ended 31 December 2020.

Transfer of Listing and Related Expenses

The Transfer of Listing and related expenses increased significantly by approximately HK\$10.4 million from approximately HK\$1.4 million for the year ended 31 December 2020 to approximately HK\$11.8 million for the year ended 31 December 2021. The increase in Transfer of Listing and related expenses was attributable to the increase in spending on the professional fee for the Transfer of the Listing of the Company's shares from the GEM to the Main Board of Stock Exchange during the year 31 December 2021.

Finance Costs

The finance costs remained broadly stable at approximately HK\$16,000 for the year ended 31 December 2021 as compared to approximately HK\$15,000 for the year ended 31 December 2020.

Income Tax Expenses

The Group's income tax expenses increased from approximately HK\$6.9 million for the year ended 31 December 2020 to approximately HK\$7.5 million for the year ended 31 December 2021, representing an increase of approximately HK\$0.6 million or 8.1%. Such increase was primarily driven by the increase of the Group's adjusted profit before income tax (excluding Transfer of Listing and related expenses and government grants received from the Anti-epidemic fund) as a result of the increase in revenue and gross profit.

Profit and Total Comprehensive Income for the Year

Profit and total comprehensive income for the year ended 31 December 2021 amounted to approximately HK\$27.8 million, decreased significantly by approximately HK\$11.5 million or 29.3% as compared with HK\$39.4 million for the year ended 31 December 2020. Such significant decrease was mainly attributable to the increase in Transfer of Listing and related expenses and the decrease in the government grants in relation to Anti-epidemic Fund.

Adjusted profit and total comprehensive income (excluding Transfer of Listing and related expenses and the government grants in relation to Anti-epidemic Fund) for the year ended 31 December 2021 amounted to approximately HK\$38.3 million, increased by approximately HK\$1.9 million or 5.1% as compared with HK\$36.5 million for the year ended 31 December 2020.

Capital Commitments and Contingent Liabilities

As at 31 December 2021, the Group had no material capital commitments or contingent liabilities.

Pledge of Assets

As at 31 December 2021, the Group did not have any pledge of assets.

LIQUIDITY AND FINANCIAL RESOURCES

Treasury Policy

The Group has adopted a prudent financial management approach towards its treasury policy. The Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities, and other commitments can meet its funding requirements all the time.

The Group maintained a sound financial position during the year ended 31 December 2021. As at 31 December 2021, the Group had cash and bank balances of approximately HK\$119.4 million (as at 31 December 2020: approximately HK\$83.5 million), increased by approximately HK\$35.9 million, or 43.0%, 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 approximately 0.3% as at 31 December 2020 to approximately 0.1% as at 31 December 2021. The decrease was mainly due to the increase in equity attributable to equity holders of the Company.

Current ratio

As at 31 December 2021, the Group had net current assets of approximately HK\$151.3 million, representing a significant increase of approximately HK\$28.7 million as compared to that of approximately HK\$122.6 million as at 31 December 2020. The Group's current ratio increased from approximately 4.6 times as at 31 December 2020 to approximately 5.7 times as at 31 December 2021.

Foreign Exchange Risk

The Group has a minimal exposure to foreign currency risk as most of the business transactions and assets and liabilities of the Group are principally denominated in Hong Kong Dollar. As such, the Directors consider the Group's risk in foreign exchange is insignificant and no foreign exchange hedging was conducted by the Group during the year ended 31 December 2021.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2021, the Group had 212 employees (2020: 224 employees) excluding the Directors. Total staff costs excluding Directors' remuneration amounted to approximately HK\$69.0 million for the year ended 31 December 2021 (2020: HK\$75.0 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.

DIVIDEND

The Board does not recommend the payment of any dividend for the year ended 31 December 2021 (2020: nil).

USE OF PROCEEDS

The shares were listed on the GEM of 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 GEM listing, were approximately HK\$37.1 million. All the proceeds from the GEM listing was fully utilised by 30 June 2021.

CAPITAL EXPENDITURE

During the year ended 31 December 2021, the Group invested approximately HK\$0.9 million on the acquisition of property, plant and equipment. Capital expenditure was principally funded by internal resources.

SIGNIFICANT INVESTMENT HELD

During the year ended 31 December 2021, the Group did not hold any significant investments.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

During the year ended 31 December 2021 and up to the date of this announcement, the Group did not have any material acquisitions nor disposals of subsidiaries and associated companies.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

The Group does not have any other plans for material investments or capital assets.

CAPITAL STRUCTURE

As at 31 December 2021, the Company's issued capital was HK\$4,000,000 and the number of its issued ordinary shares was 400,000,000 of HK\$0.01 each. As at the date of this announcement, the capital structure of the Company comprised mainly issued share capital and reserves.

SIGNIFICANT EVENT AFTER THE REPORTING PERIOD

At the beginning of the year 2022, the fifth wave of outbreak of COVID-19 attributable to the SARS-CoV-2 Omicron variant has brought impact on the public sector of construction industry. The Group's business operation has also been impeded by the fifth wave of outbreak of COVID-19. However, the Directors believe that a recovery in economic activities, together with favourable government policies, should ramp up the demand of slope works and offer plenty of opportunities for the Group to capture. The Directors are cautious on the Group's business outlook in 2022.

Save as disclosed above, there was no other significant events relevant to the business or financial performance of the Group that come to the attention of the Directors.

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 Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the “**GEM Listing Rules**”) when the Company is listed on the GEM of the Stock Exchange and Appendix 14 of Listing Rules when the Company is listed on Main Board of the Stock Exchange, 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 2021 and up to the date of this announcement, the Company has complied with all applicable code provisions as set out in the CG Code.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year ended 31 December 2021 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 both Listing Rules and 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.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules as a code of conduct of the Company for Directors’ securities transactions. Having made specific enquiries with the Directors, all of the Directors have confirmed that they have complied with the requirements of the Model Code during the year ended 31 December 2021 and up to the date of announcement.

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

During the year ended 31 December 2021, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company.

SHARE OPTION SCHEME

The Company has conditionally adopted a share option scheme (the “**Share Option Scheme**”) 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.

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 2021, 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 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 the Listing Rules.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Directors confirmed that the Company has maintained a sufficient level of public float for its shares as required under the Listing Rules during the year ended 31 December 2021 and up to the date of this announcement.

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, 17 May 2022 to Friday, 20 May 2022 (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 Monday, 16 May 2022.

AUDIT COMMITTEE

As at the date of this announcement, the audit committee consists of four members, namely, Mr. Tso Ping Cheong Brian, Ms. Chiao Siu Ling, Mr. Kwong Che Sing and Mr. Ling Siu Tsang. Mr. Tso Ping Cheong Brian is the chairman of the audit committee. The annual results of the Group for the year ended 31 December 2021 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.

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 2021 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 2021. 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 2021 containing all the information required by the 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.

NOTE OF APPRECIATION

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

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

Hong Kong, 23 March 2022

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 the executive Directors and Ms. Chiao Siu Ling, Mr. Kwong Che Sing, Mr. Ling Siu Tsang and Mr. Tso Ping Cheong Brian as the independent non-executive Directors.