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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 2022

HIGHLIGHTS:

- The Group's revenue decreased significantly from approximately HK\$293.9 million for the year ended 31 December 2021 to approximately HK\$192.3 million for the year ended 31 December 2022, representing a decrease of approximately HK\$101.6 million or 34.6%.
- Profit and total comprehensive income for the year amounted to approximately HK\$14.5 million, decreased significantly by approximately HK\$13.3 million or 47.8% as compared with HK\$27.8 million for the year ended 31 December 2021.
- Adjusted profit and total comprehensive income for the year ended 31 December 2022 (excluding Transfer of Listing and related expenses and financial support from the Anti-epidemic fund) amounted to approximately HK\$11.1 million, as compared to the year ended 31 December 2021 for approximately HK\$38.3 million, decreased by approximately HK\$27.2 million or 71.0%.
- The Board has resolved to recommend the payment of a final dividend of HK7.5 cents per ordinary share for the year ended 31 December 2022 (2021: nil) to shareholders whose names appear in the register of members of the Company on 17 May 2023. Subject to the approval of shareholders at the forthcoming annual general meeting, it is expected that final dividend will be payable on or before 5 June 2023.

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 2022 together with the comparative figures for the corresponding year ended 31 December 2021 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

	<i>Notes</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Revenue	4	192,258	293,907
Cost of services		<u>(171,387)</u>	<u>(240,162)</u>
Gross profit		20,871	53,745
Other income, gains and losses, net	5	4,315	2,186
Administrative expenses		(8,854)	(8,852)
Transfer of listing and related expenses		–	(11,807)
Finance costs	6	<u>(52)</u>	<u>(16)</u>
Profit before income tax	7	16,280	35,256
Income tax expense	8	<u>(1,805)</u>	<u>(7,455)</u>
Profit and total comprehensive income for the year		<u>14,475</u>	<u>27,801</u>
Earnings per share attributable to equity holders of the Company			
Basic and diluted	10	<u>HK3.62 cents</u>	<u>HK6.95 cents</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	Notes	2022 HK\$'000	2021 HK\$'000
ASSETS AND LIABILITIES			
Non-current asset			
Property, plant and equipment		<u>9,974</u>	<u>3,863</u>
Current assets			
Contract assets	12	26,720	50,679
Trade and other receivables	11	22,892	13,122
Cash and bank balances		<u>147,367</u>	<u>119,417</u>
		<u>196,979</u>	<u>183,218</u>
Current liabilities			
Trade and other payables	13	33,784	30,698
Lease liabilities	14	572	181
Current tax liabilities		<u>1,382</u>	<u>1,040</u>
		<u>35,738</u>	<u>31,919</u>
Net current assets		<u>161,241</u>	<u>151,299</u>
Total assets less current liabilities		<u>171,215</u>	<u>155,162</u>
Non-current liabilities			
Lease liabilities	14	1,116	–
Deferred tax liabilities		<u>961</u>	<u>499</u>
		<u>2,077</u>	<u>499</u>
Net assets		<u>169,138</u>	<u>154,663</u>
EQUITY			
Share capital	15	4,000	4,000
Reserves		<u>165,138</u>	<u>150,663</u>
Equity attributable to equity holders of the Company		<u>169,138</u>	<u>154,663</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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**”) (collectively the “**GEM**”) 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 “**Main Board**”) (collectively 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 29 March 2023.

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 HKFRSs, 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 (the “**Listing Rules**”).

The significant accounting policies that have been used in the preparation of these 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 2022

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 2022:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs Standards 2018–2020
Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combination

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 ¹
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 ²
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ¹
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback ²
Amendments to HKAS 8	Definition of Accounting Estimates ¹
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ¹
Amendments to HKAS 1	Non-current Liabilities with Covenants ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³

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

² Effective for annual periods beginning on or after 1 January 2024

³ Effective date not yet determined

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.

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Provision of slope works		
– Public sector projects	170,932	254,735
– Private sector projects	21,326	39,172
	<u>192,258</u>	<u>293,907</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.

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Remaining performance obligations expected to be satisfied during the year ending		
31 December 2022	–	158,486
31 December 2023	197,170	103,717
31 December 2024	135,650	101,617
31 December 2025	47,404	32,000
31 December 2026	38,026	48,000
	<u>418,250</u>	<u>443,820</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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Customer A	20,459	109,747
Customer B	34,714	76,900
Customer C	93,544	64,561
	<u>222,717</u>	<u>251,208</u>

5. OTHER INCOME, GAINS AND LOSSES, NET

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Bank interest income	928	92
Gain on disposal of property, plant and equipment	1	116
Government grant (<i>note</i>)	3,386	1,573
Insurance refund	–	395
Sundry income	–	10
	<u>4,315</u>	<u>2,186</u>

Note:

During the year ended 31 December 2022, 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, the Construction Innovation and Technology Fund and allowance from Anti-epidemic Fund 6.0 to cleansing and security staff of approximately HK\$3,324,000, HK\$54,000 and HK\$8,000 respectively (2021: HK\$1,276,000, HK\$297,000, and HK\$Nil respectively).

6. FINANCE COSTS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Finance charges on lease liabilities	52	16
	<u>52</u>	<u>16</u>

7. PROFIT BEFORE INCOME TAX

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Profit before income tax is arrived at after charging:		
(a) Staff costs (including directors' emoluments)		
– Salaries, wages and other benefits	57,490	69,270
– Contributions to defined contribution retirement plans	2,086	2,645
	<u>59,576</u>	<u>71,915</u>
<i>Note:</i> Presenting in consolidated statement of profit or loss and other comprehensive income as:		
– Cost of services	54,969	67,532
– Administrative expenses	4,607	4,383
	<u>59,576</u>	<u>71,915</u>
(b) Other items		
Depreciation, included in:		
– Cost of services		
– owned assets	2,129	1,566
– right-of-use assets	255	–
– Administrative expenses		
– owned assets	123	31
– right-of-use assets	254	251
	<u>2,761</u>	<u>1,848</u>
Auditor's remuneration	800	600
Subcontracting charges (included in cost of services)	49,915	79,356
Short term lease with lease term less than 12 months in respect of machinery (included in cost of services)	10,915	9,693
Short term lease with lease term less than 12 months in respect of a carpark (included in administrative expenses)	60	45
Transfer of Listing and related expenses	–	11,807
	<u>800</u>	<u>600</u>

8. INCOME TAX EXPENSE

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Provision for Hong Kong Profits Tax		
– Current tax	1,381	7,559
– Over provision in respect of prior years	(38)	(144)
	<u>1,343</u>	<u>7,415</u>
Deferred tax	462	40
	<u>1,805</u>	<u>7,455</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 2022 and 2021, Hong Kong Profits Tax of A-City Workshop Limited (“A-City”), 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 recommend a final dividend of HK7.5 cents (2021: nil) per share, totalling HK\$30,000,000 (2021: nil) in respect of the year ended 31 December 2022.

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.

	2022	2021
Earnings for the purpose of calculating basic earnings per share (profit for the year) (<i>HK\$'000</i>)	14,475	27,801
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 2022 and 2021.

11. TRADE AND OTHER RECEIVABLES

	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables (<i>note (i)</i>)	14,968	9,154
Prepayments (<i>note (ii)</i>)	6,344	3,108
Other receivables (<i>note (iii)</i>)	<u>1,580</u>	<u>860</u>
	<u>22,892</u>	<u>13,122</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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
0-30 days	448	9,154
31-90 days	9,544	-
91-365 days	4,976	-
	<u>14,968</u>	<u>9,154</u>

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 2022 and 2021, the Group assessed the loss allowance and the expected credit loss rate under the application of HKFRS 9 were insignificant.

(ii) Prepayments

As at 31 December 2022, prepayments mainly comprised of: (1) prepaid expenses for insurance covered in sites operation and machinery rentals expenses which amounted to HK\$5,635,000 (2021: HK\$2,707,000); and (2) prepaid professional fee which amounted to HK\$265,000 (2021: HK\$261,000).

(iii) Other receivables

As at 31 December 2022, other receivables mainly comprised of: (1) utility deposits which amounted to HK\$1,182,000 (2021: HK\$839,000) and (2) interest receivables which amounted to HK\$375,000 (2021: nil).

12. CONTRACT ASSETS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Unbilled revenue	20,835	34,311
Retention receivables	5,885	16,368
	<u>26,720</u>	<u>50,679</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. As at 31 December 2022 and 2021, the ECL rates are close to be zero and therefore no provision have been made during the years ended 31 December 2022 and 2021.

Changes of contract assets during the year ended 31 December 2022 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 a decrease in number of ongoing and completed contracts under the defect liability period during the year; and
- (iii) Changes in performance bonds of a decrease amounting HK\$11,000,000 returned from its customer during the year ended 31 December 2022.

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Transfers from contract assets recognised at the beginning of the year to trade receivables	<u>45,620</u>	<u>39,846</u>

No contract liability was recognised as at both 31 December 2022 and 2021.

13. TRADE AND OTHER PAYABLES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade payables (<i>note (i)</i>)	31,967	26,475
Accruals and other payables (<i>note (ii)</i>)	1,817	4,223
	<u>33,784</u>	<u>30,698</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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
0–30 days	25,907	26,403
31–60 days	5,441	53
61–90 days	–	–
91–365 days	603	–
Over 365 days	16	19
	<hr/> 31,967 <hr/>	<hr/> 26,475 <hr/>

(ii) Accruals and other payables

As at 31 December 2022, accruals and other payables mainly comprised of: (1) accrued Transfer of Listing and related expenses which amounted to HK\$Nil (2021:HK\$2,618,000); (2) advance payment from customers which amounted to HK\$394,000 (2021: HK\$254,000); (3) other payable to subcontractor which amounted to HK\$340,000 (2021: HK\$340,000); and (4) accrued professional fee which amounted to HK\$1,073,000 (2021: HK\$866,000).

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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Total minimum lease payments:		
Within one year	643	184
After one year but within two years	<u>1,160</u>	<u>–</u>
	1,803	184
Less: Future finance charges on lease liabilities	<u>(115)</u>	<u>(3)</u>
Present value of lease liabilities	<u><u>1,688</u></u>	<u><u>181</u></u>
Present value of minimum lease payments:		
Within one year	572	181
After one year but within two years	<u>1,116</u>	<u>–</u>
	1,688	181
Less: Portion due within one year included under current liabilities	<u>(572)</u>	<u>(181)</u>
Portion due after one year included under non-current liabilities	<u><u>1,116</u></u>	<u><u>–</u></u>

During the year ended 31 December 2022, the total cash outflows for the leases are approximately HK\$11,643,000 (2021: HK\$10,014,000).

15. SHARE CAPITAL

Movements of the authorised and issued share capital of the Company for the years ended 31 December 2022 and 2021 are as follows:

	Number of shares	<i>HK\$'000</i>
Ordinary shares of HK\$0.01 each		
Authorised:		
As at 31 December 2022 and 2021	<u>1,000,000,000</u>	<u>10,000</u>
Issued and fully paid:		
As at 31 December 2022 and 2021	<u>400,000,000</u>	<u>4,000</u>

16. POTENTIAL LITIGATION

As at 31 December 2022 and 2021, 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

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) an approved specialist 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**”) confirmed on 27 June 2022;
- (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; and
- (iv) 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 2022, the Group undertook 31 contracts with an aggregate contract sum of approximately HK\$911.6 million in which the Group had completed 12 contracts with an aggregate contract sum of approximately HK\$255.2 million. As at 31 December 2022, the Group had 19 contracts in progress with an aggregate contract sum of approximately HK\$656.4 million. In additions, 11 projects which were previously considered as practically completed also contributed revenue in this year.

PROSPECTS/BUSINESS OUTLOOK

In 2022, the Civil Engineering and Development Department (the “**CEDD**”) continued the Landslip Prevention and Mitigation Programme (the “**LPMitP**”) to upgrade government man-made slopes, mitigate landslide hazards and conduct safety screenings. Under the LPMitP, 158 man-made slopes were upgrade in 2022. As put forward in the Hong Kong 2023–2024 Budget by the government of Hong Kong (the “**Government**”), the Government estimated that the expenditure for landslip prevention and mitigation will continue to reach HK\$1.0 billion in 2023. In the Chief Executive’s 2022 Policy Address announced in October 2022, the Chief Executive announced a series of policy measures to enhance land supply, including that the Government will (i) increase significantly overall public housing production in the next five years; (ii) conduct studies on new land development proposed in the Northern Metropolis Development Strategy; (iii) conduct technical assessment to Tseung Kwan O Area 137 for population intake in 2030 and studies at the proposed Pak Shek Kok Station for housing units in 2033 or earlier; and (iv) conduct studies of reclamation in Kau Yi Chau Artificial Islands and Ma Liu Shui.

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 Limited (“**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.

Hong Kong has recorded the fifth wave of outbreak of the 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 (the “**WFH Policy**”). It was not until late April 2022 that the WFH Policy for government employees was cancelled. The Directors confirm 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, in the first and last quarter of year 2022, a significant number of workers had contracted the 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. Coupled with the increasing difficulty in hiring construction workers out of their fear of being infected with the COVID-19, the Group experienced labour shortage and slowdown of the work progress of projects. The Group was also required to maintain the workforce during the suspension of work caused by the quarantine in case of immediate resumption of work, putting additional financial burden on the Group. The Group had taken additional measures to combat the labour crunch by hiring an additional number of casual workers in case of workers' absences due to the COVID-19.

Moreover, in light of tightening of the cross-border quarantine requirements and increasing number of truck drivers being tested positive for the 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.

In the first and last quarter of year 2022, architects, surveyors or other representatives of the Government who had close contact with the COVID-19 or contracted the COVID-19 were required to be quarantined. Projects' progress and tendering process have been hampered by the pandemic.

The Group's business operation has also been impeded by the fifth wave of outbreak of the COVID-19. A number of the Group's employees have been tested positive for the COVID-19 in the first and last quarter of year 2022. 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 was required to recruit new project management team for a new project which recorded delay in project commencement. It also increased the Group's overhead and financial burden.

In the second half of the year 2022, the Group experienced continue shortage of construction-related professions and is unable to recruit sufficient construction staff to commence new construction projects. According to the Talent Policy Study – Manpower Situation of Construction professionals in Hong Kong conducted by the Lingnan University, the whole construction industry suffered from the shortage of civil engineers, geotechnical engineers and building information modelling consultants. The Group was forced to adjust its tendering strategy and remain conservative on tendering new projects until adequate resources are available.

In December 2022, the National Health Commission of the PRC announced a nationwide loosening of COVID-19 restrictions, effectively concluding the zero-COVID policy previously enforced. The number of COVID-19 cases temporarily surged, causing short-term disruption to business activities, but the outbreak soon subsided. With the conclusion of the zero-COVID policy in the PRC, Hong Kong has further loosened its anti-pandemic control measures, signaling the end of the epidemic. In early 2023, all border control policies between Hong

Kong and the PRC has been lifted, indicating complete normalization. It is generally expected that business activities in Hong Kong has resumed normal since early 2023, as promoted by the Chief Executive’s “Hello Hong Kong” campaign.

The Group experienced an extremely challenging year in 2022 and is still suffering from the problem of shortage of construction-related professions. With the end of the epidemic and normalization it is generally expected that the business condition of Hong Kong 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 opportunities for the Group to capture. However, the Group is still suffering from the problem of shortage of construction-related professions. The Directors aim to focus on existing projects and have taken a more conservative approach in tendering for new projects until adequate resources are available and the labour market. The Directors remain cautious on the Group’s business outlook in 2023.

FINANCIAL REVIEW

Revenue

The Group’s revenue decreased significantly from approximately HK\$293.9 million for the year ended 31 December 2021 to approximately HK\$192.3 million for the year ended 31 December 2022, representing a decrease of approximately 34.6% or approximately HK\$101.6 million. The Group’s revenue decreased primarily due to the decrease in the Group’s revenue derived from relatively larger scale projects. They are illustrated in the tables below:

Number of projects with revenue contributions:

	2022	2021
Public sector projects	17	19
Private sector projects	25	20
Total	42	39

	2022	2021
Revenue recognised:		
HK\$10.0 million or above	7	10
HK\$5.0 million to below HK\$10.0 million	5	4
HK\$1.0 million to below HK\$5.0 million	7	10
Below HK\$1.0 million	23	15
Total	42	39

Cost of Services

Cost of services decreased significantly by approximately HK\$68.8 million, or 28.6%, from approximately HK\$240.2 million for the year ended 31 December 2021 to approximately HK\$171.4 million for the year ended 31 December 2022. Such decrease in cost of services was mainly contributed by the decrease in revenue.

Gross Profit and Gross Profit Margin

Gross profit decreased significantly by approximately HK\$32.8 million, or 61.1%, from approximately HK\$53.7 million for the year ended 31 December 2021 to approximately HK\$20.9 million for the year ended 31 December 2022. Gross profit margin decreased from approximately 18.3% for the year ended 31 December 2021 to approximately 10.9% for the year ended 31 December 2022. Both the decrease in gross profit and gross profit margin were mainly caused by the decrease in the Group's revenue as mentioned above as well as the less-than-proportionate decrease in staff cost. In the first and last quarter of year 2022, a significant number of workers had contracted COVID-19 or were required to be quarantined, resulting in severe labor shortage. The labor crunch gave rise to widespread delays in project schedule. The Group was also required to maintain the workforce during the suspension of work caused by the quarantine in case of immediate resumption of work, putting additional financial burden on the Group. The Group took additional measures to combat the labour crunch by hiring an additional number of casual workers in case of workers' absences due to COVID-19, resulting in the less than proportionate decrease in staff cost.

Other Income, Gains and Losses, net

Other income, gains and losses, net increased significantly by approximately HK\$2.1 million from approximately HK\$2.2 million for the year ended 31 December 2021 to approximately of HK\$4.3 million for the year ended 31 December 2022. Such increase was primarily attributable to the increase in the government grants by approximately HK\$1.8 million in relation to Anti-epidemic Fund and increase in bank interest income by approximately HK\$0.8 million during the year ended 31 December 2022.

Administrative Expenses

Administrative expenses remained broadly stable at approximately HK\$8.9 million for the year ended 31 December 2022 and 2021.

Transfer of Listing and Related Expenses

The Transfer of Listing and related expenses decreased significantly by approximately HK\$11.8 million from approximately HK\$11.8 million for the year ended 31 December 2021 to HK\$Nil for the year ended 31 December 2022.

Finance Costs

The finance costs increased from approximately HK\$16,000 for the year ended 31 December 2021 to approximately HK\$52,000 for the year ended 31 December 2022, mainly due to the increase in lease liabilities.

Income Tax Expenses

The Group's income tax expenses decreased significantly from approximately HK\$7.5 million for the year ended 31 December 2021 to approximately HK\$1.8 million for the year ended 31 December 2022, representing a decrease of approximately HK\$5.7 million or 76.0%. Such decrease was primarily driven by the decrease 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 decrease in revenue and gross profit.

Profit and Total Comprehensive Income for the Year

Profit and total comprehensive income for the year ended 31 December 2022 amounted to approximately HK\$14.5 million, decreased significantly by approximately HK\$13.3 million or 47.8% as compared with HK\$27.8 million for the year ended 31 December 2021. Such decrease was mainly attributable to the decrease of revenue and gross profit for the year ended 31 December 2022 as mentioned above as compared to the year ended 31 December 2021.

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 2022 amounted to approximately HK\$11.1 million, decreased by approximately HK\$27.2 million or 71.0% as compared with HK\$38.3 million for the year ended 31 December 2021.

Capital Commitments and Contingent Liabilities

As at 31 December 2022, the Group had no material capital commitments nor contingent liabilities.

Pledge of Assets

As at 31 December 2022, 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 2022. As at 31 December 2022, the Group had cash and bank balances of approximately HK\$147.4 million (as at 31 December 2021: approximately HK\$119.4 million), increased by approximately HK\$28.0 million, or 23.5%, which was mainly attributable to cash generated from operations. The cash and bank balances were denominated in Hong Kong Dollars.

Gearing ratio

The Group's gearing ratio (dividing lease liabilities by equity attributable to equity holders of the Company at year end date) increased from approximately 0.1% as at 31 December 2021 to approximately 1.0% as at 31 December 2022. The increase was mainly due to the increase in lease liabilities.

Current ratio

As at 31 December 2022, the Group had net current assets of approximately HK\$161.2 million, representing a significant increase of approximately HK\$9.9 million as compared to that of approximately HK\$151.3 million as at 31 December 2021. The Group's current ratio decreased from approximately 5.7 times as at 31 December 2021 to approximately 5.5 times as at 31 December 2022.

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 2022.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2022, the Group had 137 employees in Hong Kong (31 December 2021: 212 employees in Hong Kong) excluding the Directors. The remuneration package the Group offered to its employees includes salary, bonuses and other cash subsidies. In general, the Group determines employees' salaries based on each employee's qualifications, position and seniority. The Group reviews the performance of the employees annually which will be taken into account in annual salary review and promotion appraisal.

FINAL DIVIDEND

The Board recommends the payment of a final dividend of HK7.5 cents per ordinary share for the year ended 31 December 2022 (2021: nil) to shareholders whose names appear in the register of members of the Company on 17 May 2023.

Subject to the approval of shareholders at the forthcoming annual general meeting, it is expected that the final dividend will be payable on or before 5 June 2023.

CAPITAL EXPENDITURE

During the year ended 31 December 2022, the Group invested approximately HK\$6.1 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 2022 and 2021, the Group did not hold any significant investments.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

During the year ended 31 December 2022 and up to the date of this announcement, the Group did not have any material acquisitions nor disposals of subsidiaries, associates and joint ventures.

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 2022, 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

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 Group 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 Group has adopted the principles and code provisions as set out in the corporate governance (“**CG Code**”) contained in the Appendix 14 of the Rules Governing the Listing of Securities on the Main Board (the “**Listing Rules**”), as the basis of the Group's corporate governance practices.

The CG Code has been applicable to the Group with effect from 13 December 2019 when the shares were listed on the GEM. The Board is of the view that for the year ended 31 December 2022 and up to the date of this announcement, the Group 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 2022 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 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 INEDs 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 Group has adopted a Code of Ethics and Securities Transactions on terms no less exacting than the required standard of dealings set out in 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 Group 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 2022.

The Board has also adopted the Model Code to regulate all dealings by relevant employees who are likely to be in possession of unpublished inside information of the Group in respect of securities in the Group as referred to in code provision C.1.3 of the CG Code. No incident of non-compliance with the Model Code by the Group’s relevant employees was identified during the year ended 31 December 2022 after making reasonable enquiry.

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

During the year ended 31 December 2022, 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**”) pursuant to the written resolutions of the sole shareholder passed on 25 November 2019. The condition of which has been fulfilled. The Share Option Scheme shall be valid and effective for the period of ten years commencing on 13 December 2019, being the date on which the Share Option Scheme was adopted upon fulfillment of the condition. As at the date of this announcement, there is remaining life of over six years of the Share Option Scheme.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this announcement, there is sufficient public float of not less than 25% of the Company's issued share as required under the 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 Thursday, 4 May 2023 to Tuesday, 9 May 2023 (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 Room 2103B, 21/F, 148 Electric Road, North Point, Hong Kong, for registration no later than 4:30 p.m. on Wednesday, 3 May 2023.

The proposed final dividend is subject to the approval of the shareholders at the Annual General Meeting. The record date for the proposed final dividend is on Wednesday, 17 May 2023. For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from Tuesday, 16 May 2023 to Wednesday, 17 May 2023, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrar in Boardroom Share Registrars (HK) Limited, the Company's share registrar in Hong Kong, at Room 2103B, 21/F, 148 Electric Road, North Point, Hong Kong, for registration no later than 4:30 p.m. on Monday, 15 May 2023.

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 2022 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 2022 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 2022. 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 2022 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, 29 March 2023

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.