The following is the text of a report received from the reporting accountants of the Company, Grant Thornton Hong Kong Limited, Certified Public Accountants, Hong Kong, for the purposes of incorporation in this document.

GrantThornton
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[**REDACTED**]

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF MAXICITY HOLDINGS LIMITED AND GRANDE CAPITAL LIMITED

Introduction

We report on the historical financial information of Maxicity Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages I-4 to I-41, which comprises the consolidated statements of financial position of the Group as at 31 December 2017 and 2018 and 31 May 2019, the statement of financial position of the Company as at 31 May 2019 and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the years ended 31 December 2017 and 2018 and the five months ended 31 May 2019 (the "Track Record Period") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-4 to I-41 forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [**REDACTED**] (the "Document") in connection with the initial [**REDACTED**] of shares of the Company on GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Directors' responsibility for Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation and set out in notes 1.3 and 2.1, respectively to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investments Circulars" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that give a true and fair view in accordance with the basis of presentation and preparation set out in notes 1.3 and 2.1, respectively to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Company, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purpose of the accountants' report, a true and fair view of the Group's consolidated financial positions as at 31 December 2017 and 2018 and 31 May 2019, the Company's financial position as at 31 May 2019, and of the Group's consolidated financial performance and consolidated cash flows for the Track Record Period in accordance with the basis of presentation and preparation set out in notes 1.3 and 2.1, respectively to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Group which comprises the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the five months ended 31 May 2018 and other explanatory information (the "Stub Period Comparative Financial Information"). The directors of the Company are responsible for the presentation and preparation of the Stub Period Comparative Financial Information in accordance with the basis of presentation and preparation set out in notes 1.3 and 2.1, respectively to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagement 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Equity" issued by the HKICPA. A review consists of marking inquires, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of presentation and preparation set out in notes 1.3 and 2.1, respectively to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to note 9 to the Historical Financial Information which contains information about dividends declared by the Company's subsidiary and states that no dividends have been paid by the Company in respect of the Track Record Period.

No historical financial statements for the Company

No historical financial statements have been prepared for the Company since its date of incorporation.

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

[●]
Practising Certificate Number: [●]

I. HISTORICAL FINANCIAL INFORMATION

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The Historical Financial Information of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by Grant Thornton Hong Kong Limited under separate terms of engagement with the Company in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") (the "Underlying Financial Statements").

The Historical Financial Information is presented in Hong Kong Dollars ("HK$") and all values are rounded to the nearest thousand (HK$'000) except when otherwise indicated.

Consolidated statements of profit or loss and other comprehensive income

		Year ended 31 December		Five months ended 31 May	
	Notes	**2017**	**2018**	**2018**	**2019**
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
		(note (i))	*(note (i))*	*(note (i))*	
Revenue	*4*	94,323	111,245	51,906	75,287
Cost of services		(75,460)	(89,660)	(42,010)	(61,053)
Gross profit		18,863	21,585	9,896	14,234
Other income, gains and losses	*5*	9	(3)	1	98
Administrative expenses		(2,230)	(2,374)	(867)	(1,663)
[REDACTED]		[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Finance costs	*6*	–	–	–	(16)
Profit before income tax	*7*	16,642	19,069	9,030	4,246
Income tax expense	*8*	(2,717)	(2,975)	(1,325)	(2,029)
Profit and total comprehensive income for the year/period		13,925	16,094	7,705	2,217
		HK cents	*HK cents*	*HK cents*	*HK cents*
				(Unaudited)	
[REDACTED] attributable to equity holders of the Company					
Basic and diluted	*10*	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Note:

(i) The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the financial information before 1 January 2019 is not restated. See note 2.1.

Consolidated statements of financial position

	Notes	At 31 December 2017 HK$'000 (note (i))	At 31 December 2018 HK$'000 (note (i))	At 31 May 2019 HK$'000
ASSETS AND LIABILITIES				
Non-current asset				
Property, plant and equipment	*12*	2,003	1,641	2,318
Current assets				
Contract assets	*14*	11,004	17,133	23,648
Trade and other receivables	*13*	4,735	8,932	11,093
Amounts due from directors	*17*	1,362	–	–
Cash and bank balances	*15*	11,180	12,434	10,929
		28,281	38,499	45,670
Current liabilities				
Trade and other payables	*16*	5,557	7,576	14,158
Lease liabilities	*18*	–	–	484
Amounts due to directors	*17*	–	4,931	1,342
Current tax liabilities		3,951	883	2,892
		9,508	13,390	18,876
Net current assets		18,773	25,109	26,794
Total assets less current liabilities		20,776	26,750	29,112
Non-current liabilities				
Lease liabilities	*18*	–	–	125
Deferred tax liabilities	*19*	309	188	208
		309	188	333
Net assets		20,467	26,562	28,779
EQUITY				
Share capital	*20*	1	1	–*
Reserves	*21*	20,466	26,561	28,779
Equity attributable to equity holders of the Company		20,467	26,562	28,779

Note:

(i) The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the financial information before 1 January 2019 is not restated. See note 2.1.

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

Statement of financial position of the Company

	Note	At 31 May 2019 HK$'000
ASSETS AND LIABILITIES		
Non-current asset		
Investment in a subsidiary		26,780
Current assets		
Prepayments		2,868
Cash and bank balances		–*
		2,868
Current liabilities		
Accruals		943
Amount due to a subsidiary		10,471
		11,414
Net current liabilities		(8,546)
Net assets		18,234
EQUITY		
Share capital	20	–*
Reserves *(note)*		18,234
Total equity		18,234

Note: The movements of the Company's reserves are as follows:

	Capital reserve** HK$'000	Accumulated losses HK$'000	Total HK$'000
Issuance of shares upon the Reorganisation (note 20(ii))	26,780	–	26,780
Loss and total comprehensive expense for the period	–	(8,546)	(8,546)
Balance as at 31 May 2019	26,780	(8,546)	18,234

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

** Capital reserve of the Company represents the difference between the total equity of Kanic International over the nominal value of the Company's shares issued under the Reorganisation as described in note 20(ii).

Consolidated statements of changes in equity

	Share capital *HK$'000* *(note 20)*	Capital reserve *HK$'000* *(note 21)*	Retained earnings *HK$'000*	Total *HK$'000*
Balance at 1 January 2017	1	–	6,541	6,542
Profit and total comprehensive income for the year	–	–	13,925	13,925
Balance at 31 December 2017 and 1 January 2018	1	–	20,466	20,467
Profit and total comprehensive income for the year	–	–	16,094	16,094
Final dividends declared and approved *(note 9)*	–	–	(9,999)	(9,999)
Balance at 31 December 2018 and 1 January 2019	1	–	26,561	26,562
Issue of share capital *(note 20(i))*	–*	–	–	–*
Effect of group reorganisation *(note 20(ii))*	(1)	1	–	–
Profit and total comprehensive income for the period	–	–	2,217	2,217
Balance at 31 May 2019	–*	1	28,778	28,779
Balance at 1 January 2018	1	–	20,466	20,467
Profit and total comprehensive income for the period (unaudited)	–	–	7,705	7,705
Balance at 31 May 2018 (unaudited)	1	–	28,171	28,172

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

Consolidated statements of cash flows

	Year ended 31 December		Five months ended 31 May	
	2017	**2018**	**2018**	**2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
			(Unaudited)	
	(note (i))	*(note (i))*	*(note (i))*	
Cash flows from operating activities				
Profit before income tax	16,642	19,069	9,030	4,246
Adjustments for:				
Depreciation	506	614	258	483
Loss/(gain) on disposal of property, plant and equipment	13	4	(1)	(97)
Interest expense for lease liabilities	–	–	–	16
Operating profit before working capital changes	17,161	19,687	9,287	4,648
Increase in contract assets	(5,642)	(6,129)	(5,269)	(6,515)
Increase in trade and other receivables	(1,916)	(2,197)	(45)	(1,196)
(Decrease)/increase in trade and other payables	(265)	2,019	2,249	6,582
Cash generated from operations	9,338	13,380	6,222	3,519
Income tax paid	–	(6,164)	–	–
Net cash generated from operating activities	9,338	7,216	6,222	3,519
Cash flows from investing activities				
Purchase of property, plant and equipment	(1,258)	(306)	(187)	(316)
Proceeds from disposal of property, plant and equipment	16	50	46	98
(Advances to)/repayment from directors	(386)	(3,706)	79	–
Net cash used in investing activities	(1,628)	(3,962)	(62)	(218)
Cash flows from financing activities				
[**REDACTED**] paid	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Payment of lease liabilities	–	–	–	(210)
Repayment to the directors	–	–	–	(3,589)
Net cash used in financing activities	–	(2,000)	–	(4,806)
Net increase/(decrease) in cash and cash equivalents	7,710	1,254	6,160	(1,505)
Cash and cash equivalents at the beginning of year/period	3,470	11,180	11,180	12,434
Cash and cash equivalents at the end of year/period, represented by cash and bank balances	11,180	12,434	17,340	10,929

Note:

(i) The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the financial information before 1 January 2019 is not restated. See note 2.1.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. GENERAL INFORMATION AND BASIS OF PRESENTATION

1.1 General information

The Company was incorporated as an exempted company with limited liability in the Cayman Islands under the Companies Law of the Cayman Islands on 30 January 2019. The addresses of the Company's registered office and principal place of business are set out in the section headed "Corporate Information" of the Document.

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

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

1.2 Reorganisation

Pursuant to a group reorganisation (the "Reorganisation") as detailed in the section headed "History, Development and Reorganisation – Reorganisation" in the Document, which was completed on 15 March 2019, the Company became the holding company of the companies now comprising the Group.

Upon the completion of the Reorganisation and as at the date of this report, the Company had direct or indirect interest in the following subsidiaries:

Name	Place of incorporation	Date of incorporation	Particulars of issued and paid up capital	Effective interest held by the Group as at 31 December 2017	31 December 2018	31 May 2019	the date of this report	Principal activities
Directly held by the Company								
Kanic International Limited ("Kanic International") *(note (a))*	The BVI	5 March 2019	US$11	N/A	N/A	100%	100%	Investment holding
Indirectly held by the Company								
A-City Workshop Limited ("A-City") *(note (b))*	Hong Kong	31 August 2012	HK$1,000	100%	100%	100%	100%	Undertaking slope works in Hong Kong

Notes:

(a) No statutory financial statements have been prepared for Kanic International as it is newly incorporated and not subject to statutory audit requirements under relevant rules and regulations in the jurisdiction of incorporation.

(b) The statutory financial statements for the years ended 31 December 2017 and 2018 were audited by Nortex (HK) CPA Limited.

1.3 Basis of presentation

Pursuant to the Reorganisation, which was completed by interspersing the investment holding companies between Mr. Sieh and Mr. Ho and A-City, the Company became the holding company of the companies now comprising the Group on 15 March 2019. The Group comprising the Company and its subsidiaries resulting from the Reorganisation is regarded as a continuing entity. Accordingly, the Historical Financial Information has been prepared as if the Company had always been the holding company of the Group.

The consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the Track Record Period have been prepared to present the results and cash flows of the companies now comprising the Group, as if the group structure upon the completion of the Reorganisation had been in existence throughout the Track Record Period or since their respective dates of incorporation, where there is a shorter period. The consolidated statements of financial position of the Group as at 31 December 2017 and 2018 have been prepared to present the assets and liabilities of the companies now comprising the Group as if the current group structure had been in existence at those dates taking into account the respective dates of incorporation, where applicable.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the Historical Financial Information are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

2.1 Basis of preparation

The Historical Financial Information has 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 and Interpretations issued by the HKICPA and the accounting principles generally accepted in Hong Kong, and the applicable disclosure provisions of the Rules Governing the Listing of Securities on GEM of the Stock Exchange ("GEM Listing Rules").

The significant accounting policies that have been used in the preparation of this Historical Financial Information are summarised below.

The Historical Financial Information has been prepared under the historical cost basis. The Historical Financial Information is presented in Hong Kong dollars ("HK$"), which is also the functional currency of the Company and its subsidiaries, and all values are rounded to the nearest thousand (HK$'000), except where otherwise indicated.

The preparation of the Historical Financial Information in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies of the Group. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in note 3 below.

For the purpose of preparing and presenting the Historical Financial Information, all new standards, amendments to standards and interpretations, which are mandatory for the financial year beginning on 1 January 2019 (including HKFRS 9 and HKFRS 15), have been consistently applied by the Group throughout the Track Record Period except that the Group adopted HKFRS 16 on 1 January 2019. The accounting policies for leases under HKFRS 16 are set out in note 2.10 below.

Adoption of HKFRS 16 "Leases"

The Group has applied HKFRS 16 and the related consequential amendments to other HKFRSs on 1 January 2019 which resulted in changes in accounting policies and adjustments to the amounts recognised in the consolidated financial statements. In accordance with the transitional provisions in HKFRS 16, the Group has elected to apply HKFRS 16 using the modified retrospective approach with the cumulative effect of initial application recognised at 1 January 2019.

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

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

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

The Group has benefited from the use of hindsight for determining lease term when considering options to extend and terminate leases.

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

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

Depreciation was charged on a straight-line basis over the shorter of the asset's useful life and the lease term.

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

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

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

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

	HK$'000
Operating lease commitment at 31 December 2018 (note 22)	839
Less: discounting using incremental borrowing rate as at 1 January 2019	(36)
Lease liabilities recognised at 1 January 2019	803

The impact of adoption of HKFRS 16 using the modified retrospective approach on the consolidated statement of profit or loss and other comprehensive income for the five months ended 31 May 2019 is set out below.

	HK$'000
Profit for the period	2,217
Depreciation of right-of-use assets	211
Interest expense on lease liabilities	16
Lease expenses	(210)
Profit for the period without adopting HKFRS 16 for illustrative purpose	2,234

New and amended standards not yet adopted by the Group

The Group have not early adopted the following new and amended standards, amendments and interpretations ("new and amended HKFRSs") which have been issued but are not yet effective:

HKFRS 17	Insurance Contracts[2]
Amendments to HKAS 1 and HKAS 8	Definition of Material[1]
Amendments to HKFRS 3	Definition of a Business[4]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]

1 Effective for annual periods beginning on or after 1 January 2020
2 Effective for annual periods beginning on or after 1 January 2021
3 Effective date not yet determined
4 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020

The directors of the Company anticipate that all 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 such standards. The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. Currently it has been considered that the adoption of them is unlikely to have a material impact on the Group's results of operations and financial position.

2.2 Basis of consolidation and combination

The Historical Financial Information incorporates the financial information of the Company and all its subsidiaries made up to respective year end dates during the Track Record Period.

Subsidiaries are entities controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power over the entity, only substantive rights relating to the entity (held by the Group and others) are considered.

The Group includes the income and expenses of a subsidiary in the Historical Financial Information from the date it gains control until the date when the Group ceases to control the subsidiary.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

In the Company's statement of financial position, subsidiaries are carried at cost less any impairment loss unless the subsidiary is held for sale or included in a disposal group. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment.

The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable at the reporting date. All dividends whether received out of the investee's pre or post-acquisition profits are recognised in the Company's profit or loss.

2.3 Foreign currency translation

In the individual financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. At the reporting date, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at that date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the reporting date retranslation of monetary assets and liabilities are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated (i.e. only translated using the exchange rates at the transaction date).

2.4 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. Depreciation commences when the assets are ready for their intended use.

Depreciation is provided to write off the cost less their residual values over their estimated useful lives, using the straight-line method, at the following rates per annum:

Leasehold improvements	Over the term of lease or 20%, whichever is shorter
Furniture and fixtures	20%
Plant and machinery	20%
Motor vehicles	33.33%

The assets' residual values, depreciation methods and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

The gain or loss arising on retirement or disposal is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other costs, such as repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Right-of-use assets included the rights to use certain properties under leases which are measured at cost. The initial costs of right-of-use assets include the following:

– the amount of the initial measurement of lease liability; and

– lease payments made at or before the commencement date.

Right-of-use assets are depreciated over the shorter of the asset's useful life or the lease term on a straight-line basis.

2.5 Financial instruments

Recognition and derecognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all of its risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and initial measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with HKFRS 15, all financial assets are initially measured at fair value, in case of a financial asset not at fair value through profit or loss ("FVTPL"), plus transaction costs that are directly attributable to the acquisition of the financial asset.

Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

– amortised cost;

– FVTPL; or

– fair value through other comprehensive income ("FVOCI").

The classification is determined by both:

– the entity's business model for managing the financial asset; and

– the contractual cash flow characteristics of the financial asset.

Expected credit losses ("ECL") of trade receivables and other financial assets measured at amortised cost is presented within "administrative expenses".

Subsequent measurement of financial assets

Financial assets that are debt investments are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

– they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows; and

– the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortised cost using the effective interest method. Interest income from these financial assets is included in "other income, gains and losses" in profit or loss. Discounting is omitted where the effect of discounting is immaterial. The Group's cash and bank balances, amounts due from directors and trade and other receivables fall into this category of financial instruments.

Classification and measurement of financial liabilities

The Group's financial liabilities include trade and other payables, amounts due to directors and lease liabilities.

Financial liabilities (other than lease liabilities) are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Group designated a financial liability at fair value through profit or loss.

Subsequently, financial liabilities (other than lease liabilities) are measured at amortised cost using the effective interest method.

The accounting policies for lease liabilities are set out in note 2.10.

All interest-related charges are included in profit or loss.

Trade and other payables and amounts due to directors

Trade and other payables and amounts due to directors are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method.

2.6 Impairment of financial assets and contract assets

HKFRS 9's impairment requirements use more forward-looking information to recognise ECL – the "ECL model". Instruments within the scope included loans and other debt-type financial assets measured at amortised cost and FVOCI, trade receivables and contract assets recognised and measured under HKFRS 15.

The Group considers a broader range of information when assessing credit risk and measuring ECL, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

– financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ("Stage 1") and

– financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ("Stage 2").

"Stage 3" would cover financial assets that have objective evidence of impairment at the reporting date.

"12-month ECL" are recognised for the Stage 1 category while "lifetime ECL" are recognised for the Stage 2 category.

Measurement of the ECL is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Trade receivables and contract assets

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECL and recognises a loss allowance based on lifetime ECL at each reporting date. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial assets.

To measure the ECL, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the ECL rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

Other financial assets measured at amortised cost

The Group measures the loss allowance for other receivables equal to 12-month ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increase in the likelihood or risk of default occurring since initial recognition.

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial assets at the reporting date with the risk of default occurring on the financial assets at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

– an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

– significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

– existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

– an actual or expected significant deterioration in the operating results of the debtor;

– an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Despite the foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the end of each reporting period. A debt instrument is determined to have low credit risk if it has a low risk of default, the borrower has strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfill its contractual cash flow obligations.

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collateral held by the Group).

Detailed analysis of the ECL assessment of trade receivables, contract assets and other financial assets measured at amortised cost are set out in note 25.3.

2.7 Impairment of non-financial assets

Property, plant and equipment are subject to impairment testing. They are tested for impairment whenever there are indications that the asset's carrying amount may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of fair value, reflecting market conditions less costs of disposal, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the asset.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e., a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

Impairment loss is charged pro rata to the assets in the cash generating unit, except that the carrying amount of an asset will not be reduced below its individual fair value less cost of disposal, or value in use, if determinable.

An impairment loss is reversed if there has been a favorable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognised.

2.8 Cash and cash equivalents

Cash and cash equivalents include cash at bank.

2.9 Contract assets and contract liabilities

A contract asset is recognised when the Group recognises revenue (see note 2.13) before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for ECL in accordance with the policy set out in note 2.6 and are reclassified to receivables when the right to the consideration has become unconditional (see note 2.5).

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue (see note 2.13). A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see note 2.5).

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

2.10 Leases

Policies applicable before 1 January 2019

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

Operating lease charges as the lessee

Where the Group has the right to use of assets held under operating leases, payments made under the leases are charged to the consolidated statement of profit or loss and other comprehensive income on a straight-line basis over the lease terms except where an alternative basis is more representative of the time pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rental is charged to profit or loss in the accounting period in which they are incurred.

Policies applicable from 1 January 2019

For any new contracts entered into on or after 1 January 2019, the Group considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an identified asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition, the Group assesses whether the contract meets three key evaluations which are whether:

- the contracts contain an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group;

- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and

- the Group has the right to direct the use of the identified asset throughout the period of use. The Group assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

Measurement and recognition of leases as a lessee

At lease commencement date, the Group recognises a right-of-use asset and a lease liability on the consolidated statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the underlying asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any lease incentives received).

Except for those right-of-use assets meeting the definition of investment properties and those relating to a class of property, plant and equipment to which revaluation model was applied, the Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term unless the Group is reasonably certain to obtain ownership at the end of the lease term. The Group also assesses the right-of-use asset (except for those meeting the definition of investment properties) for impairment when such indicator exists.

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments.

Subsequent to initial measurement, the liability will be reduced for lease payments made and increased for interest cost on the lease liability. It is remeasured to reflect any reassessment or lease modification, or if there are changes in in-substance fixed payments. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

When the lease is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

On the consolidated statement of financial position, right-of-use assets that do not meet the definition of investment property have been included in property, plant and equipment, the same line as it presents the underlying assets of the same nature that it owns.

2.11 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

2.12 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, against the share capital account.

2.13 Revenue recognition

Revenue arises mainly from the contracts for the undertaking slope works services.

To determine whether to recognise revenue, the Group follows a 5-step process:

1. Identifying the contract with a customer

2. Identifying the performance obligations

3. Determining the transaction price

4. Allocating the transaction price to the performance obligations

5. Recognising revenue when/as performance obligation(s) are satisfied

In all cases, the total transaction price for a contract is allocated amongst the various performance obligations based on their relative stand-alone selling prices. The transaction price for a contract excludes any amounts collected on behalf of third parties.

Revenue is recognised either at a point in time or over time, when (or as) the Group satisfies performance obligations by transferring the promised goods or services to its customers.

Where the contract contains a financing component which provides a significant financing benefit to the customer for more than 12 months, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction with the customer, and interest income is accrued separately under the effective interest method. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method.

Further details of the Group's revenue and other income recognition policies are as follows:

Revenue from undertaking slope works contracts

The Group provides slope works under contracts with customers. Such contracts are entered into before the services begin. Under the terms of the contracts, the Group is contractually required to perform the services at the customers' specified sites that the Group' performance creates and enhances an asset that the customer controls as the Group performs. Revenue from slope works is therefore recognised over time using output method, i.e. based on surveys of undertaking slope works completed by the Group to date as certified by architects, surveyors or other representatives appointed by the customers. In cases where the payment certificates do not take place as at the Group's reporting period-end dates or do not exactly cover periods up to the reporting period-end dates, the revenue for the period from the last payment certificates up to the reporting period-end dates is estimated based on the actual amounts of works performed by the Group during such period as indicated by the internal progress reports, the payment applications prepared by the Group and the next payment certificates, if any, issued by the Group's customers or other representatives appointed by the Group's customers that takes place subsequent to the reporting period-end dates. The management of the Group considers that output method would faithfully depict the Group's performance towards complete satisfaction of these performance obligation under HKFRS 15.

The Group generally provides for warranties for repairs to any construction defects and does not provide extended warranties in its construction contract with customers. As such, most existing warranties are considered as assurance-type warranties under HKFRS 15, which are accounted for under HKAS 37.

Interest income

Interest income is recognised on an accrual basis using the effective interest method.

2.14 Employee benefits

Retirement benefits

Retirement benefits to employees are provided through defined contribution plans.

The Group operates a defined contribution retirement benefit plan under the Mandatory Provident Fund Schemes Ordinance, for all of its employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries.

Contributions are recognised as an expense in profit or loss as employees render services during the year. The Group's obligations under these plans are limited to the fixed percentage contributions payable.

Short-term employee benefits

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the reporting date.

Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

2.15 Accounting for income taxes

Income tax comprises current tax and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the reporting date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognised as a component of tax expense in profit or loss.

Deferred tax is calculated using the liability method on temporary differences at the reporting date between the carrying amounts of assets and liabilities in the Historical Financial Information and their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit, including existing taxable temporary differences, will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax is calculated, without discounting, at tax rates that are expected to apply in the period the liability is settled or the asset realised, provided they are enacted or substantively enacted at the reporting date.

Changes in deferred tax assets or liabilities are recognised in profit or loss, or in other comprehensive income or directly in equity if they relate to items that are charged or credited to other comprehensive income or directly in equity.

When different tax rates apply to different levels of taxable profit, deferred tax assets and liabilities are measured using the average tax rates that are expected to apply to the taxable profit of the periods in which the temporary differences are expected to reverse.

The determination of the average tax rates requires an estimation of (1) when the existing temporary differences will reverse and (2) the amount of future taxable profit in those years. The estimate of future taxable profit includes:

– profit or loss excluding reversals of temporary differences; and

– reversals of existing temporary differences.

Current tax assets and current tax liabilities are presented in net if, and only if,

(a) the Group has the legally enforceable right to set off the recognised amounts; and

(b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The Group presents deferred tax assets and deferred tax liabilities in net if, and only if,

(a) the entity has a legally enforceable right to set off current tax assets against current tax liabilities; and

(b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

(i) the same taxable entity; or

(ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

2.16 Segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the chief operating decision maker for their decisions about resources allocation to the Group's business components and for their review of the performance of those components.

2.17 Related parties

For the purposes of the Historical Financial Information, a party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group.

(b) the party is an entity and if any of the following conditions applies:

(i) the entity and the Group are members of the same group.

(ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) the entity and the Group are joint ventures of the same third party.

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) the entity is controlled or jointly controlled by a person identified in (a).

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Estimation of impairment of trade and other receivables (excluding prepayments), contract assets and amounts due from directors within the scope of ECL

The Group makes allowances on items subjects to ECL (including trade and other receivables (excluding prepayments), contract assets and amounts due from directors) based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period as set out in note 2.6. As at 31 December 2017 and 2018 and 31 May 2019, the carrying amounts of trade and other receivables (excluding prepayments), contract assets and amounts due from directors amounted to HK$3,488,000, HK$4,824,000 and HK$5,476,000, respectively (note 13), HK$11,004,000, HK$17,133,000 and HK$23,648,000, respectively (note 14) and HK$1,362,000, HK$Nil and HK$Nil, respectively (note 17).

No ECL in respect of trade and other receivables (excluding prepayments), contract assets and amounts due from directors was recognised during the Track Record Period.

4. REVENUE AND SEGMENT INFORMATION

4.1 REVENUE

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

	Year ended 31 December		Five months ended 31 May	
	2017	**2018**	**2018**	**2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
			(Unaudited)	
Provision of slope works				
Public sector projects	89,827	106,045	51,816	58,876
Private sector projects	4,496	5,200	90	16,411
	94,323	111,245	51,906	75,287

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 31 December 2017 and 2018 and 31 May 2019.

	At 31 December 2017
	HK$'000
Remaining performance obligations expected to be satisfied during the year ending	
31 December 2018	94,068
31 December 2019	41,937
After 31 December 2019	32,676
	168,681

	At 31 December 2018
	HK$'000
Remaining performance obligations expected to be satisfied during the year ending	
31 December 2019	122,825
31 December 2020	32,676
	155,501

	At 31 May 2019
	HK$'000
Remaining performance obligations expected to be satisfied during the year/ period ending	
31 December 2019	105,724
31 December 2020	48,263
	153,987

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 reviews the overall results of the Group as a whole to make decision about resources allocation. Accordingly, no segment analysis information is presented.

Geographical information

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

Information about major customers

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

	Year ended 31 December		Five months ended 31 May	
	2017	**2018**	**2018**	**2019**
	HK$'000	*HK$'000*	*HK$'000* *(Unaudited)*	*HK$'000*
Customer A	70,077	34,578	22,248	N/A*
Customer B	13,135	33,770	15,538	31,078
Customer C	N/A*	28,556	8,043	21,499
Customer D	N/A*	N/A*	N/A*	15,325

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

5. OTHER INCOME, GAINS AND LOSSES

	Year ended 31 December		Five months ended 31 May	
	2017	**2018**	**2018**	**2019**
	HK$'000	*HK$'000*	*HK$'000* *(Unaudited)*	*HK$'000*
(Loss)/gain on disposal of property, plant and equipment	(13)	(4)	1	97
Sundry income	22	1	–	1
	9	(3)	1	98

6. FINANCE COSTS

	Year ended 31 December		Five months ended 31 May	
	2017	**2018**	**2018**	**2019**
	HK$'000	*HK$'000*	*HK$'000* *(Unaudited)*	*HK$'000*
Interest expense on lease liabilities	–	–	–	16

7. PROFIT BEFORE INCOME TAX

	Year ended 31 December		Five months ended 31 May	
	2017	**2018**	**2018**	**2019**
	HK$'000	*HK$'000*	*HK$'000* *(Unaudited)*	*HK$'000*
Profit before income tax is stated after charging:				
(a) Staff costs (including directors' emoluments *(note 11(a))) (note)*				
– Salaries, wages and other benefits	28,286	32,767	14,976	18,883
– Contributions to defined contribution retirement plans	1,048	1,486	612	660
	29,334	34,253	15,588	19,543

Note: Staff costs (including directors' emoluments)

	Year ended 31 December		Five months ended 31 May	
	2017	**2018**	**2018**	**2019**
	HK$'000	*HK$'000*	*HK$'000* *(Unaudited)*	*HK$'000*
Cost of services	27,512	32,631	14,932	18,478
Administrative expenses	1,822	1,622	656	1,065
	29,334	34,253	15,588	19,543

	2017	2018	2018	2019
(b) Other items				
Depreciation, included in:				
– Cost of services				
– owned used	430	566	238	249
– Administrative expenses				
– owned used	76	48	20	23
– right-of-use assets	–	–	–	211
	506	614	258	483
Auditor's remuneration	40	–	–	–
Subcontracting expenses (included in cost of services)	20,457	24,820	10,641	17,853
Machinery rental expenses (included in cost of services)	2,038	2,118	1,147	1,931
Operating lease charges in respect of leased premises	100	212	42	–
[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]

8. INCOME TAX EXPENSE

	Year ended 31 December		Five months ended 31 May	
	2017	**2018**	**2018**	**2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
			(Unaudited)	
Provision for Hong Kong Profits Tax				
– Current tax	2,760	3,126	1,377	2,009
– Statutory tax concession	(30)	(30)	–	–
	2,730	3,096	1,377	2,009
Deferred tax *(note 19)*	(13)	(121)	(52)	20
	2,717	2,975	1,325	2,029

Hong Kong Profits Tax has been provided at the rate of 16.5% on the estimated assessable profit for the year ended 31 December 2017.

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

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

For the year ended 31 December 2018 and five months ended 31 May 2018 and 2019, Hong Kong Profits Tax of A-City, a subsidiary of the Group, is calculated in accordance with the two-tiered profits tax rates regime.

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

	Year ended 31 December		Five months ended 31 May	
	2017	**2018**	**2018**	**2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
			(Unaudited)	
Profit before income tax	16,642	19,069	9,030	4,246
Tax at Hong Kong Profits Tax rate of 16.5%	2,746	3,147	1,490	701
Tax effect of non-deductible expenses	1	23	–	1,493
Effect of two-tiered profits tax rates regime	–	(165)	(165)	(165)
Statutory tax concession	(30)	(30)	–	–
Income tax expense	2,717	2,975	1,325	2,029

9. DIVIDENDS

	Year ended 31 December		Five months ended 31 May	
	2017	**2018**	**2018**	**2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
			(Unaudited)	
Dividends	–	9,999	–	–

No dividend has been paid or declared by the Company since its date of incorporation.

Prior to the Reorganisation, A-City has declared and appropriated 2017 final dividends to its then shareholders amounted to HK$9,999,000 during the year ended 31 December 2018.

The rate and number of shares ranking for dividends are not presented as such information is not meaningful having regard to the basis of presentation and preparation of the Historical Financial Information as disclosed in notes 1.3 and 2.1 of Section II above.

10. [REDACTED]

	Year ended 31 December		**Five months ended 31 May**	
	2017	**2018**	**2018**	**2019**
			(Unaudited)	
[**REDACTED**] for the purpose of calculating basic [**REDACTED**] (profit for the year/period) *(HK$'000)*	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Weighted average number of ordinary shares for the purpose of calculating basic [**REDACTED**] *(in thousand)*	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]

[The weighted average number of ordinary shares for the purpose of calculating basic [**REDACTED**] during the years ended 31 December 2017 and 2018 and the five months ended 31 May 2018 and 2019 are retrospectively adjusted based on the Reorganisation and taking into account the effect arising from [**REDACTED**] as described in the section headed "History, Development and Reorganisation" in the Document.]

No diluted [**REDACTED**] is presented as there were no potential dilutive shares during the Track Record Period.

11. DIRECTORS' EMOLUMENTS

(a) Directors' emoluments

	Fees	Salaries and allowances	Retirement scheme contribution	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 December 2017				
Executive directors:				
Mr. Ho *(note (i))*	–	696	18	714
Mr. Sieh *(note (ii))*	–	696	18	714
	–	1,392	36	1,428
Year ended 31 December 2018				
Executive directors:				
Mr. Ho *(note (i))*	–	696	18	714
Mr. Sieh *(note (ii))*	–	696	18	714
	–	1,392	36	1,428
Five months ended 31 May 2018 (unaudited)				
Executive directors:				
Mr. Ho *(note (i))*	–	290	8	298
Mr. Sieh *(note (ii))*	–	290	8	298
	–	580	16	596
Five months ended 31 May 2019				
Executive directors:				
Mr. Ho *(note (i))*	–	290	8	298
Mr. Sieh *(note (ii))*	–	290	8	298
	–	580	16	596

Notes:

(i) Mr. Ho was a director of the Company's subsidiary during the Track Record Period and was appointed as a director of the Company on 30 January 2019 and redesignated as an executive director of the Company in February 2019.

(ii) Mr. Sieh was a director of the Company's subsidiary during the Track Record Period and was appointed as a director of the Company on 30 January 2019 and redesignated as an executive director of the Company in February 2019.

(iii) The emoluments shown above were for the services in connection with the management of the affairs of the Group during the Track Record Period.

(iv) Mr. Tso Ping Cheong Brian, Mr. Kwong Che Sing and Mr. Ling Siu Tsang were appointed as independent non-executive directors of the Company on [Date]. During the Track Record Period, the independent non-executive directors have not yet been appointed and have not received any directors' remuneration in the capacity of independent non-executive directors.

(v) For the years ended 31 December 2017 and 2018 and five months ended 31 May 2018 and 2019, no emoluments were paid by the Group to a director as an inducement to join or upon joining the Group or as compensation for loss of office as a director or management of any members of the Group.

(vi) For the years ended 31 December 2017 and 2018 and five months ended 31 May 2018 and 2019, there was no arrangement under which a director has waived or agreed to waive any emolument.

(b) Five highest paid individuals

For the years ended 31 December 2017 and 2018 and five months ended 31 May 2018 and 2019, the five individuals whose emoluments were the highest in the Group included two, two, two (unaudited) and two directors respectively.

Details of the emoluments of the remaining three highest paid individuals are as follows:

	Year ended 31 December		**Five months ended 31 May**	
	2017	**2018**	**2018**	**2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
			(Unaudited)	
Salaries, fee and allowances	1,258	1,579	800	847
Retirement scheme contributions	41	50	30	22
	1,299	1,629	830	869

The emoluments fell within the following bands:

	Year ended 31 December		**Five months ended 31 May**	
	2017	**2018**	**2018**	**2019**
			(Unaudited)	
Emolument bands:				
HK$ Nil – HK$1,000,000	3	3	3	3

For the years ended 31 December 2017 and 2018 and five months ended 31 May 2018 and 2019, no emoluments were paid by the Group to the above highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office as a director or management of any members of the Group.

12. PROPERTY, PLANT AND EQUIPMENT

	Right-of-use assets	Leasehold improvements	Furniture and fixtures	Plant and machinery	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2017						
Cost	–	–	1,012	300	569	1,881
Accumulated depreciation	–	–	(372)	(5)	(224)	(601)
Net book amount	–	–	640	295	345	1,280
Year ended 31 December 2017						
Opening net book amount	–	–	640	295	345	1,280
Additions	–	–	451	730	77	1,258
Disposals	–	–	–	–	(29)	(29)
Depreciation	–	–	(242)	(90)	(174)	(506)
Closing net book amount	–	–	849	935	219	2,003
At 31 December 2017 and 1 January 2018						
Cost	–	–	1,463	1,030	600	3,093
Accumulated depreciation	–	–	(614)	(95)	(381)	(1,090)
Net book amount	–	–	849	935	219	2,003
Year ended 31 December 2018						
Opening net book amount	–	–	849	935	219	2,003
Additions	–	95	24	–	187	306
Disposals	–	–	–	–	(54)	(54)
Depreciation	–	(6)	(260)	(206)	(142)	(614)
Closing net book amount	–	89	613	729	210	1,641
At 31 December 2018 and 1 January 2019						
Cost	–	95	1,487	1,030	672	3,284
Accumulated depreciation	–	(6)	(874)	(301)	(462)	(1,643)
Net book amount	–	89	613	729	210	1,641
Five months ended 31 May 2019						
Opening net book amount	–	89	613	729	210	1,641
Impact on initial application of HKFRS 16 *(note 2.1)*	845	–	–	–	–	845
Additions	–	–	287	–	29	316
Disposals	–	–	–	–	(1)	(1)
Depreciation	(211)	(8)	(125)	(86)	(53)	(483)
Closing net book amount	634	81	775	643	185	2,318
At 31 May 2019						
Cost	845	95	1,774	1,030	525	4,269
Accumulated depreciation	(211)	(14)	(999)	(387)	(340)	(1,951)
Net book amount	634	81	775	643	185	2,318

The Group has obtained the right to use a premises through the tenancy agreement. The lease typically run on an initial period of 2 years. The Group makes fixed payments during the contract period.

As at 31 May 2019, the carrying amounts of the Group's right-of-use assets in relation to the premises are HK$634,000.

13. TRADE AND OTHER RECEIVABLES

	At 31 December		At 31 May
	2017	**2018**	**2019**
	HK$'000	*HK$'000*	*HK$'000*
Trade receivables	2,725	3,975	3,928
Other receivables	316	2	–
Prepayments	1,247	4,108	5,617
Utility and other deposits	447	847	1,548
	4,735	8,932	11,093

The directors of the Company 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.

Trade receivables

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

Based on the invoice dates, the ageing analysis of the trade receivables was as follows:

	At 31 December		At 31 May
	2017	**2018**	**2019**
	HK$'000	*HK$'000*	*HK$'000*
0 – 30 days	2,725	3,856	3,928
91 – 365 days	–	119	–
	2,725	3,975	3,928

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 2017 and 2018 and 31 May 2019, the ECL rate for trade receivables are 0.26%, 0.26% and 0.15% respectively. As the ECL rates are close to be zero, no provision has been made during the Track Record Period accordingly.

Other receivables

No amounts in relation to other receivables were past due at 31 December 2017 and 2018 and 31 May 2019. As at 31 December 2017 and 2018 and 31 May 2019, the ECL rate for other receivables are 1.87%, 1.87% and nil respectively. As the ECL rates are considered as insignificant, no provision has been made during the Track Record Period accordingly.

Prepayments

As at 31 December 2017 and 2018 and 31 May 2019, prepayments mainly comprised of: (1) prepaid [**REDACTED**] amounted to HK$[**REDACTED**], HK$[**REDACTED**] and HK$[**REDACTED**] respectively; and (2) prepaid expenses for site insurance and machinery rentals amounted to HK$866,000, HK$2,193,000 and HK$2,739,000 respectively.

14. CONTRACT ASSETS

	At 31 December 2017 HK$'000	At 31 December 2018 HK$'000	At 31 May 2019 HK$'000
Unbilled revenue	10,605	15,927	21,252
Retention receivables	399	1,206	2,396
	11,004	17,133	23,648

Contract assets represent the Group's right to considerations from customers for the provision of undertaking slope work, which arise when: (i) the Group completed the relevant services under such contracts but yet certified by architects, surveyors or other representatives appointed by customers; and (ii) the customers withhold certain certified amounts payable to the Group as retention money to secure the due performance of the contracts after the expiry of the defect liability period of construction projects. Any amount previously recognised as a contract asset is reclassified to trade receivables at the point at which it becomes unconditional and is invoiced to the customer. As at 31 December 2017 and 2018 and 31 May 2019, the ECL rate for contract assets are 0.26%, 0.26% and 0.15% respectively. As the ECL rates are close to be zero, no provision has been made during the Track Record Period accordingly.

Changes of contract assets during the Track Record Period were mainly due to: (1) changes in retention receivables as a result of an increase in number of ongoing and completed contracts under the defect liability period during the Track Record Period; and (2) changes in number of contract works that the relevant services were completed but yet been certified at the end of each reporting period.

Movements in the contract assets balances during the Track Record Period are as follows:

	At 31 December 2017 HK$'000	At 31 December 2018 HK$'000	At 31 May 2019 HK$'000
Transfers from contract assets recognised at the beginning of the year to trade receivables	5,205	10,605	15,779

No contract liability was noted during the Track Record Period.

15. CASH AND BANK BALANCES

Cash at banks earns interest at floating rates based on daily bank deposit rates during the Track Record Period.

16. TRADE AND OTHER PAYABLES

	At 31 December 2017 HK$'000	At 31 December 2018 HK$'000	At 31 May 2019 HK$'000
Trade payables *(note (i))*	5,354	7,226	12,514
Accruals and other payables	203	350	1,644
	5,557	7,576	14,158

Notes:

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

	At 31 December		At 31 May
	2017	**2018**	**2019**
	HK$'000	*HK$'000*	*HK$'000*
0 – 30 days	5,226	7,192	11,808
31 – 60 days	52	–	634
61 – 90 days	74	7	–
91 – 365 days	2	27	72
	5,354	7,226	12,514

(ii) 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.

17. AMOUNTS DUE FROM/(TO) DIRECTORS

Particulars of amounts due from/(to) directors are as follows:

				Maximum amount outstanding during		
				the year ended		the five months ended
	At 31 December		At 31 May	31 December		31 May
	2017	**2018**	**2019**	**2017**	**2018**	**2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Mr. Ho	1,246	(2,247)	(459)	1,359	2,905	N/A
Mr. Sieh	116	(2,684)	(883)	232	2,316	N/A
	1,362	(4,931)	(1,342)			

The amounts due from/(to) directors are non-trade in nature. The amounts due are unsecured, non-interest bearing and repayable on demand. The fair values approximate their carrying amounts at each of the reporting dates. All outstanding balance of amounts due to directors will be settled before [**REDACTED**].

18. LEASE LIABILITIES

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

	At 31 May 2019 *HK$'000*
Total minimum lease payments:	
Due within one year	503
Due after one year but within two years	126
	629
Less: Future finance charges	(20)
Present value of lease liabilities	609
Present value of minimum lease payments:	
Due within one year	484
Due after one year but within two years	125
	609
Less: Portion due within one year included under current liabilities	(484)
Portion due after one year included under non-current liabilities	125

19. DEFERRED TAXATION

Deferred taxation is calculated in full on temporary differences under the liability method using taxation rate of 16.5% in Hong Kong for the year ended 31 December 2017 and using the average tax rates that are expected to apply to the taxable profit of the year in which the temporary differences are expected to be utilised for the year ended 31 December 2018 and five months ended 31 May 2019.

The movement in deferred tax liabilities during the Track Record Period and recognised in the consolidated statements of the financial position as at each reporting date are as follows:

	Accelerated tax depreciation *HK$'000*
As at 1 January 2017	322
Credited to profit or loss *(note 8)*	(13)
As at 31 December 2017 and 1 January 2018	309
Credited to profit or loss *(note 8)*	(121)
As at 31 December 2018 and 1 January 2019	188
Charged to profit or loss *(note 8)*	20
As at 31 May 2019	208

20. SHARE CAPITAL

For the purpose of the preparation of the consolidated statements of financial position, the balance of share capital at 31 December 2017 and 2018 represents the aggregate of the paid up share capital of the subsidiaries comprising the Group prior to the Reorganisation.

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

	Number of shares	*HK$'000*
Authorised:		
Ordinary shares of HK$0.01 each		
Upon incorporation and as at 31 May 2019	[**REDACTED**]	[**REDACTED**]
Issued and fully paid:		
Upon incorporation *(note (i))*	[**REDACTED**]	[**REDACTED**]
Issuance of shares upon the Reorganisation *(note (ii))*	[**REDACTED**]	[**REDACTED**]
As at 31 May 2019	[**REDACTED**]	[**REDACTED**]

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

Notes:

(i) On 30 January 2019, the Company issued and allotted one share, credited as fully paid at par, to the initial subscriber, which was then transferred to Good Hill on the same date for a consideration of HK$0.01.

(ii) On 15 March 2019, each of Mr. Ho and Mr. Sieh transferred 500 shares of A-City, in aggregate representing the entire issued share capital of A-City, to Kanic International for a consideration of HK$26,780,000, which was determined based on the net asset value of A-City as at 31 December 2018 and settled by (a) Kanic International by issuing and allotting 10 shares, credited as fully paid at a premium, to the Company; (b) the Company by issuing and allotting 2,000 shares, credited as fully paid at a premium, to Good Hill; and (c) Good Hill by issuing and allotting one share, credited as fully paid at a premium, to each of Mr. Ho and Mr. Sieh.

(iii) On [date], the authorised share capital of the Company was increased from HK$[**REDACTED**] divided into [**REDACTED**] shares to HK$[**REDACTED**] divided into [**REDACTED**] shares by the creation of additional [**REDACTED**] new shares pursuant to a written resolution passed by the sole shareholder of the Company.

21. RESERVES

Capital reserve of the Group as at 31 May 2019 represents the aggregate of the paid up share capital of the subsidiaries comprising the Group.

22. OPERATING LEASE COMMITMENTS

As lessee

As at 31 December 2017 and 2018, the total future minimum lease payments payable by the Group under non-cancellable operating leases are as follows:

	At 31 December	
	2017	**2018**
	HK$'000	*HK$'000*
Within one year	91	503
In the second to fifth years	–	336
	91	839

The Group is the lessee in respect of premises under operating leases. The leases typically run for an initial period of two years. The leases do not include contingent rentals. The Group has initially applied HKFRS 16 using the modified retrospective approach. Under this approach, the Group adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to these leases (see note 2.1). From 1 January 2019 onwards, future lease payments are recognised as lease liabilities in the consolidated statements of financial position in accordance with the policies set out in note 2.10, and the details regarding the Group's future lease payments are disclosed in note 18.

23. RELATED PARTY TRANSACTIONS

In addition to the balances and transactions detailed elsewhere in the Historical Financial Information, the Group had the following related party transactions during the Track Record Period.

(a) Balances with related parties

Details of the balances with related parties are disclosed in note 17.

(b) Key management personnel remuneration

The emoluments of the directors and senior management of the Company, who represent the key management personnel during the Track Record Period are as follows:

	Year ended 31 December		Five months ended 31 May	
	2017	**2018**	**2018**	**2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
			(Unaudited)	
Salaries, fee and allowances	1,392	1,392	580	1,155
Retirement benefit scheme contributions	36	36	16	30
	1,428	1,428	596	1,185

24. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The changes in the Group's liabilities arising from financing activities can be classified as follows:

	Lease liabilities
	HK$'000
At 31 December 2018	–
Impact on initial application of HKFRS 16 *(note 2.1)*	803
At 1 January 2019	803
Change from financing cash flows:	
Payment of lease liabilities	(210)
Other change:	
Interest expense for lease liabilities	16
At 31 May 2019	609

25. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT

The Group is exposed to financial risks through its use of financial instruments in its ordinary course of operations. The financial risks include interest rate risk, credit risk and liquidity risk. The Group's overall risk management strategy seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out by the senior management of the Group and approved by the board of directors.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

25.1 Categories of financial assets and liabilities

The carrying amounts presented in the consolidated statements of financial position relate to the following categories of financial assets and liabilities:

	At 31 December		**At 31 May**
	2017	**2018**	**2019**
	HK$'000	*HK$'000*	*HK$'000*
Financial assets			
At amortised cost:			
– Trade and other receivables	3,488	4,824	5,476
– Amounts due from directors	1,362	–	–
– Cash and bank balances	11,180	12,434	10,929
	16,030	17,258	16,405

	At 31 December		At 31 May
	2017	**2018**	**2019**
	HK$'000	*HK$'000*	*HK$'000*
Financial liabilities			
At amortised cost:			
– Trade and other payables	5,557	7,576	14,158
– Lease liabilities	–	–	609
– Amounts due to directors	–	4,931	1,342
	5,557	12,507	16,109

25.2 Interest rate risk

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The exposure to interest rate risk for the Group's bank balances is considered immaterial.

25.3 Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group. The Group's exposure to credit risk mainly arises from granting credit to customers in the ordinary course of its operations. The Group's maximum exposure to credit risk on recognised financial assets and contract assets is limited to the carrying amount at end of each reporting period.

In respect of trade and other receivables and contract assets, individual credit evaluations are performed on all customers and counterparties. These evaluations focus on the counterparty's financial position, past history of making payments and take into account information specific to the counterparty as well as pertaining to the economic environment in which the counterparty operates. Monitoring procedures have been implemented to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade and other receivable and contract asset balance at the end of each reporting period to ensure adequate impairment losses are made for irrecoverable amounts.

At 31 December 2017 and 2018 and 31 May 2019, the Group has concentration of credit risk as 89% and 100%, 57% and 100%, and 100% and 100% of the total trade receivables (note 13) were due from the Group's largest trade debtor and five largest trade debtors respectively. The aggregate amounts of trade receivables from these trade debtors amounted to HK$2,424,000 and HK$2,725,000, HK$2,247,000 and HK$3,975,000, and HK$3,928,000 and HK$3,928,000 of the Group's total trade receivables at 31 December 2017 and 2018 and 31 May 2019 respectively.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Internal credit rating, actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations, actual or expected significant changes in the operating results of the borrower and significant changes in the expected performance and behavior of the borrower including changes in the payment status of borrowers in the Group and changes in the operating results of the borrower are indicators to be incorporated.

The Group accounts for its credit risk by appropriately providing for ECL on a timely basis. In calculating the ECL rates, the Group considers historical elements and forward looking elements.

(i) Trade receivables and contract assets

The Group applies the simplified approach to providing for ECL prescribed by HKFRS 9, which permits the use of the lifetime ECL provision for all trade receivables and contract assets.

Assessed lifetime ECL rate of contract assets and trade receivables is close to be zero as there are no recent history of default and continuous payment received. Based on historical and forward looking elements of the Group, it was determined that no loss allowance provision is necessary in respect of these balances as there has not been a significant change in credit quality of the customers.

(ii) Other financial assets at amortised cost

As at 31 December 2017 and 2018 and 31 May 2019, the Group expects that the credit risk associated with other receivables and amounts due from directors are considered to be low, since the majority of these balances is due from counterparties having a strong capacity to meet its contractual cash flow obligations in the near term. The Group has assessed that the expected credit losses for these receivables are not material under the 12 months expected losses method. Thus no loss allowance provision was recognised during the Track Record Period.

The credit risks on cash and bank balances are considered to be insignificant because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

25.4 Liquidity risk

Liquidity risk relates to the risk that the Group will not be able to meet its obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group is exposed to liquidity risk in respect of settlement of trade and other payables, amounts due to directors and lease liabilities, and also in respect of its cash flow management. The Group's objective is to maintain an appropriate level of liquid assets and committed lines of funding to meet its liquidity requirements in the short and longer term.

Management monitors the cash flow forecasts of the Group in meeting its liabilities.

The analysis set out the remaining contractual maturity based on undiscounted cash flow of the Group's financial liabilities at the reporting date.

	On demand or within 1 year	Total contractual undiscounted cash flows	Carrying amount
	HK$'000	*HK$'000*	*HK$'000*
At 31 December 2017			
Trade and other payables	5,557	5,557	5,557

	On demand or within 1 year	Total contractual undiscounted cash flows	Carrying amount
	HK$'000	*HK$'000*	*HK$'000*
At 31 December 2018			
Trade and other payables	7,576	7,576	7,576
Amounts due to directors	4,931	4,931	4,931
	12,507	12,507	12,507

	On demand or within 1 year	Between 1 and 2 years	Total contractual undiscounted cash flows	Carrying amount
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 31 May 2019				
Trade and other payables	14,158	–	14,158	14,158
Lease liabilities	503	126	629	609
Amounts due to directors	1,342	–	1,342	1,342
	16,003	126	16,129	16,109

25.5 Fair value measurement

The carrying amounts of the Group's financial assets and liabilities are not materially different from their fair values at the end of each of the Track Record Period due to their short maturities.

26. CAPITAL MANAGEMENT

The Group's capital management objectives are to ensure the Group's ability to continue as a going concern and to maintain capital structure in order to minimise the costs of capital, support its business and maximise shareholders' value.

The Group actively and regularly reviews its capital structure and makes adjustments in light of changes in economic conditions. The Group monitors its capital structure on the basis of the net debt to equity ratio. For this purpose, net debt is defined as borrowings (including lease liabilities) net of cash and bank balance. In order to maintain or adjust the ratio, the Group may adjust the amount of dividends paid to shareholders, share buyback, issue new shares and raise new debts.

The Group's net debt to equity ratio at each reporting date was as follows:

	At 31 December		At 31 May
	2017	2018	2019
	HK$'000	*HK$'000*	*HK$'000*
Borrowings	–	–	609
Less: cash and bank balances	(11,180)	(12,434)	(10,929)
Net cash	(11,180)	(12,434)	(10,320)
Total equity	20,467	26,562	[**REDACTED**]
Net debt to equity ratio	N/A	N/A	N/A

27. POTENTIAL LITIGATION

As at 31 December 2017 and 2018 and 31 May 2019, the Group has been involved in certain potential litigations and claims against the Group regarding the employees' compensation and common law personal injury claim as detailed in the section headed "Business – Litigation and claims" in the Document. The directors are of the opinion that the potential litigations and claims are not expected to have a material impact on the Group's Historical Financial Information, and the outcome for potential claims is uncertain. Accordingly, no provision has been made to the Historical Financial Information.

28. PERFORMANCE GUARANTEE

On March 2019, performance bond of HK$2,000,000 was issued by an insurance company in favour of the Group's customer as security for the due performance and observance of the Group's obligations under the contract entered into between the Group and its customer.

The performance guarantee was secured by (i) personal guarantees provided by the Controlling Shareholders; and (ii) a pledged deposit in the sum of HK$600,000 (as included in utility and other deposits in note 13) placed by A-City with the insurance company. The personal guarantees provided by the Controlling Shareholders will be released and replaced by a corporate guarantee by the Company upon [**REDACTED**].

III. EVENTS AFTER THE REPORTING PERIOD

The following significant events took place subsequent to 31 May 2019:

(a) On June 2019, A-City as a borrower entered into a facility agreement offered by a licensed bank in Hong Kong as lender in relation to a credit facility with a total loan amount of up to HK$10,000,000. The facility was secured by (i) personal guarantees of Mr. Ho and Mr. Sieh, all of which will be replaced by the corporate guarantee of the Company upon [**REDACTED**]; and (ii) a bank deposit of HK$5,000,000 placed by A-City with the licensed bank.

(b) On July 2019, three performance bonds totaling of HK$7,000,000 were issued by an insurance company in favour of the Group's customers as security for the due performance and observance of the Group's obligations under the contracts entered into between the Group and its customers. The performance guarantees are secured by (i) personal guarantees provided by the Controlling Shareholders; and (ii) pledged deposits in the sum of HK$2,500,000 placed by A-City with the insurance company. The personal guarantees provided by the Controlling shareholders will be released and replaced by a corporate guarantee by the Company upon [**REDACTED**].

IV. SUBSEQUENT FINANCIAL INFORMATION

No audited financial statements have been prepared by the Company or its subsidiaries in respect of any period subsequent to 31 May 2019.