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 Listing Document.

GrantThornton
致同

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF MAXICITY HOLDINGS LIMITED AND KINGSWAY 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-48, which comprises the consolidated statements of financial position of the Group as at 31 December 2018, 2019 and 2020 and 30 April 2021, and the statements of financial position of the Company as at 31 December 2019 and 2020 and 30 April 2021, 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 of the Group for each of the years ended 31 December 2018, 2019 and 2020 and the four months ended 30 April 2021 (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-47 forms an integral part of this report, which has been prepared for inclusion in the listing document of the Company dated [●] (the "Listing Document") in connection with the proposed **[REDACTED]** of the Company's shares from GEM to the Main Board (the "**[REDACTED]**") 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 1.2 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 gives a true and fair view in accordance with the basis of presentation and preparation set out in notes 1.2 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 purposes of the accountants' report, a true and fair view of the Group's consolidated financial position as at 31 December 2018, 2019 and 2020 and 30 April 2021, the Company's financial position as at 31 December 2019 and 2020 and 30 April 2021, 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 1.2 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 four months ended 30 April 2020 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 1.2 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 1.2 and 2.1, respectively to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on the Main Board of The Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the consolidated 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 the 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.

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 in this report was prepared based on the Group's consolidated financial statements. The consolidated financial statements prepared under Hong Kong Financial Reporting Standards ("HKFRSs") 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").

Consolidated statements of profit or loss and other comprehensive income

		Year ended 31 December			Four months ended 30 April	
		2018	**2019**	**2020**	**2020**	**2021**
	Notes	*HK$'000* *(note (i))*	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Revenue	*4*	111,245	183,903	276,006	86,222	106,111
Cost of services		(89,660)	(150,546)	(224,410)	(70,462)	(86,646)
Gross profit		21,585	33,357	51,596	15,760	19,465
Other income, gains and losses, net	*5*	(3)	224	4,784	224	794
Administrative expenses		(2,374)	(5,302)	(8,672)	(3,434)	(3,292)
[REDACTED]		**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
[REDACTED] and related expenses		**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Finance costs	*6*	–	(34)	(15)	(5)	(7)
Profit before income tax	*7*	19,069	11,476	46,244	12,545	11,527
Income tax expense	*8*	(2,975)	(4,610)	(6,894)	(1,896)	(2,569)
Profit and total comprehensive income for the year/period		16,094	6,866	39,350	10,649	8,958
		HK cents	*HK cents*	*HK cents*	*HK cents* (Unaudited)	*HK cents*
Earnings per share attributable to equity holders of the Company						
Basic and diluted	*10*	5.36	2.25	9.84	2.66	2.24

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. Please refer to note 2.2 for further details.

Consolidated statements of financial position

		At 31 December			At 30 April
		2018	2019	2020	2021
	Notes	*HK$'000* *(note (i))*	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS AND LIABILITIES					
Non-current assets					
Property, plant and equipment	*12*	1,641	2,692	4,948	4,578
Deposits paid for acquisition of property, plant and equipment	*13*	–	723	–	–
		1,641	3,415	4,948	4,578
Current assets					
Contract assets	*14*	17,133	21,198	50,494	68,668
Trade and other receivables	*13*	8,932	16,744	22,311	16,702
Cash and bank balances	*15*	12,434	66,701	83,531	70,250
		38,499	104,643	156,336	155,620
Current liabilities					
Trade and other payables	*16*	7,576	14,536	31,362	18,835
Amounts due to directors	*17*	4,931	–	–	–
Lease liabilities	*18*	–	329	260	264
Current tax liabilities		883	5,424	2,160	4,726
		13,390	20,289	33,782	23,825
Net current assets		25,109	84,354	122,554	131,795
Total assets less current liabilities		26,750	87,769	127,502	136,373
Non-current liabilities					
Lease liabilities	*18*	–	–	181	91
Deferred tax liabilities	*19*	188	257	459	462
		188	257	640	553
Net assets		26,562	87,512	126,862	135,820
EQUITY					
Share capital	*20*	1	4,000	4,000	4,000
Reserves	*21*	26,561	83,512	122,862	131,820
Equity attributable to equity holders of the Company		26,562	87,512	126,862	135,820

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. Please refer to note 2.2 for further details.

Statements of financial position of the Company

		At 31 December		At 30 April
		2019	2020	2021
	Notes	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS AND LIABILITIES				
Non-current asset				
Investment in a subsidiary		26,780	26,780	26,780
Current assets				
Prepayments	*13*	381	1,064	–
Amounts due from subsidiaries (note)		30,103	32,868	29,060
Cash and bank balances		7,658	2,388	1,676
		38,142	36,320	30,736
Current liabilities				
Accruals	*16*	1,769	1,164	1,477
Current tax liabilities		–	38	38
		1,769	1,202	1,515
Net current assets		36,373	35,118	29,221
Net assets/Total asset less current liabilities		63,153	61,898	56,001
EQUITY				
Share capital	*20*	4,000	4,000	4,000
Reserves	*21*	59,153	57,898	52,001
Total equity		63,153	61,898	56,001

Note: The amount due is non-trade nature, unsecured, interest-free and has no fixed repayment term. The Group considers the expected credit loss rate to be 0.01% based on historical settlement records, forward-looking information and past experience. The Group has assessed that the expected credit losses for these receivables are not material under the 12 months expected losses method.

Consolidated statements of changes in equity

	Share capital	Share premium	Capital reserve	Retained earnings	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(note 20)	*(note 21(a))*	*(note 21(a))*	*(note 21(a))*	
Balance at 1 January 2018	1	–	–	20,466	20,467
Profit and total comprehensive income for the year	–	–	–	16,094	16,094
Transaction with owners:					
Final dividends declared and approved *(note 9)*	–	–	–	(9,999)	(9,999)
Balance at 31 December 2018 and 1 January 2019 *(note)*	1	–	–	26,561	26,562
Profit and total comprehensive income for the year	–	–	–	6,866	6,866
Transaction with owners:					
Issuance of share upon incorporation *(note 20(i))*	–*	–	–	–	–*
Effect of group reorganisation (the "Reorganisation") *(note 20(ii))*	(1)	–	1	–	–
Issue of shares upon **[REDACTED]** and **[REDACTED]** *(note 20(iv))*	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Capitalisation issue *(note 20(v))*	3,000	(3,000)	–	–	–
Total transactions with owners	3,999	50,084	1	–	54,084
Balance at 31 December 2019 and 1 January 2020	4,000	50,084	1	33,427	87,512
Profit and total comprehensive income for the year	–	–	–	39,350	39,350
Balance at 31 December 2020 and 1 January 2021	4,000	50,084	1	72,777	126,862
Profit and total comprehensive income for the period	–	–	–	8,958	8,958
Balance at 30 April 2021	4,000	50,084	1	81,735	135,820
Balance at 1 January 2020	4,000	50,084	1	33,427	87,512
Profit and total comprehensive income for the period (Unaudited)	–	–	–	10,649	10,649
Balance at 30 April 2020 (Unaudited)	4,000	50,084	1	44,076	98,161

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

Note: 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. Please refer to note 2.2 for further details.

Consolidated statements of cash flows

		Year ended 31 December			Four months ended 30 April	
		2018	**2019**	**2020**	**2020**	**2021**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		(note (i))			(Unaudited)	
Cash flows from operating activities						
Profit before income tax		19,069	11,476	46,244	12,545	11,527
Adjustments for:						
Depreciation		614	1,137	1,658	482	612
Loss/(gain) on disposal of property, plant and equipment		4	(182)	5	–	–
Written-off of property, plant and equipment		–	–	57	–	–
Interest expense on bank overdrafts		–	4	–	–	–
Finance charges on lease liabilities		–	30	15	5	7
Interest income		–	(41)	(450)	(223)	(37)
Operating profit before working capital changes		19,687	12,424	47,529	12,809	12,109
Increase in contract assets		(6,129)	(4,065)	(29,576)	(34,742)	(18,174)
(Increase)/decrease in trade and other receivables		(2,197)	(9,854)	(5,534)	(1,744)	5,609
Increase/(decrease) in trade and other payables		2,019	6,960	16,886	8,702	(12,527)
Cash generated from/(used in) operations		13,380	5,465	29,305	(14,975)	(12,983)
Income tax paid		(6,164)	–	(9,956)	(4,621)	–
Net cash generated from/(used in) operating activities		7,216	5,465	19,349	(19,596)	(12,983)
Cash flows from investing activities						
Interest received		–	41	450	223	37
Purchase of property, plant and equipment		(306)	(2,073)	(2,570)	(523)	(242)

		Year ended 31 December			Four months ended 30 April	
		2018	**2019**	**2020**	**2020**	**2021**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		(note (i))			(Unaudited)	
Proceeds from disposal of property, plant and equipment		50	189	5	–	–
Deposit paid for purchase of property, plant and equipment		–	–	–	(1,123)	–
Advances to directors		(3,706)	–	–	–	–
Net cash used in investing activities		(3,962)	(1,843)	(2,115)	(1,423)	(205)
Cash flows from financing activities						
Interest paid	6	–	(34)	(15)	(5)	(7)
Proceeds from issuance of share capital		–	60,000	–	–	–
Share issuance expenses		(2,000)	(3,916)	–	–	–
Payment of lease liabilities		–	(474)	(389)	(163)	(86)
Advances from a director		–	–	–	4	–
Repayment to the directors		–	(4,931)	–	–	–
Net cash (used in)/ generated from financing activities		(2,000)	50,645	(404)	(164)	(93)
Net increase/(decrease) in cash and cash equivalents		1,254	54,267	16,830	(21,183)	(13,281)
Cash and cash equivalents at the beginning of year/period		11,180	12,434	66,701	66,701	83,531
Cash and cash equivalents at the end of year/period	*15*	12,434	66,701	83,531	45,518	70,250

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. Please refer to note 2.2 for further details.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. GENERAL INFORMATION AND BASIS OF PRESENTATION

1.1 General information

Maxicity Holdings Limited (the "Company") was incorporated as an exempted company with limited liability in the Cayman Islands under the Companies Act of the Cayman Islands on 30 January 2019. The shares of the Company are listed on the GEM of the stock exchange of Hong Kong Limited (the "Stock Exchange") with effect from 13 December 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 Listing Document.

The Company is an investment holding company. The Company and its subsidiaries (collectively referred to as the "Group") are principally engaged in undertaking slope works in Hong Kong.

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

At the end of each Track Record Period and as at the date of this report, the Company had direct or indirect interest in its subsidiaries, all of which are private limited liability companies, and the particulars of which are set out below:

			Particulars of issued and paid up capital as at 31 December				Effective interest held by the Group as at 31 December					
Name	Place of incorporation	Date of incorporation	2018	2019	2020	as at 30 April 2021	2018	2019	2020	30 April 2021	Date of this report	Principal activities
Directly held by the Company												
Kanic International Limited ("Kanic International") *(note (a))*	BVI	5 March 2019	US$11	US$11	US$11	US$11	N/A	100%	100%	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	HK$1,000	HK$8,600,000	HK$13,900,000	100%	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 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 2018, 2019 and 2020 were audited by Nortex (HK) CPA Limited.

1.2 Reorganisation and basis of presentation

In preparation for listing of the Company's shares on GEM of the Stock Exchange (the "Listing"), the entities in the Group underwent the Reorganisation which involves the Company and other investment holding companies between A-City and the then shareholders. Prior to the Reorganisation, the Group's operating subsidiary, A-City, was held as to 50% by Mr. Sieh and Mr. Ho respectively.

The principle steps of the Reorganisation are as follows:

On 16 January 2019, Good Hill allotted and issued one share, credited as fully paid at par, to each of Mr. Ho and Mr. Sieh, for a consideration of US$1 each as initial subscribers.

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 at par and settled by Good Hill in cash on the same day.

On 5 March 2019, Kanic International allotted and issued one share, credited as fully paid at par, to our Company for a consideration of US$1 as initial subscriber.

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

Upon the completion of the above steps, the Reorganisation was completed by interspersing the investment holding companies between Mr. Sieh and Mr. Ho and A-City in connection with the Listing, the Company became the holding company of the companies now comprising the Group on 15 March 2019. The Group comprising the Company and its subsidiaries resulting from the Reorganisation is regarded as a continuing entity.

The consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of the Group have been prepared to present the results and cash flows of the companies now comprising the Group, as if the group structure upon the completion of the Reorganisation had been in existence throughout the years ended 31 December 2019 and 2018 or since their respective dates of incorporation, where there is a shorter period. The consolidated statement of financial position of the Group as at 31 December 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 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 the Stock Exchange.

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, have been consistently applied by the Group throughout the Track Record Period except that the Group adopted HKFRS 16 on 1 January 2019, amendment to HKFRS 3 "Definition of Business", amendments to HKFRS 9, HKAS 39 and HKFRS 7 "Interest Rate Benchmark Reform" and amendments to HKAS 1 and HKAS 8 "Definition of Material" on 1 January 2020, and adopted amendments to

HKFRS 16 "Covid-19-Related Rent Concessions" and amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 "Interest Rate Benchmark Reform - Phase 2" on 1 January 2021. The adoption of the new and amended HKFRSs had no material impact on how the results and financial position throughout the Track Record Period except for the adoption of HKFRS 16 "Leases" which is set out in note 2.2. The accounting policy for leases under HKFRS 16 are set out in notes 2.2 and 2.12 below.

2.2 Impact on adoption of HKFRS 16

The Group has applied for all of the new and amended HKFRSs issued by the HKICPA, which are relevant to the Group's operations and first effective for the Group's Historical Financial Information for the period beginning from 1 January 2019 in accordance with their respective first effective date. Other than as noted below, the adoption of these new and amended HKFRSs has no material impact on the Historical Financial Information.

HKFRS 16

HKFRS 16 and the related consequential amendments to other HKFRSs which resulted in changes in accounting policies and adjustments to the amounts recognised in the Historical Financial Information. HKFRS 16 replaces HKAS 17 "Leases" ("HKAS 17") along with three interpretations (HK(IFRIC) – Int 4 "Determining whether an Arrangement contains a Lease" ("HK(IFRIC) – Int 4"), HK(SIC) – Int 15 "Operating Leases-Incentives" and HK(SIC) – Int 27 "Evaluating the Substance of Transactions Involving the Legal Form of a Lease").

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 adopting HKFRS 16 being recognised in equity as an adjustment to the opening balance of retained earnings as at 1 January 2019. Prior periods have not been restated.

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 statements 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. 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 statements 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 (i.e. 1 January 2019), 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 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.

In summary, the following adjustment was made to the amounts recognised in the consolidated statements 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 assets			
Right-of-use assets, presented in property, plant and equipment	–	845	845
Current assets			
Trade and other receivables	8,932	(42)	8,890
Current liabilities			
Leases liabilities	–	474	474
Non-current liabilities			
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 incremental borrowing rate applied to lease liabilities recognised under HKFRS 16 was 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 as at 31 December 2018 (note 22)	839
Less: discounting using incremental borrowing rate as at 1 January 2019	(36)
Lease liabilities recognised under HKFRS 16 as at 1 January 2019	803

2.3 Issued but not yet effective HKFRSs

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

HKFRS 17	Insurance Contracts and related amendments[2]
Amendments to HKFRS 3	Reference to the Conceptual Framework[4]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021[5]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[2]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[2]
Amendments to HKAS 8	Definition of Accounting Estimates[2]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[2]
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use[1]
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract[1]
Amendments to HKFRSs	Annual Improvements to HKFRS Standards 2018-2020[1]
Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combination[4]

[1] Effective for annual periods beginning on or after 1 January 2022
[2] Effective for annual periods beginning on or after 1 January 2023
[3] Effective date not yet determined
[4] Effective for business combinations/common control combination for which the acquisition date/combination date is on or after the beginning of the first annual period beginning on or after 1 January 2022
[5] Effective for annual periods beginning on or after 1 April 2021

The directors anticipate that all of the new and amended HKFRSs will be adopted in the Group's accounting policy for the first period beginning on or after the effective date of the new and amended HKFRSs. Information on new and amended HKFRSs that are expected to have impact on the Group's accounting policy is provided below. Other new and amended HKFRSs are not expected to have a material impact on the Historical Financial Information.

Amendments to HKAS 1 and HKFRS Practice Statement 2 "Disclosure of Accounting Policies"

The amendments to HKAS 1 require entities to disclose material accounting policy information instead of significant accounting policies in its financial statements. The amendments also provide some guidance on how material policy information are being identified and provide some examples of when accounting policy information is likely to be material.

In March 2021, HKICPA issued HKFRS Practice Statement 2 "Making Materiality Judgements" to provide entities with non-mandatory guidance on how to make materiality judgements when preparing their general purpose financial statements in accordance with HKFRS. HKFRS Practice Statement 2 was subsequently revised to provide guidance and examples on how to apply the concept of materiality to accounting policy disclosures.

The amendments to HKAS 1 are effective for annual reporting period beginning on or after 1 January 2023 and are applied prospectively. Earlier application is permitted. Except for the disclosures of accounting policies in note 2 may need to be revised to cope with the above changes, the directors expect that the amendments have no other material impact on the consolidated financial statements.

Amendments to HKAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"

The amendments clarify that the initial recognition exemption of deferred tax in HKAS 12 does not apply to transactions that give rise to equal taxable and deductible temporary differences, such as lease contracts that give rise to the recognition of a lease liability and the corresponding right-of-use assets and contracts that give rise to the recognition of decommissioning obligations and corresponding amounts recognised as assets. Instead, entities are required to recognise the related deferred tax asset and liability on initial recognition, with the recognition of any deferred tax asset being subject to the recoverability criteria in HKAS 12.

The amendments are effective for annual reporting period beginning on or after 1 January 2023. Earlier application is permitted. The directors expect that the amendments have no other material impact on the consolidated financial statements.

2.4 Basis of consolidation

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 in preparing the Historical Financial Information. 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 statements 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 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.

2.5 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).

2.6 Property, plant and equipment

Property, plant and equipment (including right-of-use assets) are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset (other than cost of right-of-use assets described in note 2.12). Depreciation commences when the assets are ready for their intended use.

Depreciation is provided to write off the cost less their residual values (if any) 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%

Upon the application of HKFRS 16, accounting policy for depreciation of right-of-use assets is set out in note 2.12.

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.

2.7 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. Financial liabilities are derecognised when it is extinguished, discharged, cancelled or expires.

Financial assets

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 "Revenue from Contracts with Customers" ("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.

All financial assets are measured at amortised costs.

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, contract assets and other financial assets measured at amortised cost is presented as a separate item in profit or loss.

Subsequent measurement of financial assets

Debt investments

Financial assets 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, net" in profit or loss. Discounting is omitted where the effect of discounting is immaterial. The Group's trade and other receivables and cash and bank balances fall into this category of financial instruments.

Financial liabilities

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 FVTPL.

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

All interest-related charges are included within finance costs.

The accounting policies for lease liabilities are set out in note 2.12.

2.8 Impairment of financial assets and contract assets

HKFRS 9's "Financial Instruments" ("HKFRS 9") 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, 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. In calculating the ECL, the Group has reviewed each individual trade receivables and contract assets based on its historical credit loss experience and external indicators, adjusted for forward-looking factors specific to the debtors and the economic environment.

In addition, to measure the ECL, trade receivables and contract assets have also been assessed collectively and 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.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

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 (i) 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) or (ii) the financial asset is 90 days past due.

Detailed analysis of the ECL assessment of trade receivables, contract assets and other financial assets measured at amortised cost are set out in note 26.3.

2.9 Impairment of non-financial assets

The Group's property, plant and equipment (including right-of-use assets) and the Company's investment in a subsidiary 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 favourable 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.

2.10 Cash and cash equivalents

Cash and cash equivalents include cash at banks and in hand, demand deposits with banks and short term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

2.11 Contract assets and contract liabilities

A contract asset is recognised when the Group recognises revenue (see note 2.15) 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 2.8 and are reclassified to receivables when the right to the consideration has become unconditional (see note 2.7).

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue (see note 2.15). 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 2.7).

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.

2.12 Leases

Definition of a lease and the Group as a lessee

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 contains 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.

For contracts that contain a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices.

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 statements 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).

The Group depreciates the right-of-use assets in 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 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 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.

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.

The Group has elected to account for short-term leases using the practical expedient instead of recognising a right-of-use asset and lease liability, the payments in relation to these leases are recognised as expense in profit or loss on a straight-line basis over the lease term. Short-term leases are leases with a lease term of 12 months or less.

On the consolidated statements of financial position, right-of-use assets have been included in "property, plant and equipment", the same line as it presents the underlying assets of the same nature that it owns.

The payments of refundable rental deposits are accounted for under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

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 profit or loss 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.

2.13 Provisions and contingent liabilities

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.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future uncertain events not wholly within the control of the Group, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

2.14 Share capital

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued. Any transaction costs associated with the issuing of shares (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction are deducted from share premium.

2.15 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.

Revenue from undertaking slope works contracts

The Group undertakes 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 the customers or their appointed architects, surveyors or other representatives. 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, all existing warranties are considered as assurance-type warranties under HKFRS 15, which are accounted for under HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets".

Interest income

Interest income is recognised on a time proportion basis using the effective interest method. For financial assets measured at amortised cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset.

2.16 Government Grant

Government grants are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants are deferred and recognised in profit or loss over the period necessary to match them with the costs that the grants are intended to compensate. Government grants relating to the purchase of assets are included in liabilities as deferred government grants in the consolidated statements of financial position and are recognised in profit or loss on a straight line basis over the expected lives of the related assets.

Government grants relating to income is presented in gross under "Other income, gains and losses, net" in the consolidated statements of profit or loss and other comprehensive income.

2.17 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 Track Record Period. 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.

2.18 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 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 (i) when the existing temporary differences will reverse and (ii) the amount of future taxable profit in those years. The estimate of future taxable profit includes:

– income 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.

2.19 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.

2.20 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:

Construction contracts

As explained in note 2.15, revenue recognition on a project is dependent on management's estimation of the total outcome of the construction contracts, with reference to the progress certificates issued by the customers or their appointed architects, surveyors or other representatives. The Group reviews and revises the estimates of contract revenue and contract costs, prepared for each construction contract as the contract progresses. Budgeted construction costs are prepared by management on the basis of quotations from time to time provided by the major contractors, suppliers or vendors involved and the experience of management. In order to keep the budget accurate and up-to-date, management conducts periodic reviews of the budgeted construction costs by comparing the budgeted amounts to the actual costs incurred. When the outcome of a construction contract cannot be estimated reliably (uncertified work or unagreed income), contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable.

Significant judgement is required in estimating the contract revenue and contract costs which may have an impact on progress of the construction contracts and the corresponding profit taken.

Management exercised their judgements and estimates based on contract costs and revenues with reference to the latest available information, which includes detailed contract sum and works performed. In many cases the results reflect the expected outcome of long-term contractual obligations which span more than one reporting period. Contract costs and revenues are affected by a variety of uncertainties that depend on the outcome of future events and often need to be revised as events unfold and uncertainties are resolved. The estimates of contract costs and revenues are updated regularly and significant changes are highlighted through established internal review procedures. In particular, the internal reviews focus on the timing and recognition of payments and the age and recoverability of any uncertified work. The impact of the changes in accounting estimates is then reflected in the ongoing results. In addition, actual income in terms of total revenue or costs maybe higher or lower than estimation at the end of the reporting period, which would affect the contract revenue and gross profit recognised in future years as an adjustment to the amounts recorded to date. Details of contract revenue and contract assets are set out in notes 4 and 14, respectively.

Estimation of impairment of trade and other receivables (excluding prepayments and deposits paid for acquisition of property, plant and equipment) and contract assets

The Group makes allowances on items subjects to ECL (including trade and other receivables (excluding prepayments and deposits paid for acquisition of property, plant and equipment) and contract assets) 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 Track Record Period as set out in note 2.8. When the actual future cash flows are different from expected, such difference will impact the carrying amount of trade and other receivables (excluding prepayments and deposits paid for acquisition of property, plant and equipment) and contract assets and credit losses in the periods in which such estimate has been changed. No ECL in respect of trade and other receivables (excluding prepayments and deposits paid for acquisition of property, plant and equipment) and contract assets was recognised during the Track Record Period. Carrying amounts of trade and other receivables and contract assets are set out in notes 13 and 14, respectively.

4. REVENUE AND SEGMENT INFORMATION

4.1 Revenue

The Group's principal activities are disclosed in note 1.1 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			Four months ended 30 April	
	2018	**2019**	**2020**	**2020**	**2021**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Provision of slope works					
– Public sector projects	106,045	149,812	239,915	78,620	92,104
– Private sector projects	5,200	34,091	36,091	7,602	14,007
	111,245	183,903	276,006	86,222	106,111

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 2018, 2019 and 2020 and 30 April 2021.

	At 31 December			At 30 April
	2018	**2019**	**2020**	**2021**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Remaining performance obligations expected to be satisfied during the year/period ending				
31 December 2019	122,825	–	–	–
31 December 2020	32,676	149,772	–	–
31 December 2021	–	9,548	136,197	184,912
31 December 2022	–	–	18,125	127,508
31 December 2023	–	–	18,125	74,047
31 December 2024	–	–	18,125	46,570
31 December 2025	–	–	–	6,096
	155,501	159,320	190,572	439,133

4.2 Segment information

The chief operating decision-maker has been identified as the executive directors of the Company. The directors regard the Group's business of undertaking slope works as a single operating segment and review the overall results of the Group as a whole to make decision about resources allocation and performance assessment. Accordingly, no segment analysis information is presented.

Geographical information

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

Information about major customers

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

	Year ended 31 December			Four months ended 30 April	
	2018	**2019**	**2020**	**2020**	**2021**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Customer A	34,578	N/A*	N/A*	N/A*	N/A*
Customer B	33,770	63,842	N/A*	11,628	N/A*
Customer C	28,556	49,946	59,339	20,934	32,460
Customer E	N/A*	45,007	95,703	21,261	33,770
Customer F	N/A*	N/A*	78,018	30,135	25,119

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

5. OTHER INCOME, GAINS AND LOSSES, NET

	Year ended 31 December			Four months ended 30 April	
	2018	**2019**	**2020**	**2020**	**2021**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Bank interest income	–	41	450	223	37
(Loss)/gain on disposal of property, plant and equipment	(4)	182	(5)	–	–
Government grant *(note)*	–	–	4,332	–	757
Sundry income	1	1	7	1	–
	(3)	224	4,784	224	794

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

During the four months ended 30 April 2021, the Group recognised the subsidies of approximately HK$757,000 in relation to Construction Innovation and Technology Fund launched by the Construction Industry Council and Employment Support Scheme for Construction Sector (Casual Employees) under Anti-epidemic Fund provided by the Government of Hong Kong Special Administrative Region as part of the relief measures on COVID-19 pandemic.

6. FINANCE COSTS

	Year ended 31 December			Four months ended 30 April	
	2018	**2019**	**2020**	**2020**	**2021**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Interest expense on bank overdrafts	–	4	–	–	–
Finance charges on lease liabilities	–	30	15	5	7
	–	34	15	5	7

7. PROFIT BEFORE INCOME TAX

	Year ended 31 December			Four months ended 30 April	
	2018	**2019**	**2020**	**2020**	**2021**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Profit before income tax is arrived at after charging:					
(a) Staff costs (including directors' emoluments *(note 11(a)) (note)*					
– Salaries, wages and other benefits	32,767	48,442	74,910	22,377	26,089
– Contributions to defined contribution retirement plans	1,486	1,933	2,978	815	1,028
	34,253	50,375	77,888	23,192	27,117

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

Cost of services	32,631	47,819	73,332	21,466	25,663
Administrative expenses	1,622	2,556	4,556	1,726	1,454
	34,253	50,375	77,888	23,192	27,117

	Year ended 31 December			Four months ended 30 April	
	2018	**2019**	**2020**	**2020**	**2021**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
(b) Other items					
Depreciation, included in:					
– Cost of services					
– owned assets	566	579	1,184	295	518
– Administrative expenses					
– owned assets	48	51	52	18	10
– right-of-use assets	–	507	422	169	84
	614	1,137	1,658	482	612
Auditor's remuneration	–	600	700	200	250
Subcontracting charges (included in cost of services)	24,820	43,248	61,163	19,747	24,651
Operating lease charges/Short term lease with lease term less than 12 months in respect of machinery (included in cost of services)	2,118	3,782	5,722	2,255	4,077
Operating lease charges in respect of leased premises	212	–	–	–	–
Written-off of property, plant and equipment	–	–	57	–	–
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED] and related expenses	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

8. INCOME TAX EXPENSE

	Year ended 31 December			Four months ended 30 April	
	2018	**2019**	**2020**	**2020**	**2021**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Provision for Hong Kong Profits Tax					
– Current tax	3,126	4,541	6,710	1,766	2,576
– Over provision in respect of prior years	–	–	(18)	–	(10)
– Statutory tax concession	(30)	–	–	–	–
	3,096	4,541	6,692	1,766	2,566
Deferred tax (note 19)	(121)	69	202	130	3
	2,975	4,610	6,894	1,896	2,569

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

Pursuant to the rules and regulations of the Cayman Islands and the BVI, the Group is not subject to any income tax in the Cayman Islands and the BVI.

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

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

For the years ended 31 December 2018, 2019 and 2020 and the four months ended 30 April 2020 and 2021, Hong Kong Profits Tax of A-City, a subsidiary of the Group, is calculated in accordance with the two-tiered profits tax rates regime. Profit tax of other group entities continue to be taxed at the flat rate of 16.5%.

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

	Year ended 31 December			Four months ended 30 April	
	2018	**2019**	**2020**	**2020**	**2021**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Profit before income tax	19,069	11,476	46,244	12,545	11,527
Tax at Hong Kong Profits Tax rate of 16.5%	3,147	1,894	7,630	2,070	1,902
Tax effect of non-taxable revenue	–	–	(789)	(37)	(131)
Tax effect of non-deductible expenses	23	2,881	236	28	915
Tax effect of tax losses not recognised	–	–	–	–	58
Effect of two-tiered profits tax rates regime	(165)	(165)	(165)	(165)	(165)
Over provision in respect of prior years	–	–	(18)	–	(10)
Statutory tax concession	(30)	–	–	–	–
Income tax expense	2,975	4,610	6,894	1,896	2,569

Deferred tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred tax assets in respect of the tax losses as the directors of the Company consider that it is uncertain as to the extent that future profits will be available against which tax losses can be utilised in the foreseeable future.

As at 30 April 2021, the Group had unused tax losses of approximately HK$58,000, which are available for offset against future profits that may be carried forward indefinitely and are subject to approval from the Hong Kong Inland Revenue Department.

9. DIVIDENDS

	Year ended 31 December			Four months ended 30 April	
	2018	2019	2020	2020	2021
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
	(note (i))	*(note (ii))*	*(note (ii))*	(note (ii))	*(note (ii))*
Dividends declared by A-City prior to the Reorganisation	9,999	–	–	–	–

Note:

(i) 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 purpose of this report for the year ended 31 December 2018.

(ii) The directors of the Company do not recommend the payment of any dividend in respect of the period from 30 January 2019 (date of incorporation of the Company) to 30 April 2021.

10. EARNINGS PER SHARE

	Year ended 31 December			Four months ended 30 April	
	2018	2019	2020	2020	2021
				(Unaudited)	
Earnings for the purpose of calculating basic earnings per share (profit for the year/period) (HK$'000)	16,094	6,866	39,350	10,649	8,958
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share (in thousand)	300,000	305,479	400,000	400,000	400,000

For the year ended 31 December 2018, the weighted average number of ordinary shares for the purpose of calculating basic earnings per share are retrospectively adjusted based on (i) 1 and 2,000 ordinary shares in issue upon incorporation and for the purpose of the Reorganisation respectively; (ii) 299,997,999 new ordinary shares issued pursuant to the capitalisation issue as detailed in note 20(v) ("Capitalisation Issue"), as if all these shares had been in issue throughout the year ended 31 December 2018, as described in the section headed "History, Development and Reorganisation" in the Listing Document.

For the year ended 31 December 2019, the weighted average number of ordinary shares for the purpose of calculating basic earnings per share includes (i) 1 and 2,000 ordinary shares in issue upon incorporation and during the year ended 31 December 2019 respectively; (ii) 299,997,999 new ordinary shares issued pursuant to the Capitalisation Issue, as if all these shares had been in issue throughout the year ended 31 December 2019, and (iii) 5,479,452 shares, representing the weighted average of **[REDACTED]** new ordinary shares issued pursuant to the Share Offer.

For the year ended 31 December 2020 and the four months ended 30 April 2020 and 2021, the weighted average number of ordinary shares is **[REDACTED]**.

Diluted earnings per share is the same as basic earnings per share as there were no dilutive potential ordinary shares during the Track Record Period.

11. DIRECTORS' AND CHIEF EXECUTIVES' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS

(a) Directors' and chief executives' emoluments

	Fees	Salaries and allowances	Retirement scheme contributions	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 December 2018				
Executive directors:				
Mr. Sieh *(Chairman) (note (i))*	–	696	18	714
Mr. Ho *(Chief executive officer) (note (ii))*	–	696	18	714
	–	1,392	36	1,428
Year ended 31 December 2019				
Executive directors:				
Mr. Sieh *(Chairman) (note (i))*	–	720	18	738
Mr. Ho *(Chief executive officer) (note (ii))*	–	720	18	738
Independent non-executive directors:				
Mr. Kwong Che Sing *(note (iii))*	–	8	–	8
Mr. Ling Siu Tsang *(note (iii))*	–	8	–	8
Mr. Tso Ping Cheong Brian *(note (iii))*	–	8	–	8
	–	1,464	36	1,500
Year ended 31 December 2020				
Executive directors:				
Mr. Sieh *(Chairman) (note (i))*	–	1,200	18	1,218
Mr. Ho *(Chief executive officer) (note (ii))*	–	1,200	18	1,218
Independent non-executive directors:				
Mr. Kwong Che Sing *(note (iii))*	–	150	–	150
Mr. Ling Siu Tsang *(note (iii))*	–	150	–	150
Mr. Tso Ping Cheong Brian *(note (iii))*	–	150	–	150
	–	2,850	36	2,886

	Fees	Salaries and allowances	Retirement scheme contributions	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Four months ended 30 April 2020 (Unaudited)				
Executive directors:				
Mr. Sieh *(Chairman) (note (i))*	–	400	6	406
Mr. Ho *(Chief executive officer) (note (ii))*	–	400	6	406
Independent non-executive directors:				
Mr. Kwong Che Sing *(note (iii))*	–	50	–	50
Mr. Ling Siu Tsang *(note (iii))*	–	50	–	50
Mr. Tso Ping Cheong Brian *(note (iii))*	–	50	–	50
	–	950	12	962
Four months ended 30 April 2021				
Executive directors:				
Mr. Sieh *(Chairman) (note (i))*	–	400	6	406
Mr. Ho *(Chief executive officer) (note (ii))*	–	400	6	406
Independent non-executive directors:				
Mr. Kwong Che Sing *(note (iii))*	–	50	–	50
Mr. Ling Siu Tsang *(note (iii))*	–	50	–	50
Mr. Tso Ping Cheong Brian *(note (iii))*	–	50	–	50
	–	950	12	962

Notes:

(i) 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. He was redesignated as an executive director of the Company in February 2019 and appointed as the Chairman of the board of directors of the Company in March 2019.

(ii) 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. He was redesignated as an executive director of the Company in February 2019 and appointed as chief executive officer of the Company in March 2019.

(iii) Mr. Kwong Che Sing, Mr. Ling Siu Tsang and Mr. Tso Ping Cheong Brian were appointed as independent non-executive directors of the Company on 25 November 2019. During the year ended 31 December 2018, 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.

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

(v) 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 during the Track Record Period.

(vi) There was no arrangement under which a director has waived or agreed to waive any emolument during the Track Record Period.

(b) Five highest paid individuals

For the years ended 31 December 2018, 2019 and 2020 and the four months ended 2020 and 2021, the five individuals whose emoluments were the highest in the Group included two, two, two, two and two directors respectively whose emoluments are disclosed in note 11(a). The aggregate of the emoluments in respect of the remaining three, three, three, three and three individuals are as follows:

	Year ended 31 December			Four months ended 30 April	
	2018	**2019**	**2020**	**2020**	**2021**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Salaries, fee and allowances	1,579	1,920	2,479	1,219	709
Retirement scheme contributions	50	54	58	18	24
	1,629	1,974	2,537	1,237	733

The emoluments fell within the following bands:

	Year ended 31 December			Four months ended 30 April	
	2018	**2019**	**2020**	**2020**	**2021**
				(Unaudited)	
Emolument bands:					
Nil – HK$1,000,000	3	3	2	3	3
HK$1,000,001 – HK$1,500,000	–	–	1	–	–

12. PROPERTY, PLANT AND EQUIPMENT

	Building	Leasehold improvements	Furniture and fixtures	Plant and machinery	Motor vehicles	Total
	HK$'000 *(note)*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 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 as at 31 December 2018	–	89	613	729	210	1,641
Impact on initial application of HKFRS 16 (note 2.2)	845	–	–	–	–	845
Net book amount as at 1 January 2019, restated	845	89	613	729	210	2,486
Year ended 31 December 2019						
Opening net book amount as at 1 January 2019, restated	845	89	613	729	210	2,486
Additions	–	–	306	376	668	1,350
Disposals	–	–	–	–	(7)	(7)
Depreciation	(507)	(19)	(288)	(206)	(117)	(1,137)
Closing net book amount	338	70	631	899	754	2,692
At 31 December 2019 and 1 January 2020						
Cost	845	95	1,793	1,406	981	5,120
Accumulated depreciation	(507)	(25)	(1,162)	(507)	(227)	(2,428)
Net book amount	338	70	631	899	754	2,692
Year ended 31 December 2020						
Opening net book amount	338	70	631	899	754	2,692
Additions	501	66	22	2,368	1,024	3,981
Disposals	–	–	–	–	(10)	(10)
Written-off	–	(57)	–	–	–	(57)
Depreciation	(422)	(17)	(278)	(584)	(357)	(1,658)
Closing net book amount	417	62	375	2,683	1,411	4,948
At 31 December 2020						
Cost	501	66	1,815	3,774	1,906	8,062
Accumulated depreciation	(84)	(4)	(1,440)	(1,091)	(495)	(3,114)
Net book amount	417	62	375	2,683	1,411	4,948

	Building	Leasehold improvements	Furniture and fixtures	Plant and machinery	Motor vehicles	Total
	HK$'000 *(note)*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Four months ended 30 April 2021						
Opening net book amount	417	62	375	2,683	1,411	4,948
Additions	–	–	80	162	–	242
Depreciation	(84)	(4)	(59)	(262)	(203)	(612)
Closing net book amount	333	58	396	2,583	1,208	4,578
At 30 April 2021						
Cost	501	66	1,895	3,936	1,906	8,304
Accumulated depreciation	(168)	(8)	(1,499)	(1,353)	(698)	(3,726)
Net book amount	333	58	396	2,583	1,208	4,578

Note: 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 December 2019 and 2020 and 30 April 2021, the carrying amounts of the Group's right-of-use assets in relation to the building are HK$338,000, HK$417,000 and HK$333,000 respectively.

During the year ended 31 December 2020, the Group has entered into a new lease for office premise. The lease period for this new lease is for two years.

13. TRADE AND OTHER RECEIVABLES

	At 31 December			At 30 April
	2018	**2019**	**2020**	**2021**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade receivables *(note (i))*	3,975	10,569	18,713	14,251
Prepayments *(note (ii))*	4,108	1,988	2,788	1,546
Deposits *(note (iii))*	849	4,910	810	905
	8,932	17,467	22,311	16,702
Less: non-current portion				
Deposits paid for acquisition of property, plant and equipment *(note (iii))*	–	(723)	–	–
Current portion	8,932	16,744	22,311	16,702

The directors consider that the fair values of trade and other receivables are not materially different from their carrying amounts, because their balances have short maturity periods on their inception.

Notes:

(i) Trade receivables

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

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

	At 31 December			At 30 April
	2018	**2019**	**2020**	**2021**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
0 – 30 days	3,856	10,569	12,496	–
31 – 90 days	–	–	6,217	14,251
91 – 365 days	119	–	–	–
	3,975	10,569	18,713	14,251

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 2018, 2019 and 2020 and 30 April 2021, the ECL rate for trade receivables are 0.26%, nil, nil and 0.01% respectively.

(ii) Prepayments

The Group

As at 31 December 2018, 2019 and 2020 and 30 April 2021, prepayments mainly comprised of: (1) prepaid **[REDACTED]** amounted to HK$**[REDACTED]**, **[REDACTED]**, **[REDACTED]** and **[REDACTED]** respectively; (2) prepaid **[REDACTED]** expenses amounted to **[REDACTED]**, **[REDACTED]**, HK$**[REDACTED]** and **[REDACTED]** respectively; and (3) prepaid expenses for insurance covered in sites operation and machinery rentals expenses amounted to HK$2,193,000, HK$1,607,000, HK$1,701,000 and HK$1,523,000 respectively.

The Company

As at 31 December 2019 and 2020, prepayments mainly comprised of: (1) prepaid **[REDACTED]** expenses amounted to **[REDACTED]** and HK$**[REDACTED]** respectively; (2) prepaid professional fee amounted to HK$275,000 and HK$213,000 respectively; and (3) other prepaid expenses amounted to HK$106,000 and nil respectively.

(iii) Deposits

As at 31 December 2018, 2019 and 2020 and 30 April 2021, deposits mainly comprise of: (1) a performance bond amounted to nil, HK$3,100,000, nil and nil paid to an insurance company respectively; and (2) deposits paid for acquisition of property, plant and equipment amounted to nil, HK$723,000, nil and nil respectively. The deposit of performance bond was released during the year ended 31 December 2020.

14. CONTRACT ASSETS

	At 31 December			At 30 April
	2018	**2019**	**2020**	**2021**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Unbilled revenue	15,927	17,847	38,573	57,274
Retention receivables	1,206	3,351	11,921	11,394
	17,133	21,198	50,494	68,668

Contract assets represent the Group’s right to considerations from customers for the provision of undertaking slope work, which arise when: (i) the Group completed the relevant services under such contracts but yet certified by the customers or their appointed architects, surveyors or other representatives; and (ii) the customers withhold certain certified amounts payable to the Group as retention money to secure the due performance of the contracts after the expiry of the defect liability period of construction projects. Any amount previously recognised as a contract asset is reclassified to trade receivables at the point at which it becomes unconditional and is invoiced to the customer. As at 31 December 2018, 2019 and 2020 and 30 April 2021, the ECL rate for contract assets are 0.26%, nil, nil and 0.01% respectively.

Changes of contract assets during the Track Record Period were mainly due to:

(i) Changes in retention receivables as a result of an increase in number of ongoing and completed contracts under the defect liability period during the Track Record Period;

(ii) Changes in number of contract works that the relevant services were completed but yet been certified at the end of Track Record Period; and

(iii) Performance bonds amounting to HK$8,000,000 paid to its customer to secure the due performance of construction projects and are recognised as retention receivables during the year ended 31 December 2020.

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

	At 31 December			At 30 April
	2018	**2019**	**2020**	**2021**
	HK$’000	*HK$’000*	*HK$’000*	*HK$’000*
Transfers from contract assets recognised at the beginning of the year to trade receivables	10,605	15,779	18,622	38,897

No contract liability was noted during the Track Record Period.

15. CASH AND BANK BALANCES

	At 31 December			At 30 April
	2018	**2019**	**2020**	**2021**
	HK$’000	*HK$’000*	*HK$’000*	*HK$’000*
Cash at banks and in hand	12,434	21,701	51,455	48,146
Short-term bank deposits	–	45,000	32,076	22,104
	12,434	66,701	83,531	70,250

Cash at banks earns interest at floating rates based on daily bank deposit rates during the Track Record Period. During the years ended 31 December 2019 and 2020 and 30 April 2021, the short-term bank deposits earn at 0.50% to 2.77%, 0.35% to 0.50% and 0.25% interest per annum with a maturity of one month, three months and three months respectively.

The directors consider that the fair values of the short-term bank deposits are not materially different from their carrying amounts because their balances have short maturity periods on their inception.

16. TRADE AND OTHER PAYABLES

	At 31 December			At 30 April
	2018	**2019**	**2020**	**2021**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade payables *(note (i))*	7,226	12,286	28,324	16,967
Accruals and other payables *(note (ii))*	350	2,250	2,300	1,868
Deferred government grant *(note (iii))*	–	–	738	–
	7,576	14,536	31,362	18,835

Notes:

(i) Trade payables

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

	At 31 December			At 30 April
	2018	**2019**	**2020**	**2021**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
0 – 30 days	7,192	11,185	28,233	9,258
31 – 60 days	–	999	–	4,847
61 – 90 days	7	–	–	2,258
91 – 365 days	27	102	91	604
	7,226	12,286	28,324	16,967

(ii) Accruals and other payables

The Group

As at 31 December 2018, 2019 and 2020 and 30 April 2021, accruals and other payables mainly comprised of: (1) other payables to subcontractor amounted to HK$231,000, HK$456,000, HK$379,000 and HK$368,000 respectively; (2) advance payment from customers amounted to HK$96,000, HK$23,000, HK$757,000 and HK$23,000 respectively; (3) accrued **[REDACTED]** expenses amounted to **[REDACTED]**, **[REDACTED]**, HK$**[REDACTED]** and HK$**[REDACTED]** respectively; and (4) accrued professional fee amounted to HK$23,000, HK$1,769,000, HK$700,000 and HK$250,000, respectively.

The Company

As at 31 December 2019 and 2020 and 30 April 2021, accruals mainly comprised of: (1) accrued **[REDACTED]** expenses amounted to nil, HK$**[REDACTED]** and HK$**[REDACTED]** respectively; and (2) accrued professional fee amounted to HK$1,769,000, HK$700,000 and HK$250,000 respectively.

(iii) Deferred government grant

As at 31 December 2020, deferred government grant related to Employment Support Scheme for the Construction Sector (Casual Employees) under Anti-epidemic Fund provided by the Government of Hong Kong Special Administrative Region. The government grant is credited to the consolidated statements of profit or loss and other comprehensive income upon fulfilment of the conditions and on a straight line basis over the period necessary to match them with the costs that the grant is intended to compensate. The grant is recognised in profit or loss during the four months ended 30 April 2021.

(iv) 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 TO DIRECTORS

Particulars of amounts due to directors are as follows:

	At 31 December			At 30 April
	2018	**2019**	**2020**	**2021**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Mr. Ho	2,247	–	–	–
Mr. Sieh	2,684	–	–	–
	4,931	–	–	–

The dividend of HK$9,999,000 was paid by setting off against the amount due from Mr. Sieh and Mr. Ho amounting to HK$1,362,000 during the year ended 31 December 2018. Details is disclosed in note 9(i).

The amounts due 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.

18. LEASE LIABILITIES

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

	At 31 December		At 30 April
	2019	**2020**	**2021**
	HK$'000	*HK$'000*	*HK$'000*
Total minimum lease payments:			
Within one year	335	276	276
After one year but within two years	–	184	92
	335	460	368
Less: Future finance charges on lease liabilities	(6)	(19)	(13)
Present value of lease liabilities	329	441	355
Present value of minimum lease payments:			
Within one year	329	260	264
After one year but within two years	–	181	91
	329	441	355
Less: Portion due within one year included under current liabilities	(329)	(260)	(264)
Portion due after one year included under non-current liabilities	–	181	91

During the years ended 31 December 2019 and 2020 and the four months ended 30 April 2021, the total cash outflows for the leases are approximately HK$4,286,000, HK$6,118,000 and HK$4,170,000 respectively.

19. DEFERRED TAX LIABILITIES

During the Track Record Period, deferred taxation is calculated in full on temporary differences under the liability method using the average tax rates that are expected to apply to the taxable profit of the year/period in which the temporary differences are expected to be utilised.

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 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)*	69
As at 31 December 2019 and 1 January 2020	257
Charged to profit or loss *(note 8)*	202
As at 31 December 2020 and 1 January 2021	459
Charged to profit or loss *(note 8)*	3
As at 30 April 2021	462

20. SHARE CAPITAL

For the purpose of the preparation of the consolidated statements of financial position, the balance of share capital at 31 December 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 years ended 31 December 2019 and 2020 and the four months ended 30 April 2021 are as follows:

	Number of shares	**HK$'000**
Authorised:		
Ordinary shares of HK$0.01 each upon incorporation	38,000,000	380
Increase in authorised share capital *(note (iii))*	962,000,000	9,620
As at 31 December 2019 and 2020 and 30 April 2021	1,000,000,000	10,000
Issued and fully paid:		
Upon incorporation *(note (i))*	1	–*
Issuance of shares upon the Reorganisation *(note (ii))*	2,000	–*
Issue of share upon **[REDACTED]** and **[REDACTED]** *(note (iv))*	**[REDACTED]**	**[REDACTED]**
Capitalisation issue of shares *(note (v))*	299,997,999	3,000
As at 31 December 2019 and 2020 and 30 April 2021	**[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, Mr. Ho and Mr. Sieh transferred 500 shares of A-City each, in aggregate representing the entire issued share capital of A-City, to Kanic International for a consideration of HK$26,780,000, which was determined based on the net asset value of A-City as at 31 December 2018 and settled by (a) Kanic International by issuing and allotting 10 shares, credited as fully paid at a premium, to the Company; (b) the Company by issuing and allotting 2,000 shares, credited as fully paid at a premium, to Good Hill; and (c) Good Hill by issuing and allotting one share, credited as fully paid at a premium, to each of Mr. Ho and Mr. Sieh.

(iii) On 25 November 2019, the authorised share capital of the Company was increased from HK$380,000 divided into 38,000,000 shares to HK$10,000,000 divided into 1,000,000,000 shares by the creation of additional 962,000,000 new shares pursuant to a written resolution passed by the sole shareholder of the Company.

(iv) On 12 December 2019, the Company issued a total of **[REDACTED]** ordinary shares of HK$0.01 each at a price of HK$**[REDACTED]** per share in relation to the **[REDACTED]** and **[REDACTED]** of the Company's shares. Of the gross total **[REDACTED]** of HK$**[REDACTED]**, HK$**[REDACTED]** representing the par value was credited to the Company's share capital, and HK$**[REDACTED]** before reduction of the share issuance expenses of HK$**[REDACTED]**, was credited to the share premium account.

(v) Pursuant to the written resolutions of the shareholders passed on 25 November 2019, subject to the share premium account of the Company being credited as a result of the Share Offer, the directors were authorised to allot and issue a total of 299,997,999 ordinary shares of HK$0.01 each, credited as fully paid at par, by way of capitalisation of the sum of approximately HK$2,999,980 from the share premium account to the Company. The Capitalisation Issue was completed on 13 December 2019. The shares allotted and issued rank pari passu in all respects with the then existing issued shares.

21. RESERVES

(a) The Group

The amounts of the Group's reserves and the movements therein for the years ended 31 December 2018, 2019 and 2020 and the four months ended 30 April 2021 are presented in the consolidated statements of changes in equity.

Share premium

The share premium represents the difference between the par value of the shares of the Company and net **[REDACTED]** received from the issuance of the shares of the Company.

Under the Companies Act of the Cayman Islands, the share premium account of the Company may be applied for payment of distributions or dividends to the shareholders provided that immediately following the date on which the distribution or dividend is proposed to be paid, the Company is able to pay its debts as they fall due in the ordinary course of business.

Capital reserve

The capital reserve of the Group as at 31 December 2019 and 2020 and 30 April 2021 represents the aggregate of the paid up share capital of the subsidiaries comprising the Group.

Retained earnings

Retained earnings represent accumulated net profit or losses less dividends paid.

(b) The Company

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

	Share premium *(note 21(a))* *HK$'000*	Capital reserve *(note)* *HK$'000*	Accumulated losses *HK$'000*	Total *HK$'000*
Issuance of shares upon the Reorganisation *(note 20(ii))*	–	26,780	–	26,780
Issue of share upon **[REDACTED]** and **[REDACTED]** *(note 20(iv))*	53,084	–	–	53,084
Capitalisation Issue *(note 20(v))*	(3,000)	–	–	(3,000)
Loss and total comprehensive expense for the period	–	–	(17,711)	(17,711)
Balance as at 31 December 2019 and 1 January 2020	50,084	26,780	(17,711)	59,153
Loss and total comprehensive expense for the year	–	–	(1,255)	(1,255)
Balance as at 31 December 2020 and 1 January 2021	50,084	26,780	(18,966)	57,898
Loss and total comprehensive expense for the period	–	–	(5,897)	(5,897)
Balance as at 30 April 2021	50,084	26,780	(24,863)	52,001

Note: Capital reserve 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).

22. LEASE COMMITMENTS

As lessee

At the end of the reporting date, the lease commitments for short-term leases (2018: the total future minimum lease payments payable by the Group under non-cancellable operating leases) are as follows:

	At 31 December			At 30 April
	2018 *HK$'000*	**2019** *HK$'000*	**2020** *HK$'000*	**2021** *HK$'000*
Within one year	503	–	–	–
In the second to fifth years	336	–	–	–
	839	–	–	–

As at 31 December 2018, 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. As at 1 January 2019, 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 2.2). 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 2.12, and the details regarding the Group's future lease payments are disclosed in note 18.

23. CAPITAL COMMITMENTS

	At 31 December			At 30 April
	2018	**2019**	**2020**	**2021**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Contracted but not provided for property, plant and equipment	–	2,275	–	–

24. 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			Four months ended 30 April	
	2018	**2019**	**2020**	**2020**	**2021**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Salaries, fee and allowances	1,392	2,821	4,302	1,742	1,326
Retirement benefit scheme contributions	36	72	72	24	24
	1,428	2,893	4,374	1,766	1,350

25. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	Amounts due to directors	Lease liabilities	Total
	HK$'000	*HK$'000*	*HK$'000*
At 31 December 2018	4,931	–	4,931
Impact on initial application of HKFRS 16 *(note 2.2)*	–	803	803
At 1 January 2019	4,931	803	5,734
Change from financing cash flows:			
Payment of lease liabilities	–	(474)	(474)
Interest paid	–	(30)	(30)
Repayment to the directors	(4,931)	–	(4,931)
Other change:			
Finance charges on lease liabilities	–	30	30
At 31 December 2019	–	329	329
At 1 January 2020	–	329	329
Change from financing cash flows:			
Payment of lease liabilities	–	(389)	(389)
Interest paid	–	(15)	(15)
Other changes:			
Capital element upon entering of new leases	–	501	501
Finance charges on lease liabilities	–	15	15
At 31 December 2020	–	441	441
At 1 January 2021	–	441	441
Change from financing cash flows:			
Payment of lease liabilities	–	(86)	(86)
Interest paid	–	(7)	(7)
Other changes:			
Finance charges on lease liabilities	–	7	7
At 30 April 2021	–	355	355

26. 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.

26.1 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 30 April
	2018	**2019**	**2020**	**2021**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Financial assets				
Financial assets at amortised cost				
– Trade and other receivables	4,824	14,756	19,523	15,156
– Cash and bank balances	12,434	66,701	83,531	70,250
	17,258	81,457	103,054	85,406
Financial liabilities				
Financial liabilities measured at amortised cost				
– Trade and other payables	7,576	14,536	30,624	18,835
– Lease liabilities	–	329	441	355
– Amounts due to directors	4,931	–	–	–
	12,507	14,865	31,065	19,190

26.2 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.

26.3 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 their respective carrying amount at the end of Track Record 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 Track Record Period to ensure adequate impairment losses are made for irrecoverable amounts.

At 31 December 2018, 2019 and 2020 and 30 April 2021, the Group has concentration of credit risk as 57%, 88%, 55% and 68% and 100%, 100%, 100% and 100% of the total trade receivables (note 13) were due from the Group's largest customers, amounting to approximately HK$2,247,000, HK$9,339,000, HK$10,243,000 and HK$9,742,000 respectively, and five largest customers, amounting to approximately HK$3,975,000, HK$10,569,000, HK$18,713,000 and HK$14,251,000 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 the Track Record 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 end of Track Record Period with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forward-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 behaviour 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 rates of contract assets and trade receivables are 0.26%, nil, nil and 0.01% as there are no recent history of default and continuous payment received based on historical credit loss experience 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

Other financial assets at amortised cost include other receivables and deposits and cash and bank balances. In order to minimise the credit risk of other receivables and deposits, the management makes periodic collective and individual assessment on their recoverability based on historical settlement records and past experience as well as available forward-looking information. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. In these regards, the credit risk of other receivables and deposits are considered to be low.

Besides, the management is of opinion that there is no significant increase in credit risk on these other receivables and deposits since initial recognition as the risk of default is low after considering the factors as set out in note 2.8 and, thus, ECL is assessed based on 12-month ECL.

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.

26.4 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.

Analysed below is the Group's remaining contractual maturities for its financial liabilities at the end of the reporting date. When the creditor has a choice of when the liability is settled, the liability is included on the basis of the earliest date on when the Group can be required to pay. Where the settlement of the liability is in instalments, each instalment is allocated to the earliest period in which the Group is committed to pay.

The contractual maturity analysis below is based on the undiscounted cash flows of the financial liabilities.

	On demand or within 1 year	Over 1 year but within 2 years	Over 2 years but within 5 years	Total contractual undiscounted cash flows	Carrying amount
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As 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

	Within 1 year or on demand	Over 1 year but within 2 years	Over 2 years but within 5 years	Total contractual undiscounted cash flows	Carrying amount
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 31 December 2019					
Trade and other payables	14,536	–	–	14,536	14,536
Lease liabilities	335	–	–	335	329
	14,871	–	–	14,871	14,865

	Within 1 year or on demand	Over 1 year but within 2 years	Over 2 years but within 5 years	Total contractual undiscounted cash flows	Carrying amount
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 31 December 2020					
Trade and other payables	30,624	–	–	30,624	30,624
Lease liabilities	276	184	–	460	441
	30,900	184	–	31,084	31,065

	Within 1 year or on demand	Over 1 year but within 2 years	Over 2 years but within 5 years	Total contractual undiscounted cash flows	Carrying amount
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 30 April 2021					
Trade and other payables	18,835	–	–	18,835	18,835
Lease liabilities	276	92	–	368	355
	19,111	92	–	19,203	19,190

26.5 Fair value measurement

The carrying amounts of the financial instrument of the Group carried at amortised cost are not materially different from their fair values at the end of Track Record Period due to their short maturities.

27. 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 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:

	As at 31 December			At 30 April
	2018	2019	2020	2021
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Lease liabilities	–	329	441	355
Less: cash and bank balances	(12,434)	(66,701)	(83,531)	(70,250)
Net debt	(12,434)	(66,372)	(83,090)	(69,895)
Total equity	26,562	87,512	126,862	135,820
Net debt to equity ratio	N/A	N/A	N/A	N/A

28. POTENTIAL LITIGATION

As at 31 December 2018, 2019 and 2020 and 30 April 2021, the Group has been involved in certain potential litigations and claims against the Group regarding the employees' compensation and common law personal injury claim as detailed in the section headed "Business – Litigation and claims" in the Listing 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.

29. PERFORMANCE BOND

As at 31 December 2019, certain performance bonds totalling HK$9,000,000 was 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 bonds were secured by (i) corporate guarantees given by the Company; and (ii) a pledged deposit in the sum of HK$3,100,000 (as included in deposits in note 13) placed by A-City with the insurance company for the year ended 31 December 2019. The deposit of performance bond was released during the year ended 31 December 2020.

III. EVENTS AFTER THE REPORTING PERIOD

There were no significant events took place subsequent to 30 April 2021.

IV. SUBSEQUENT FINANCIAL INFORMATION

No audited financial statements have been prepared by the Company or its subsidiaries in respect of any period subsequent to 30 April 2021.