



# Maxicity Holdings Limited 豐城控股有限公司

(Incorporated in the Cayman Islands with members' limited liability)

Stock code: 2295

Annual Report  
**2021**

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# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Executive Directors

Mr. Sieh Shing Kee (*Chairman*)  
Mr. Ho Ka Ki (*Chief Executive Officer*)

### Independent non-executive Directors

Ms. Chiao Siu Ling (*appointed on 1 July 2021*)  
Mr. Kwong Che Sing  
Mr. Ling Siu Tsang  
Mr. Tso Ping Cheong Brian

## AUDIT COMMITTEE

Mr. Tso Ping Cheong Brian (*Chairman*)  
Ms. Chiao Siu Ling (*appointed on 1 July 2021*)  
Mr. Kwong Che Sing  
Mr. Ling Siu Tsang

## REMUNERATION COMMITTEE

Mr. Ling Siu Tsang (*Chairman*)  
Mr. Sieh Shing Kee  
Ms. Chiao Siu Ling (*appointed on 1 July 2021*)  
Mr. Kwong Che Sing

## NOMINATION COMMITTEE

Mr. Sieh Shing Kee (*Chairman*)  
Ms. Chiao Siu Ling (*appointed on 1 July 2021*)  
Mr. Kwong Che Sing  
Mr. Ling Siu Tsang

## COMPANY SECRETARY

Mr. Lam Kau Wang (*HKICPA, ACCA*)

## COMPLIANCE OFFICER

Mr. Ho Ka Ki

## AUTHORISED REPRESENTATIVES

Mr. Ho Ka Ki  
Mr. Lam Kau Wang

## PRINCIPAL BANKER

Hang Seng Bank Limited  
83 Des Voeux Road Central  
Hong Kong

## AUDITOR

Grant Thornton Hong Kong Limited  
*Certified Public Accountants*  
11th Floor  
Lee Garden Two  
28 Yun Ping Road  
Causeway Bay  
Hong Kong

## COMPLIANCE ADVISER

Grande Capital Limited  
Room 2701, 27/F, Tower 1  
Admiralty Centre  
18 Harcourt Road  
Admiralty  
Hong Kong

## LEGAL ADVISERS AS TO HONG KONG LAW

David Fong & Co., Solicitors  
Unit A, 12/F  
China Overseas Building  
139 Hennessy Road  
Wanchai  
Hong Kong

## **HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE**

Boardroom Share Registrars (HK) Limited  
Room 2103B, 21/F  
148 Electric Road  
North Point  
Hong Kong

## **CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE**

Conyers Trust Company (Cayman) Limited  
Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman, KY1-1111  
Cayman Islands

## **CAYMAN ISLANDS REGISTERED OFFICE**

Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman, KY1-1111  
Cayman Islands

## **PRINCIPAL PLACE OF BUSINESS IN HONG KONG**

Unit 1A, 6/F  
Harbour Crystal Centre  
100 Granville Road  
Tsim Sha Tsui  
Hong Kong

## **WEBSITE**

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

## **STOCK CODE**

02295

# CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board (the "**Board**") of directors (the "**Directors**") of Maxicity Holdings Limited (the "**Company**", and together with its subsidiaries, the "**Group**", "**we**", "**us**", "**our**"), I am pleased to present our annual report of the Group for the year ended 31 December 2021 (the "**Year**"). The ordinary shares of the Company (the "**Shares**") have been successfully transferred from the GEM of the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (the "**GEM**") to the Main Board of the Stock Exchange (the "**Main Board**") ("**Transfer of Listing**") on 31 December 2021, which marked a significant milestone for the Group.

## FINANCIAL PERFORMANCE

For the year ended 31 December 2021, the Group recorded a revenue of approximately HK\$293.9 million, representing an increase of approximately HK\$17.9 million, or 6.5% as compared with the year ended 31 December 2020 of approximately HK\$276.0 million. Profit and total comprehensive income attributable to the equity holders of the Company for the year was HK\$27.8 million, representing a significant decrease of approximately HK\$11.5 million or 29.3% as compared with the year ended 31 December 2020 of approximately HK\$39.4 million. Adjusted profit and total comprehensive income attributable to the equity holders of the Company for the year ended 31 December 2021 (excluding Transfer of Listing and related expenses and financial support from the Anti-epidemic Fund) amounted to approximately HK\$38.3 million, increased by approximately HK\$1.9 million, or 5.1%, as compared with the year ended 31 December 2020 for approximately HK\$36.5 million. As at 31 December 2021, the Group had cash and bank balances of approximately HK\$119.4 million, which was increased by approximately HK\$35.9 million, or 43.0% as compared with those as at 31 December 2020 of approximately HK\$83.5 million. The Board does not recommend the payment of any dividend for the year ended 31 December 2021 (2020: nil).

## PROSPECTS/BUSINESS OUTLOOK

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

The Group is a slope works contractor in Hong Kong. The Group has commenced its business in 2013 and mainly undertook slope works in the role of subcontractor through A-City Workshop Limited ("**A-City Workshop**"), the Group's principal operating subsidiary. The slope works undertaken by the Group generally involve landslip preventive and remedial works for improving or maintaining the stability of slopes and/or retaining walls. In 2021, the Group was engaged in both public and private sector projects and the majority of the Group's revenue was derived from public projects. In 2021, the slope works industry in Hong Kong was recovering from the impact of COVID-19 outbreak. The Group has continued to maintain healthy growth in revenue and gross profit despite unfavorable economic environment.

## CHAIRMAN'S STATEMENT (continued)

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

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

### NOTE OF APPRECIATION

On behalf of the Board, I would like to take this opportunity to express my sincere gratitude to our shareholders, customers, subcontractors, suppliers and business partners for their continuous support, and to our management and staff members for their diligence, dedication and contribution to the growth of the Group.

**Sieh Shing Kee**  
*Chairman*  
23 March 2022

# MANAGEMENT'S DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

The Group is a slope works contractor in Hong Kong. The slope works undertaken by the Group generally involve landslip preventive and remedial works for improving or maintaining the stability of slopes and/or retaining walls. The Group is experienced in undertaking different kinds of slope works which mainly comprise the following activities:

- (i) drilling and installation of soil nails;
- (ii) construction of retaining walls;
- (iii) installation of debris flow protection rigid barriers;
- (iv) construction of flexible barrier system;
- (v) installation of raking drains;
- (vi) installation of wire meshes and mats for erosion control;
- (vii) construction of concrete maintenance stairway/access; and
- (viii) landscape softworks and establishment works.

A-City Workshop, the Group's principal operating subsidiary, has obtained the following registrations:

- (i) a probationary contractor on the List of Approved Specialist Contractors for Public Works maintained by the Development Bureau under the category of "Landslip preventive/remedial works to slopes/retaining walls" ("**Approved Specialist Contractor**");
- (ii) a Registered General Building Contractor under section 8A of the Buildings Ordinance;
- (iii) a Registered Specialist Contractor under the sub-register of "site formation works" under section 8A of the Buildings Ordinance;
- (iv) a Registered Specialist Trade Contractor for reinforcement bar fixing, concreting formwork and concreting under the Registered Specialist Trade Contractors Scheme of the Construction Industry Council; and
- (v) a Registered Subcontractor for earthwork and geotechnical works under Registered Specialist Trade Contractors Scheme of the Construction Industry Council.

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

# MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

## FINANCIAL REVIEW

### Revenue

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

Number of projects with revenue contributions:

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

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

### Cost of Services

Cost of services increased by approximately HK\$15.8 million, or 7.0%, from approximately HK\$224.4 million for the year ended 31 December 2020 to approximately HK\$240.2 million for the year ended 31 December 2021. Such increase in cost of services was generally in line with the increase in revenue.



# MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

## Gross Profit and Gross Profit Margin

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

## Other Income, Gains and Losses, Net

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

## Administrative Expenses

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

## Transfer of Listing and Related Expenses

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

## Finance Costs

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

## Income Tax Expenses

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

# MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

## Profit and Total Comprehensive Income for the Year

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

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

## Capital Commitments and Contingent Liabilities

As at 31 December 2021, the Group had no material capital commitments nor contingent liabilities.

## Pledge of Assets

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

## LIQUIDITY AND FINANCIAL RESOURCES

### Treasury Policy

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

The Group maintained a sound financial position during the year ended 31 December 2021. As at 31 December 2021, the Group had cash and bank balances of approximately HK\$119.4 million (as at 31 December 2020: approximately HK\$83.5 million), increased by approximately HK\$35.9 million, or 43.0%, which was mainly attributable to cash generated from operations. The cash and bank balances were denominated in Hong Kong Dollars.

### Bank Borrowings

As at 31 December 2021 and 2020, the Group had no outstanding bank borrowings.

### Gearing ratio

The Group's gearing ratio (dividing lease liabilities by equity attributable to equity holders of the Company at year end date) decreased from approximately 0.3% as at 31 December 2020 to approximately 0.1% as at 31 December 2021. The decrease was mainly due to the increase in equity attributable to equity holders of the Company.

# MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

## Current ratio

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

## PRINCIPAL RISKS AND UNCERTAINTIES

There are certain risks and uncertainties involved in the Group's current operations, some of which are beyond the Group's control. The following table shows the principal risks and uncertainties of the Group and how the Group mitigates those risks.

Principal Risks Identified	Description of the Principal Risks Identified	Mitigation of Risks
Limited number of customers	The Group's revenue is mainly generated from a limited number of customers.	Four new customers had awarded seven projects to us with an aggregate estimated contract sum of HK\$64.2 million.
High concentration on public sector slope works	A significant portion of the Group's revenue was derived from the projects whose project employers are Government departments and statutory bodies.	The Group had made consistent effort in expanding its customer base in order to broaden the source of projects in private sector, as evidenced by the increase in number of private projects from 12 during the year ended 31 December 2020 to 20 during the year ended 31 December 2021.
Risk relating to subcontractors' performance	The quality of services of the Group's subcontractors may not meet the requirements of the Group or our customers.	The Group regularly evaluates its subcontractors by taking into account their quality of services, qualifications, skills and technique, prevailing market price, delivery time, availability of resources in accommodating the Group's requests and reputation. Generally, works performed by the subcontractors are inspected and monitored by the Group's project management team based on the quality management system, environmental management system and occupational health and safety management system which are in conformity with the requirements of ISO 9001:2015, ISO 14001:2015, ISO 45001:2018 and OHSAS 18001:2007 standards (currently upgraded to ISO 45001:2018), respectively.
Risk of cost overruns	The actual amount of project costs may exceed the Group's initial estimated costs.	The Directors frequently monitor the progress of each project. The Group's pricing strategy is based on certain percentage of mark-up over its estimated cost which is reviewed by its management team.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Principal Risks Identified	Description of the Principal Risks Identified	Mitigation of Risks
Credit risk management	<p>The Group's customers may adopt a "pay when paid" policy with us and they have the right to pay us after collection of payments from their customers. In the event the Group's customers fail to collect payment from their customers, this will, in turn, adversely affect the collectability of the payments from the customers.</p>	<p>The Group's credit risk is primarily attributable to trade and other receivables, contract assets and cash and bank balances as set out in notes 15, 16 and 17 to the consolidated financial statements. The Group has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis. The Group's finance and administration staff are responsible for conducting individual credit evaluations on its customers on a regular basis.</p>
Liquidity risk management	<p>There are often time lags between making payment to the Group's suppliers (including subcontractors) and receiving payment from its customers when undertaking contractual works, resulting in possible cash flow mismatch.</p>	<p>The Group's financial controller is responsible for the overall monitoring of its current and expected liquidity requirements on a monthly basis;</p> <p>The Group only procures materials on an as-needed basis; and</p> <p>The Group closely monitors its working capital to ensure that the financial obligations can be fulfilled when due, by, amongst other things, (i) ensuring healthy cash and bank balances for payments of the short-term working capital needs; (ii) performing monthly review of the Group's trade receivables and aging analysis, and following up closely to ensure prompt receipt of amounts due from the customers; and (iii) performing monthly review of the Group's trade payables and aging analysis to ensure that payments to the suppliers are made on a timely basis.</p>

## MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Principal Risks Identified	Description of the Principal Risks Identified	Mitigation of Risks
<p>Outbreak of COVID-19</p>	<p>Outbreak of COVID-19 may bring impact on the Group's construction sites and construction works</p>	<p>We have implemented the following hygiene and safety related measures:</p> <ul style="list-style-type: none"> <li>• requesting staff and workers to wear surgical masks both at office and works sites;</li> <li>• requesting staff and workers to present negative COVID-19 test results conducted within the past 14 days when entering the works site;</li> <li>• monitoring the stock of personal protective equipment (including but not limited to surgical masks and hand sanitizer) for the Group's employees;</li> <li>• conducting mandatory body temperature check before entering works sites and random body temperature check at works sites during the day;</li> <li>• requesting staff and workers to maintain personal hygiene and those who have respiratory symptoms shall be refrained from working and be asked to seek medical advice promptly;</li> <li>• requesting staff and workers not to travel to those areas severely affected by COVID-19 unless necessary, and those who return from the affected areas shall be quarantined for 14 days and be asked to fill in the health check form;</li> <li>• placing health educational materials on COVID-19 at prominent areas of the Group's office and works sites; and</li> <li>• if any staff or workers are requested by the Department of Health to be quarantined or have been confirmed to have contracted COVID-19, their respective department or project management team will be informed and requested to keep on record. The affected staff or worker (the "Affected Personnel") will be refrained from working immediately and any other staff or workers who has close contact with the Affected Personnel shall also be quarantined for 14 days.</li> </ul>

A detailed discussion of the risk factors is set out in the section headed "Risk Factors" and "Risk Management and Internal Control Systems" of the prospectus of the Company dated 30 November 2019 (the "Prospectus").

# MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

## EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2021, the Group had 212 employees (2020: 224 employees) excluding the Directors. Total staff costs excluding Directors' remuneration amounted to approximately HK\$69.0 million for the year ended 31 December 2021 (2020: HK\$75.0 million). The remuneration packages the Group offers to its employees include salary and discretionary bonuses. The Group's remuneration policies are in line with the prevailing market practices and the staff remuneration is determined on the basis of the performance and experience of each individual employee.

## FOREIGN CURRENCY FLUCTUATION

The Group's revenue and major expenses are mainly denominated in Hong Kong dollars. The Group's operating transactions such as revenue, direct costs, expenses, monetary assets and liabilities are denominated in Hong Kong dollars. As such, the Group currently has no foreign currency hedging policy and when needed, the management will monitor the foreign exchange exposure by closely monitoring the movements of foreign currency rates. The Group will consider hedging significant foreign currency exposure should the need arises.

## DIVIDEND

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

## USE OF PROCEEDS

The shares were listed on the GEM of the Stock Exchange on 13 December 2019 (the "GEM Listing"). A total of 100,000,000 new shares with nominal value of HK\$0.01 each of the Company were issued at HK\$0.6 per share for a total of approximately HK\$60.0 million.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

As disclosed in the Prospectus, the estimated net proceeds from the GEM Listing, after deduction of the underwriting fees and expenses paid by the Company in connection therewith, were approximately HK\$40.0 million. The actual net proceeds received by the Company were approximately HK\$37.1 million. The Company intends to adjust the difference of approximately HK\$2.9 million to each business strategies in the same proportion as the original funds applied as shown in the Prospectus. The adjusted net proceeds is shown as below:

	<b>Estimated net proceeds</b> <i>HK\$ million</i>	<b>Adjusted net proceeds</b> <i>HK\$ million</i>	<b>Actual net proceeds</b> <i>HK\$ million</i>
Strengthening the Group's manpower by recruiting additional staff	11.3	10.5	10.5
Acquisition of additional machinery	4.7	4.4	4.4
Increasing the Group's reserve for financing the issue of performance guarantees in favour of the customers	2.0	1.8	1.8
Maintaining the specific working capital required for being an Approved Specialist Contractor	22.0	20.4	20.4
<b>Total</b>	<b>40.0</b>	<b>37.1</b>	<b>37.1</b>

## MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

### COMPARISON BETWEEN BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

As at 30 June 2021, the Group has fully utilised the net proceeds in the same proportion as allocated for the various usage according to the table above. The Group has fully utilised the net proceed to further strengthen its market position, increase its market share and to capture the growth in the Hong Kong slope works industry. An analysis comparing the intended business objectives as set out in the Prospectus with the Group's actual business progress is set out below:

Business strategies as stated in the Prospectus	Implementation activities <sup>(note 1)</sup>	Actual activities <sup>(note 2)</sup>
Strengthening the Group's manpower by recruiting additional staff	Recruit a project manager/site agent, a site engineer, 2 site foremen, a safety officer/supervisor, a labour officer, a crane truck operator, 25 site workers and 2 administrative staff.	Recruited a project manager/site agent, a site engineer, 2 site foremen, a safety officer/supervisor, a labour officer, a crane truck operator, 25 site workers and 2 administrative staff.
Acquisition of additional machinery	Acquire four drilling rigs, three grout pumps, one shotcrete machine, one pneumatic drill, one crane truck, four air compressors, two generators and five motor vehicles.	Acquired four drilling rigs, three grout pumps, one shotcrete machine, one pneumatic drill, one crane truck, four air compressors, two generators and five motor vehicles.
Increasing the Group's reserve for financing the issue of performance guarantees in favour of the customers	Increase the Group's reserve for financing the issue of performance guarantees.	It was completed in February 2020.
Registration on Approved Specialist Contractors for Public Works	Amount earmarked for satisfying the applicable working capital requirement which is used to maintain a minimum working capital of 10% of the combined annual value of uncompleted works on outstanding contracts for being an Approved Specialist Contractor.	Such amount was reserved.



# MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

## Notes:

1. The business strategies as stated in the Prospectus were based on the best estimation of the future industry conditions made by the Group at the time of preparing the Prospectus. The actual use of net proceeds was applied in accordance with the actual industry conditions.
2. Since the GEM Listing, the Directors have been constantly reviewing and comparing the Group's business strategies as disclosed in the Prospectus with changing industry conditions in order to ensure the net proceeds are applied in the most effective ways and in the best interest of the Group.

## CAPITAL EXPENDITURE

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

## SIGNIFICANT INVESTMENT HELD

During the year ended 31 December 2021 and 2020, the Group did not hold any significant investments.

## MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

During the year ended 31 December 2021 and up to the date of this report, the Group did not have any material acquisitions nor disposals of subsidiaries, associates and joint ventures.

## FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

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

## CAPITAL STRUCTURE

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

## SIGNIFICANT EVENT AFTER THE REPORTING PERIOD

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

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

# MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

## PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

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

## AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") has reviewed the annual results of the Group for the year ended 31 December 2021 and opined that the applicable accounting standards and requirements have been complied with and adequate disclosures have been made.

## PROSPECTS

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

The Group is a slope works contractor in Hong Kong. The Group has commenced its business in 2013 and mainly undertook slope works in the role of subcontractor through A-City Workshop, the Group's principal operating subsidiary. The slope works undertaken by the Group generally involve landslip preventive and remedial works for improving or maintaining the stability of slopes and/or retaining walls. In 2021, the Group was engaged in both public and private sector projects and the majority of the Group's revenue was derived from public projects. In 2021, the slope works industry in Hong Kong was recovering from the impact of COVID-19 outbreak. The Group has continued to maintain healthy growth in revenue and gross profit despite unfavorable economic environment.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

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

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

# BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

## EXECUTIVE DIRECTORS

**Mr. Sieh Shing Kee (“Mr. Sieh”)**, aged 54, was appointed as a Director in January 2019 and was designated as an executive Director in February 2019 and appointed as the chairman of the Board in March 2019. Mr. Sieh is also the chairman of the nomination committee of the Company (the “**Nomination Committee**”), a member of the remuneration committee of the Company (the “**Remuneration Committee**”) and a director of both Kanic International Limited and A-City Workshop, which both of them are the subsidiaries of the Group. He is responsible for the overall management, strategic planning and the day-to-day business operation of the Group. For Mr. Sieh’s interest in the Shares within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the “**SFO**”), please refer to the section headed “Directors’ Report” in this annual report. Mr. Sieh has over 20 years working experience in construction industry.

Since joining the Group in December 2016, Mr. Sieh has been a key driver of the Group’s business strategies and achievements to date and will continue to oversee the management of the business operations of the Group. Prior to joining the Group, Mr. Sieh worked for China Civil Engineering Construction Corporation from December 2000 to February 2001 as structural engineer. From March 2001 to March 2004, Mr. Sieh worked for Carrier Construction Limited as a site agent. From March 2007 to April 2013, Mr. Sieh worked for Shing Chun Engineering Limited, as a director. From June 2011 to August 2016, Mr. Sieh worked for Tai Kam Construction Engineering Company Limited, the main operating subsidiary of Tai Kam Holdings Limited listed on the GEM of the Stock Exchange of Hong Kong Limited (“**Stock Exchange**”) (stock code: 8321), as a site agent.

Mr. Sieh obtained a bachelor’s degree of science in engineering from the University of Hong Kong in November 1991. Mr. Sieh was registered as a Registered Professional Engineer under the Engineers Registration Board and was admitted as a member of the Institution of Structural Engineers in October 2000 and a member of the Hong Kong Institution of Engineers in March 2001.

Save as disclosed above, he was not a director in any listed companies for the last three preceding years.

## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (continued)

**Mr. Ho Ka Ki (“Mr. Ho”)**, aged 48, was appointed as a Director in January 2019 and was designated as an executive Director in February 2019 and appointed as the chief executive officer of the Group in March 2019. Mr. Ho is also the compliance officer and a director of both Kanic International Limited and A-City Workshop, which both of them are the subsidiaries of the Group. He is responsible for the overall management, strategic planning and the day-to-day business operation of the Group. For Mr. Ho’s interest in the Shares within the meaning of Part XV of the SFO, please refer to the section headed “Directors’ Report” in this annual report. Mr. Ho has over 20 years working experience in construction industry.

Since re-joining the Group in September 2016, Mr. Ho has been a key driver of the Group’s business strategies and achievements to date and will continue to oversee the management of the business operations of the Group. Prior to re-joining the Group, Mr. Ho worked for Zen Pacific Civil Contractors Ltd from July 1996 to October 2000 as engineer as his last position. Mr. Ho was employed under HK ACE Joint Venture of Hong Kong Construction (Holdings) Ltd., AMEC International Construction Ltd., China Railway Construction Corporation and China Everbright Holdings Co. Ltd. from November 2000 to August 2002 as senior engineer as his last position. From September 2002 to April 2004, Mr Ho worked for Ngo Kee Construction Co., Ltd, as an engineer. From November 2011 to August 2016, Mr. Ho worked for Tai Kam Construction Engineering Company Limited, the main operating subsidiary of Tai Kam Holdings Limited, listed on the GEM of The Stock Exchange (stock code: 8321), as a site agent as his last position.

Mr. Ho obtained a bachelor’s degree of engineering in civil and structural engineering from the Hong Kong University of Science and Technology in November 1996. Mr. Ho was admitted as a member of the Hong Kong Institution of Engineers in March 2002. He was registered as a Registered Professional Engineer under the Engineers Registration Board in July 2003. He also obtained a diploma in occupational health and safety through a part-time face-to-face learning programme from Li Ka Shing Institute of Professional and Continuing Education of the Open University of Hong Kong in September 2002.

Save as disclosed above, he was not a director in any listed companies for the last three preceding years.

## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (continued)

### INDEPENDENT NON-EXECUTIVE DIRECTORS

**Ms. Chiao Siu Ling (“Ms Chiao”)**, aged 49, was appointed as an independent non-executive Director of the Group on 1 July 2021. She is a member of the Audit Committee, the Remuneration Committee and the Nomination Committee. She obtained a bachelor of arts degree from the University of Hong Kong in November 1995, a bachelor of laws degree from the University of London in August 2002 and a Postgraduate Certificate in Laws from the University of Hong Kong in June 2003. She was admitted as a solicitor of the High Court of Hong Kong in November 2005. From September 1996 to September 2002, Ms. Chiao worked for Taikoo Shing (Management) Limited, being a property management company, first as a community relations officer and was later promoted to a senior community relations officer responsible for community relation services including organizing functions for the residents and providing charity services to the community. She has worked for LCP Solicitors & Notaries since September 2003, first as a trainee solicitor and currently as an assistant solicitor specialising in conveyancing transactions, commercial transactions and contracts, probate, and family, civil and criminal litigations.

Save as disclosed above, she was not a director in any listed companies for the last three preceding years.

**Mr. Kwong Che Sing (“Mr. Kwong”)**, aged 60, was appointed as an independent non-executive Director of the Group on 25 November 2019. Mr. Kwong is a member of the Audit Committee, the Remuneration Committee and the Nomination Committee. Mr. Kwong obtained a certificate in land surveying from Hong Kong Polytechnic (currently known as Hong Kong Polytechnic University) in November 1985. Mr. Kwong was elected as a professional member of the Royal Institution of Chartered Surveyors in December 2001 and an associate of the Hong Kong Institute of Surveyors in February 2002. He was registered as an authorised land surveyor under the Land Survey Ordinance (Chapter 473 of the Laws of Hong Kong) in February 2003. Since October 1984, Mr. Kwong had worked for the Lands Department as a senior survey officer. From July 1997 to April 2002, he worked for Helicon Ma Surveying Limited, being a local surveying service provider, as a land surveyor. In August 1997 and November 2000, Mr. Kwong founded G&T Surveying Services Company Limited and Geoffrey Kwong Land Surveyor Limited as one of the founder members.

Save as disclosed above, he was not a director in any listed companies for the last three preceding years.

## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (continued)

**Mr. Ling Siu Tsang (“Mr. Ling”)**, aged 66, was appointed as an independent non-executive Director of the Group on 25 November 2019. Mr. Ling is a member of both the Audit Committee and the Nomination Committee and the chairman of the Remuneration Committee. Mr. Ling obtained a bachelor’s degree of science in civil engineering from the University of Calgary in Canada in June 1978 and a master’s of business administration from the University of East Asia Macau in Macau in October 1986. Mr. Ling was admitted as a member of the Hong Kong Institute of Engineers in August 2010. He was registered as a Registered Professional Engineer under the Engineers Registration Board in October 2017. Since April 2018, Mr. Ling has also been appointed by Hong Kong Accreditation Service of the Innovation and Technology Commission as an assessor. From July 1983 to May 1986, Mr. Ling worked for the Engineering Development Department, as a geotechnical engineer. From June 1986 to June 1990, he worked for the Civil Engineering Services Department, as a geotechnical engineer. From December 1995 to April 2016, he worked for the then Civil Engineering Department and the CEDD, as chief geotechnical engineer as his last position held. From November 2017 to November 2020, he was re-engaged by the Geotechnical Engineering Office of the CEDD as a contract technical manager.

Save as disclosed above, he was not a director in any listed companies for the last three preceding years.

**Mr. Tso Ping Cheong Brian (“Mr. Tso”)**, aged 42, was appointed as an independent non-executive Director of the Group on 25 November 2019. Mr. Tso is the chairman of the Audit Committee.

Mr. Tso obtained a bachelor’s degree of arts in accountancy from Hong Kong Polytechnic University in November 2003 and a master’s degree of corporate governance from the same university in October 2013. Mr. Tso was admitted as a member and was advanced as a fellow of Association of Chartered Certified Accountants in October 2006 and October 2011, respectively. He was also admitted as a member and was advanced as a fellow of Hong Kong Institute of Certified Public Accountants in September 2008 and October 2015 respectively. Mr. Tso was admitted as a fellow of the Institute of Chartered Secretaries and Administrators in November 2015 and an associate and subsequently a fellow of the Hong Kong Institute of Chartered Secretaries in January 2014 and November 2015, respectively. From September 2003 to December 2008, Mr. Tso worked for Ernst & Young, being an international accounting firm, and last held the position of manager. From December 2008 to May 2010, Mr. Tso worked for Greenheart Group Limited (formerly known as Omnicorp Limited), being a company listed on the Main Board of the Stock Exchange (stock code: 94) as a financial controller. From May 2010 to August 2012, Mr. Tso worked for Maxdo Project Management Company Limited, as senior vice president of the investment team. Mr. Tso founded Teton CPA Company, an accounting firm, in January 2013 as the sole proprietor since then. Mr. Tso served as an independent non-executive director of Larry Jewelry International Limited (Stock code: 8351) from October 2014 to August 2019. He has been an independent non-executive director of Guru Online (Holdings) Limited (Stock code: 8121) since May 2014, of Huasheng International Holding Limited (Stock code: 1323) since February 2015, of Shenglong Splendecor International Limited (Stock Code: 8481) since June 2018 and of EFT Solutions Holdings Limited (Stock Code: 8062) since September 2019.

Save as disclosed above, he was not a director in any listed companies for the last three preceding years.

## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (continued)

### SENIOR MANAGEMENT PERSONNEL

**Mr. Lam Kau Wang (“Mr. Lam”)**, aged 41, joined the Group as a financial controller of A-City Workshop since January 2019 and is mainly responsible for overall financial administration and corporate governance matters. Mr. Lam obtained a bachelor’s degree of arts in accountancy from the Hong Kong Polytechnic University in November 2003. Mr. Lam was admitted as a fellow of the Association of Chartered Certified Accountants in August 2012 and a certified public accountant of the Hong Kong Institute of Certified Public Accountants in September 2010. From December 2004 to August 2010, Mr. Lam worked for Deloitte Touche Tohmatsu, as senior accountant as his last position. From August 2010 to July 2012, Mr. Lam worked for Maxdo Group Limited, as vice president. From July 2012 to August 2016, Mr. Lam worked for Edipresse Media Asia Limited, as financial controller as his last position. From August 2016 to December 2018, Mr. Lam worked for Victory Kind Container Service Ltd, as the financial controller. In November 2017, Mr. Lam founded Booket Digital Media Development Company Limited as one of the founder members for the purpose of providing information technology services. He has also been the director of such company since August 2018.

**Mr. Lau Chiu Ming (“Mr. Lau”)**, aged 40, joined the Group as a site agent since September 2017 and has been project manager since December 2018. Mr. Lau is mainly responsible for the project planning, supervision and administration of the construction activities of the projects. Mr. Lau obtained a bachelor’s degree of civil engineering from the University of Wales Swansea, the United Kingdom, in July 2006 and a master’s degree of science in computer modelling and finite elements in engineering mechanics from the same university in March 2008. Mr. Lau worked for China Harbour Engineering Co Ltd, a subsidiary of China Communications Construction Company Limited (stock code: 1800), being a transportation infrastructure group and listed on the Main Board of the Stock Exchange, from November 2009 to March 2010, as graduate engineer. From March 2010 to September 2017, Mr. Lau worked for AECOM Asia Company Limited, a subsidiary of AECOM (stock code: ACM), being an international engineering firm and listed on the New York Stock Exchange, as the assistant resident engineer (geotechnical) as his last position.

### COMPANY SECRETARY

Mr. Lam is the company secretary (the **“Company Secretary”**) of the Company. For details of his biography, please refer to the paragraph headed **“Senior Management Personnel”** in this section.



# CORPORATE GOVERNANCE REPORT

The Board hereby presents this corporate governance report (“**CG Report**”) in the Group’s annual report for the year ended 31 December 2021.

## CORPORATE GOVERNANCE PRACTICES

The Company is committed to achieving high standards of corporate governance. The Directors believe that sound and reasonable corporate governance practices are essential in providing a framework for the Company to safeguard the interests of shareholders, enhance corporate value, formulate its business strategies and policies, and enhance its transparency and accountability.

The Company has adopted the principles and code provisions as set out in the corporate governance (“**CG Code**”) contained in Appendix 15 of the Rules Governing the Listing of Securities on the GEM (the “**GEM Listing Rules**”) during the period when the Company is listed on the GEM and the Appendix 14 of the Rules Governing the Listing of Securities on the Main Board (“**Listing Rules**”) during the period when the Company is listed on the Main Board as the basis of the Company’s corporate governance practices.

The CG Code has been applicable to the Company with effect from the GEM Listing. The Board is of the view that for the year ended 31 December 2021 and up to the date of this report, the Company has complied with all applicable code provisions as set out in the CG Code.

### Securities Transactions by Directors

The Company has adopted a Code of Ethics and Securities Transactions (the “**Code**”) on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules and the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules as a code of conduct of the Company for Directors’ securities transactions. Having made specific enquiries with the Directors, all of the Directors have confirmed that they have complied with the requirements of the Code and the Model Code during the year ended 31 December 2021.

The Board has also adopted the Code and the Model Code to regulate all dealings by relevant employees who are likely to be in possession of unpublished inside information of the Company in respect of securities in the Company as referred to in code provision C.1.3 of the CG Code. No incident of non-compliance with the Code and the Model Code by the Company’s relevant employees was identified during the year ended 31 December 2021 after making reasonable enquiry.

## BOARD OF DIRECTORS

### Board composition and responsibilities

#### *Executive Directors (the “ED(s)”)*

Mr. Sieh Shing Kee (*Chairman*)

Mr. Ho Ka Ki (*Chief Executive Officer*)

#### *Independent non-executive Directors (the “INED(s)”)*

Ms. Chiao Siu Ling (*appointed on 1 July 2021*)

Mr. Kwong Che Sing

Mr. Ling Siu Tsang

Mr. Tso Ping Cheong Brian

During the year ended 31 December 2021, the Board comprised of six members, four of which are INEDs, which represented more than one-third of the Board in accordance with Rules 5.05(1) and 5.05A of the GEM Listing Rules and Rules 3.10(1) and 3.10A of the Listing Rules. In compliance with Rule 5.05(2) of the GEM Listing Rule and Rule 3.10(2) of the Listing Rules, one of the Group’s independent non-executive Directors, Mr. Tso, is a certified public accountant with more than 19 years of experience. For more details regarding the qualifications of Mr. Tso, please refer to the section headed “Biographical Details of Directors and Senior Management” of this report.

Details of background and qualifications of all Directors are set out in the section headed “Biographical Details of Directors and Senior Management” from pages 20 to 24 of this report. There is no relationship, including financial, business, family or other material/relevant relationship(s) among members of the Board.

### Responsibilities of the Board

#### *Management and Operations*

The Board oversees the overall management and administration of the business and operations of the Group. The Board is primarily responsible for, among other things:

- (a) Overall Group development and strategic planning;
- (b) Reviewing and monitoring the business performance;
- (c) Approving the financial statements and annual budgets, internal controls and risk management; and
- (d) Reviewing and supervising the management of the Group periodically.

# CORPORATE GOVERNANCE REPORT (continued)

## *Corporate Governance*

The Board is also responsible for performing the corporate governance functions set out in code provision A.2.1 of the CG Code, namely:

- (i) Developing and reviewing the Company's policies and practices on corporate governance;
- (ii) Reviewing and monitoring the training and continuous professional development of Directors and senior management;
- (iii) Reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements;
- (iv) Developing, reviewing and monitoring the code of conduct and compliance manual (including in relation to securities trading) applicable to all employees and Directors; and
- (v) Reviewing the Company's compliance with the CG Code and the disclosure in the CG Report in the Company's annual reports.

The Board has held eight Board meetings during the year ended 31 December 2021 and up to the date of this report. Other Board meetings will also be held if necessary.

In the Board meeting held on 23 March 2022, the Board had reviewed the followings:

- (a) the Company's corporate governance policies and practices;
- (b) training and continuous professional development of directors and senior management; and
- (c) the Company's policies and practices on compliance with legal and regulatory requirements, the Code and Model Code and the Company's compliance with the CG Code and disclosure in this CG Report.

During the Board meeting on 23 March 2022, the Board has reviewed the corporate governance measures of the Group and this CG Report and is of the view that the Company has fully complied with the CG Code in the manner as detailed in this CG Report.

Regular meetings of the Board will be held to deliberate the strategic policies of the Company including but not limited to significant acquisitions and disposals, review and approve annual budgets, review the performance of the business and approve the public release of periodic financial results.

The Board delegates to the management the authority and responsibilities of the day-to-day management and operations of the Company.

Appropriate insurance coverage in respect of legal action against the Directors has been arranged by the Company.

# CORPORATE GOVERNANCE REPORT (continued)

## **Chairman and Chief Executive Officer**

Under code provision C.2.1 of the CG Code, the roles of chairman and chief executive officer should not be performed by the same individual. The Directors recognise the importance of good corporate governance in management and internal procedures so as to achieve effective accountability. During the year ended 31 December 2021, Mr. Sieh was the chairman of the Board and Mr. Ho was the chief executive officer. The chairman provides leadership for the Board and the chief executive officer is responsible for day-to-day management of business. Their respective responsibilities are clearly established and set out in writing. Accordingly, the Group has fully complied with code provision C.2.1 of the CG Code.

## **Board Committees**

The Board can delegate any of its powers, authorities and discretions to committees, consisting of such Director(s) and other person(s) as the Board thinks fit, and they may, from time to time, revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes. Any committee so formed shall, in the exercise of the powers, authorities and discretions so delegated, conform to applicable laws and regulations, including the CG Code, and any regulations which may be imposed on it by the Board.

The Board has established, with written terms of reference, three Board committees, namely the Audit Committee, the Remuneration Committee and the Nomination Committee, to oversee particular aspects of the Company's affairs. The Board committees are provided with sufficient resources to discharge their duties, upon reasonable request, are able to seek independent professional advice in appropriate circumstances at the Group's expense. The written terms of reference for each Board committee are in compliance with the GEM Listing Rules and the Listing Rules and they are published on the websites of the Stock Exchange and the Company accordingly.

## ***Audit Committee***

According to Rule 5.28 to 5.33 of the GEM Listing Rules and Rule 3.21 to 3.24 of the Listing Rules, the Company established the Audit Committee on 25 November 2019. The relevant written terms of reference were adopted in compliance with paragraph D.3.3 of the CG Code. The primary roles of the Audit Committee include at least:

- (a) Making recommendations to the Board on the appointment, reappointment and removal of the external auditor, approving the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal;
- (b) Reviewing and monitoring the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;
- (c) Discussing with the auditor the nature and scope of the audit and reporting obligations before the audit commences;

## CORPORATE GOVERNANCE REPORT (continued)

- (d) Developing and implementing policy on engaging an external auditor to supply non-audit services;
- (e) Monitoring integrity of the financial statements and annual report, half-year report and quarterly reports and reviewing significant financial reporting judgements contained in them;
- (f) Overseeing the Company's financial reporting system, risk management and internal control systems; and
- (g) Reviewing the Group's financial and accounting policies and practices.

The Audit Committee consists of four INEDs, namely, Mr. Tso, Ms. Chiao, Mr. Kwong and Mr. Ling. Mr. Tso is the chairman of the Audit Committee.

During the year ended 31 December 2021 and up to the date of this annual report, six Audit Committee meetings were held. The summary of these audit committee meetings is as follows:

- (a) Met with the external auditor, Grant Thornton Hong Kong Limited ("**Grant Thornton**") for the nature and scope of the audit and reporting obligations before the audit commences and after the completion of audits, and recommended the Board to re-appoint Grant Thornton as the Company's external auditor in the year ending 31 December 2022, which is subject to the approval of shareholders at the forthcoming annual general meeting of the Company (the "**AGM**");;
- (b) Approved remuneration and the terms of engagement of Grant Thornton;
- (c) Reviewed the independence and objectivity of Grant Thornton;
- (d) Reviewed the Group's half-year, quarterly and annual results during the year ended 31 December 2021 and opined that the applicable accounting standards and requirements have been complied with and adequate disclosures have been made;
- (e) Reviewed the adequacy of resources, qualifications and experience in the Company's accounting and financial reporting functions, their training programmes and budgets; and
- (f) Evaluated and agreed the effectiveness of the Company's financial reporting system, risk management and internal control systems.

According to the current terms of reference, the Audit Committee held two meetings with the external auditor during the year ended 31 December 2021.

## CORPORATE GOVERNANCE REPORT (continued)

### ***Nomination Committee***

The Company established the Nomination Committee on 25 November 2019 in compliance with Rule 5.36A of the GEM Listing Rules and Rule 3.27A of the Listing Rules. The relevant written terms of reference were adopted in compliance with paragraph B.3.2 of the CG Code. The primary roles of the Nomination Committee include, but are not limited to,

- (a) Reviewing the structure, the size and the composition (including the skills, knowledge and experience) of the Board at least annually and making recommendations on any proposed changes to the Board to complement the corporate strategy;
- (b) Identifying suitable individuals to be qualified as the members of the Board and making recommendations to the Board on the selection of individuals nominated for directorships;
- (c) Assessing the independence of INEDs; and
- (d) Making recommendations to the Board on the appointment or re-appointment of directors and succession planning for directors.

The Nomination Committee consists of one ED and three INEDs, being Mr. Sieh, Ms. Chiao, Mr. Kwong and Mr. Ling. Mr. Sieh is the chairman of the Nomination Committee.

Pursuant to the terms of reference of the Nomination Committee, the Nomination Committee should meet at least once a year and additional meetings should be held if the committee shall so request.

During the year ended 31 December 2021 and up to the date of this annual report, four Nomination Committee meetings were held. The summary of these nomination committee meetings is as follows:

- (i) Reviewed, among other things, the independence of the INEDs;
- (ii) Considered the qualifications of the retiring Directors standing for re-election at the forthcoming annual general meeting;
- (iii) Reviewed the structure, size and composition of the Board; and
- (iv) Reviewed the board diversity policy. In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider various factors including candidate's character, qualifications, experience, independence and other relevant criteria necessary to complement the corporate strategy and achieve board diversity, where appropriate, before making recommendation to the Board.

Having reviewed the composition of the Board, the Nomination Committee considered that there is an appropriate balance of board diversity.

# CORPORATE GOVERNANCE REPORT (continued)

## **Remuneration Committee**

The Company established the Remuneration Committee on 25 November 2019 in compliance with Rule 5.34 of the GEM Listing Rules and Rule 3.25 of the Listing Rules. The relevant written terms of reference were adopted in compliance with paragraph E.1.2 of the CG Code. The primary roles of the remuneration committee include, but are not limited to,

- (a) Making recommendations to the Board on the Group's policy and structure for the remuneration of all of the Directors and senior management personnel and on the establishment of a formal and transparent procedure for developing remuneration policy;
- (b) Reviewing and approving the management's remuneration proposals with reference to the Board's corporate goals and objectives; and
- (c) Making recommendations to the Board on the remuneration of individual EDs and senior management.

The Remuneration Committee consists of three INEDs and one ED, being Mr. Ling, Mr. Sieh, Ms. Chiao and Mr. Kwong. Mr. Ling is the chairman of the Remuneration Committee.

During the year 31 December 2021 and up to the date of this annual report, three Remuneration Committee meetings were held. On the meeting held on 23 March 2022, the Remuneration Committee has reviewed the remuneration of the Directors and senior management of the Group. Pursuant to code provision E.1.8 of the CG Code, details of the remuneration of the senior management (other than Directors) by band for the year ended 31 December 2021 is as follows:

	<b>Number of employee</b>
Nil to HK\$1,000,000	2
HK\$1,000,000 to HK\$1,500,000	0

Details of the remuneration of each Director for the year ended 31 December 2021 are set out in note 12 to the consolidated financial statements for the year ended 31 December 2021.

## **Board Meetings and Attendance Records of Directors**

Code provision C.5.1 of the CG Code states that the Board should meet regularly and the Board meetings should be held at least four times each year at approximately quarterly intervals with active participation of a majority of Directors, either in person or through other electronic means of communication.

# CORPORATE GOVERNANCE REPORT (continued)

The attendance records of each of the Directors at the Board meeting, committee meetings and AGM held during the year ended 31 December 2021 and up to the date of this report are set out in the table below:

Name of Directors	Attendance/Number of Meeting				AGM
	Board Meeting	Audit Committee	Nomination Committee	Remuneration Committee	
Mr. Sieh	8/8	N/A	4/4	3/3	1/1
Mr. Ho	8/8	N/A	N/A	N/A	1/1
Ms. Chiao	5/5	4/4	1/1	1/1	N/A
Mr. Kwong	8/8	6/6	4/4	3/3	0/1
Mr. Ling	8/8	6/6	4/4	3/3	0/1
Mr. Tso	8/8	6/6	N/A	N/A	0/1

The forthcoming AGM will be held on 20 May 2022.

Apart from the Board meeting, the Chairman also held meeting with the INEDs without the presence of the executive Directors during the year ended 31 December 2021.

## APPOINTMENT AND RE-ELECTION OF DIRECTORS

Each of the EDs and INEDs has entered into a service agreement and a letter of appointment, respectively, with the Company for a fixed term of three years commencing from the GEM Listing. According to article 84 of the articles of association of the Company (the “Articles”), at each AGM, one-third of the Directors shall retire from office by rotation provided that each Director is subject to retirement by rotation at least once in every three years but is eligible for re-election at an AGM in accordance with the Articles.

### Independence of Independent non-executive Directors

The Company has received annual written confirmation from each of the INEDs in respect of his independence in accordance with the independence guidelines set out in Rule 5.09 of the GEM Listing Rules and Rule 3.13 of the Listing Rules. The Company is of the view that all INEDs fulfil the relevant independence requirements.

### Board Nomination Policy

Article 83(3) of the Articles specifies that any Director appointed by the Board to fill a casual vacancy, or an addition to the existing Board, shall hold office until the new AGM of members after his appointment and should then be eligible for re-election at such meeting.

When considering any eligible candidates, the Company adopted a nomination policy in compliance with the CG Code which is effective from the GEM Listing.



# CORPORATE GOVERNANCE REPORT (continued)

The Board, through the delegation of its authority to the Nomination Committee, has used its best efforts to ensure that the Board has a balance of skills, experience and diversity of perspectives that are required to support the execution of the Company's business strategy.

The Board is ultimately responsible for the selection and appointment of new Directors.

## **Nomination Process**

The Nomination Committee is responsible for ensuring that the selection criteria are being applied consistently and fairly in the nomination process and confirming the same to the Board when making its recommendation on appointment.

### ***Selection Criteria***

The Nomination Committee will propose a candidate for nomination or a Director for re-election based on:

- (i) merit;
- (ii) the board diversity policy;
- (iii) the requirements under the GEM Listing Rules and the Listing Rules;
- (iv) the expected contribution to the Board and to ensure the Board has a balance of skills, experience and diversity of perspectives that are required to support the execution of the Company's business strategy;
- (v) the ability of the candidate to commit and devote sufficient time and attention to the Company's affairs;
- (vi) the level of independence from the Company and potential or actual conflicts of interest of the candidate; and
- (vii) other relevant factors considered on a case-by-case basis.

### ***Summary of Board Diversity Policy***

In assessing the Board composition, the Nomination Committee from time to time takes into account the Company's board diversity policy which lists out the guidelines including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge, ethnicity and length of service etc. The Nomination Committee would discuss and agree on those measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption.

## CORPORATE GOVERNANCE REPORT (continued)

The Directors include both genders and have a balanced mix of experiences, including business management, business development, industry knowledge, corporate governance and compliance, legal, finance, auditing and accounting experiences. Furthermore, the ages of the Directors range from 42 years old to 66 years old. The education background of the Directors ranges from accountancy, legal and business administration to land surveying and engineering, from education institutions in Hong Kong, Macau to the United Kingdom and Canada. The Group has also taken, and will continue to take steps to promote gender diversity at all levels of the Company, including but not limited to the Board and senior management levels. The Group will continue to apply the principle of appointments based on merits with reference to the Board Diversity Policy as a whole.

These factors are not exhaustive and decisive. The Nomination Committee has the discretion to nominate any person as it considers appropriate. The Company shall review and reassess the nomination policy on a regular basis or as required.

### ***Procedures for Appointment of New Director***

Subject to the provisions in the Articles, if the Board recognises the need to appoint a new Director, the Nomination Committee shall identify candidates in accordance with the selection criteria set out in the nomination policy, evaluate the candidates and recommend to the Board accordingly before the Board decides on the appointment based upon its recommendation.

### ***Procedures for Nomination by Shareholders***

The Company's website ([www.maxicity.com.hk](http://www.maxicity.com.hk)) sets out the procedures for shareholders to propose a person for election as a Director. The proposed candidate shall go through the same review and recommendation procedures by the Nomination Committee.

### ***Procedures for Re-election of Director at General Meeting***

The Nomination Committee shall reviews the overall contribution to the Company of the retiring Director and determine whether the retiring Director continues to meet the selection criteria set out in the nomination policy before making recommendation to the Board which shall then make recommendation to shareholders in respect of the proposed re-election of Director at the general meeting.

Accordingly, Ms. Chiao and Mr. Tso shall retire at the forthcoming AGM. The retiring Directors, all being eligible, offer themselves for re-election.

# CORPORATE GOVERNANCE REPORT (continued)

## DIRECTORS' AND AUDITOR'S RESPONSIBILITY IN PREPARING THE FINANCIAL STATEMENTS

The Directors are responsible for the preparation of the financial statements in accordance with the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Companies Ordinance (Chapter 622 of Laws of Hong Kong), which give a true and fair view of the state of affairs, profit or loss and cash flow of the Group on a going concern basis.

The Directors acknowledge their responsibility for the preparation of the consolidated financial statements of the Group for the year ended 31 December 2021. In preparing the consolidated financial statements for the year ended 31 December 2021, the Board has adopted appropriate and consistent accounting policies and made prudent, fair and reasonable judgments and estimates. The Directors are responsible for maintaining proper accounting records which reflect with reasonable accuracy the state of affairs, operating results, cash flows and equity movement of the Group at any time. The Directors confirm that the preparation of the financial statements of the Group is in accordance with statutory requirements and applicable accounting standards.

The Directors also confirm that, to the best of their knowledge, information and belief, having made all reasonable enquiries, they are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The Directors are responsible for taking all reasonable and necessary steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities. The statement of auditor about their reporting responsibilities on the consolidated financial statements is set out in the Independent Auditor's Report.

The reporting responsibilities of the Company's auditor, are set out in the Independent Auditor's Report on pages 81 to 85 of this report.

## AUDITOR'S REMUNERATION

The fees paid or payable to Grant Thornton, for the year ended 31 December 2021 are as follows:

<b>Services rendered</b>	<b>Fees paid/payable HK\$'000</b>
Annual audit services for the year ended 31 December 2021	600
Non-statutory audit services as reporting accountant in relation to the Transfer of Listing for the year ended 31 December 2021	1,835

## RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

The Board acknowledges its responsibility for the effectiveness of the Group's risk management and internal control systems in order to safeguard the Group's assets and the shareholders' interests and conduct a review on an annual basis. The main features of the risk management and internal control systems of the Group include:

- (a) the identification of potential risks;
- (b) the assessment and evaluation of risks;
- (c) the development and continuous updating of mitigation measures; and
- (d) the ongoing review of internal control procedures to ensure their effectiveness in respects of the Group's financial, operational, compliance controls and risk management functions.

In order to protect the Group's assets against improper use and ensure compliance with applicable laws, rules and regulations, the Group has also established organisational structure within such risk management and internal control systems by clearly defining the power and obligations of each department in the Group. The risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss. The Board has the overall responsibility to maintain the adequate resources, staff qualifications and experience, training programs and the budget accounting and financial reporting.

### Process used to identify, evaluate and manage significant risks

The Group faces a variety of risks in the daily business operations, including credit risk, liquidity risk, interest rate risk, operational risk and legal and compliance risk. Please refer to the section headed "Business – Risk management and internal control systems" in the Prospectus for further details of the Group's risk management and internal control systems.

The Group's risk management and internal control system features the following processes to identify, evaluate and manage significant risks, and review the effectiveness of the risk management and internal control systems, as well as resolve material internal control defects:

- Members of the Board/Audit Committee discuss with the external independent auditor key issues in relation to internal controls, audit findings and risk management;
- The Board/Audit Committee oversees the financial reporting system and internal control procedures; in this process, management is principally responsible for the preparation of Group financial statements including the selection of suitable accounting policies;
- The external independent auditor is responsible for auditing and attesting to Group financial statements and report to the management of the Company from time to time on any weakness in controls which come to their attention;

# CORPORATE GOVERNANCE REPORT (continued)

- The Board/Audit Committee oversees the respective work of management and external auditors to ensure the management has discharged its duty in respect of having an effective internal control procedures.

During the year ended 31 December 2021, the management conducted an annual internal assessment and a consolidation of relevant risks faced by the Company. There is no material change in the nature and extent of the risks faced by the Company.

The Group does not have an internal audit function and is of the view that there is no immediate need to set up an internal audit function within the Group in light of the size, nature and complexity of the Group's business.

However, the Company engaged an external consulting firm to review the internal control of the Company. The consulting firm provided advices for improvement regarding issues identified in the review. The Company's management took follow-up measures regarding the implementation and arranged subsequent review works.

The Board considers that the review on risk management and internal control systems by the Board and Audit Committee on a regular basis as well as engaging external consulting firm would be sufficient to ensure the adequacy and effectiveness of the Group's risk management and internal control systems of the Group.

The Group continues to monitor and review the operation and performance of the risk management and internal control systems, and to improve the systems from time to time to adapt to the changes in market conditions and regulatory environment. The Group will consider the need for an internal audit function from time to time.

## Handling and Dissemination of Inside Information

With respect to procedures and internal controls for the handling and dissemination of inside information, the Company is aware of its relevant obligations under the Securities and Futures Ordinance (Chapter 571 of Laws of Hong Kong) (the "SFO"), the GEM Listing Rules and the Listing Rules. The Group adopts and implements an information disclosure policy and procedures in order to protect inside information from unauthorised and inaccurate disclosures.

The Group has strictly prohibited unauthorised use of confidential or inside information. Any inside information and any information which may potentially constitute inside information is promptly identified, assessed and escalated by the Chairman and the financial controller for any disclosure requirements. The Audit Committee regularly reviews and assesses the effectiveness of the information disclosure policy and procedures and proposes recommendations to the Board for any improvements.

## DIRECTORS' REMUNERATION POLICY

The Directors' remuneration policies are in line with the prevailing market practices and their remuneration is determined on the basis of their performance, qualifications and experiences.

# CORPORATE GOVERNANCE REPORT (continued)

## CONTINUOUS PROFESSIONAL DEVELOPMENT OF DIRECTORS

Pursuant to code provision C.1.4 of the CG Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. During the year ended 31 December 2021, all Directors participated in continuous professional development by attending a training session in respect of the roles and responsibilities of directors of a company listed on the GEM and the Main Board, and further enhance their knowledge by reading related materials. They also from time to time received from the Company updates on laws, rules and regulations which may be relevant to their roles, duties and functions as directors of a listed company on the Stock Exchange.

## COMPANY SECRETARY

Mr. Lam is the Company Secretary of the Company. He reports to the EDs and is responsible for advising the Board on corporate governance matters and ensuring that the Board policy and procedures, and the applicable laws, rules and regulations are followed. All Directors have taken the advice from the Company Secretary to ensure that the Board procedures and all applicable laws are followed and complied with. Furthermore, the Company Secretary is responsible for facilitating communications amongst Directors as well as with management. During the Year, Mr. Lam undertook over 15 hours of professional training to update his skill and knowledge and complied with the relevant professional training requirement under Rule 5.15 of the GEM Listing Rules and Rule 3.29 of the Listing Rules.

Biographical details of the Company Secretary of the Company is set out in the section headed “Biographical Details of the Directors and Senior Management” of this annual report.

## NON-COMPETITION UNDERTAKING

Each of Mr. Sieh, Mr. Ho and Good Hill Investment Limited (“**Good Hill**”), being the controlling shareholders of the Company (as defined under the GEM Listing Rules and the Listing Rules) (the “**Controlling Shareholders**”), entered into a non-competition undertaking with the Company with effect from the GEM Listing (the “**Non-competition Undertaking**”). The Controlling Shareholders has confirmed compliance with the terms of the Non-competition Undertaking since the GEM Listing and up to 31 December 2021. All the INEDs are of the view that Mr. Sieh, Mr. Ho and Good Hill have been in compliance with the Non-competition Undertaking in favour of the Company.

## ANTI-CORRUPTION POLICY

The Group implemented our anti-corruption policies during all procurement process. Acceptance of kickbacks, commissions or any form of bribery are strictly prohibited. The Group’s internal manuals also provide guidance over conflicts of interest, intellectual property rights, privacy and information confidentiality, and equal opportunities. The gift policy in the internal manuals clearly states the required process and procedure for handling and accepting gifts. The Group has set up whistle-blower measures such as mailbox to allow employees and other relevant personnel to report cases of corruption. The reported cases will be kept and investigated with strict confidentiality under any circumstances to keep anonymity.

# CORPORATE GOVERNANCE REPORT (continued)

## DIVIDEND POLICY

The declaration and payment of future dividends will be subject to the decision of the Board having regard to various factors including the Group's operation and financial performance, profitability, business development, prospects, capital requirements and economic outlook. It is also subject to the approval of the shareholders as well as any applicable laws. The historical dividend payments may not be indicative of future dividend trends. The Group does not have any predetermined dividend payment ratio.

## SHAREHOLDERS' RIGHTS

The general meetings of the Company provide a forum for the shareholders to exchange views directly with the Board. Subject to provisions of the applicable laws in the Cayman Islands, the GEM Listing Rules and the Listing Rules, an AGM of the Company should be held each year and at the venue as determined by the Board. Each general meeting, other than an AGM, is called an extraordinary general meeting ("EGM"). To safeguard shareholders' interests and rights, separate resolutions will be proposed for each substantially separate issue at general meetings. All resolutions put forward at general meetings will be voted on by poll pursuant to the GEM Listing Rules and the Listing Rules, and poll results will be published on the websites of the Main Board and the Company after each general meeting.

### Rights to Convene EGMs and Procedures by Shareholders

Pursuant to article 58 of the Articles, the Board may, whenever it thinks fit, convene an EGM. Any one or more shareholders, at the date of deposit of the requisition, holding not less than one-tenth of the paid up capital of the Company and having the right of voting at general meetings of the Company shall have the right, by written requisition to the Board or the company secretary, to require an EGM to be called by the Board for the transactions of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. The requisition must be deposited at the registered office or the head office of the Company.

If within 21 days of such deposit, the Board fails to proceed to convene such EGM, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to requisitionist(s) by the Company.

### Rights to Put Forward Proposals at General Meetings

The Board is not aware of any provisions allowing shareholders to propose new resolutions at the general meetings under the Articles and the Companies Act, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the "Companies Act"). Subject to the provisions of the Articles, eligible Shareholders who wish to move a resolution may by means of requisition to convene an EGM following the procedures set out above.

# CORPORATE GOVERNANCE REPORT (continued)

## Putting Forward Enquiries to the Board

To put forward any enquiries to the Board, shareholders may send written enquiries to the Company with sufficient contact details. The Company will not normally deal with verbal or anonymous enquiries.

### *Contact Details*

Shareholders may send their enquiries or requests as mentioned above to the following:

Address: Unit 1A, 6/F, Harbour Crystal Centre, 100 Granville Road, Tsim Sha Tsui, Hong Kong

Attention: Board of Directors

Tel: +852 3598 2926

Fax: +852 3598 2925

Email: [info@maxicity.com.hk](mailto:info@maxicity.com.hk)

For the avoidance of doubt, shareholder(s) must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full names, contact details and identifications in order to give effect thereto. Shareholders' information may be disclosed as required by law.

## COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company has established a shareholders communication policy to set out the Company's procedures in providing the shareholders and investment community with ready, equal and timely access to balanced and understandable information about the Company.

The Company maintains a website at [www.maxicity.com.hk](http://www.maxicity.com.hk) as a communication platform with the shareholders and potential investors, where the latest business development, financial information and other relevant information of the Company are available for public access. The information on the Company's website is updated on a regular basis in order to maintain a high level of transparency. Information released by the Company, including but not limited to, the publication of quarterly, interim and annual reports, the publication and posting of notices, announcements and circulars will also be posted to the Stock Exchange's website at the same time.

The Company endeavours to maintain an on-going dialogue with shareholders through AGMs and other general meetings. At the AGM, Directors (or their delegates as appropriate) are available to meet shareholders and answer their enquiries.



# CORPORATE GOVERNANCE REPORT (continued)

## COMPLIANCE OFFICER

Mr. Ho, an executive Director, has been designated as the compliance officer of the Group to oversee all compliance matters.

## CONSTITUTIONAL DOCUMENTS

Pursuant to Rule 17.102 of the GEM Listing Rules and Rule 13.90 of the Listing Rules, during the year ended 31 December 2021, the Articles of Association has been approved at AGM to (i) allow the Company to hold electronic and hybrid shareholder meetings and (ii) bring the Articles of Association in line with the relevant requirements of the applicable laws of the Cayman Island. The major changes are set out below:

- a. to include certain defined terms to align with the applicable laws of the Cayman Islands, the Listing Rules and the relevant provisions in the New Articles of Association including "Act", "announcement", "electronic communication", "electronic meeting", "hybrid meeting", "Listing Rules", "Meeting Location", "physical meeting", "Principal Meeting Place" and to update relevant provisions in the Articles of Association in this regard;
- b. to remove the definition of "Law";
- c. to clarify that expressions referring to writing include reproducing words or figures in a legible and non-transitory form or, to the extent permitted by and in accordance with the Companies Act of the Cayman Islands and other applicable laws, rules and regulations, any visible substitute for writing (including an electronic communication), or modes of representing or reproducing words partly in one visible form and partly in another visible form;
- d. to clarify that reference to the signing or execution of a document (including, but without limitation, a resolution in writing) includes execution by electronic communication;
- e. to clarify that reference to a meeting means a meeting convened and held in any manner permitted by the New Articles of Association and any member of Director participating by means of electronic facilities is deemed to be present at the meeting for all purposes;
- f. to clarify that references to a person's participation in the business of a general meeting include the right (including, in the case of a corporation, through a duly authorised representative) to speak or communicate, vote, be represented by a proxy and have access in hard copy or electronic form to all documents required to be made available at the meeting;
- g. to clarify that references to electronic facilities include, website addresses, webinars, webcast, video or any form of conference call systems (telephone, video, web or otherwise);
- h. to clarify that nothing in the New Articles of Association shall preclude the holding and conducting of a general meeting in such a way that persons who are not present together at the same place may by electronic means attend and participate in it;

## CORPORATE GOVERNANCE REPORT (continued)

- i. references to a Member which is a corporation refer to a duly authorised representative of such Member;
- j. to provide that notice to be given in relation to the registration of transfers of shares or of any class of shares may be given by announcement or by electronic communication, and that the period of thirty (30) days for the suspension for the registration of transfers of shares may be extended in respect of any year if approved by the members by ordinary resolution;
- k. to provide that in relation to convening a general meeting, all general meetings may be held as a physical meeting in any part of the world and at one or more locations, as a hybrid meeting or as an electronic meeting, as may be determined by the Board;
- l. to provide that the notice of a general meeting shall specify the particulars of the resolutions, time and date of the meeting, the place of the meeting (save for an electronic meeting) and the principal meeting place (the “**Principal Meeting Place**”) (if there is more than one meeting location as determined by the Board). If the general meeting is to be a hybrid meeting or an electronic meeting, the notice shall include details of the electronic facilities;
- m. to provide that notice convening an annual general meeting shall specify the meeting as much and notice must be given to all members (other than those who are not entitled to receive under the terms of the shares held by them), to all persons entitled to a share in consequence of the death, bankruptcy or winding-up of a member and to each Director and the auditors of the Company;
- n. to prove that a notice may also set out the circumstances in which a postponement of the general meeting may occur automatically without further notice including where a number 8 or higher typhoon signal, black rainstorm or other similar events in force on the day of the general meeting;
- o. to clarify that the chairman of a general meeting is not required to be physically present at the Principal Meeting Place so long as such chairman is electronically present in the manner provided in the New Articles of Association;
- p. to provide the following in relation to members’ attendance at general meetings:
  - i. to allow the Board to arrange for persons entitled to attend a general meeting to do so by simultaneous attendance and participation by means of electronic facilities at such location or locations (“**Meeting Location(s)**”) determined by the Board;
  - ii. where a member is attending a Meeting Location and/or in the case of a hybrid meeting, the meeting shall be treated as having commenced if it has commenced at the Principal Meeting Place;
  - iii. any member or proxy attending in such way or participating in an electronic meeting or a hybrid meeting by means of electronic facilities is deemed to be present at and shall be counted in the quorum of the meeting;

## CORPORATE GOVERNANCE REPORT (continued)

- iv. failure (for any reason) of the electronic facilities or communication equipment, or any other failure in the arrangements for enabling those in a Meeting Location other than the Principal Meeting Place to participate in the business for which the meeting has been convened or in the case of an electronic or hybrid meeting, the inability of one or more members or proxies to access electronic facilities, shall not affect the validity of the meeting or the resolutions passed provided a quorum is present throughout the meeting;
  - v. all persons seeking to attend and participate in an electronic meeting or a hybrid meeting shall be responsible for maintaining adequate facilities to enable them to do so; and
  - vi. if any of the Meeting Locations is not in the same jurisdiction as the Principal Meeting Place and/or in the case of a hybrid meeting, the provisions of the New Articles of Association concerning the service and giving of notice for the meeting, and the time for lodging proxies, shall apply by reference to the Principal Meeting Place; and in the case of an electronic meeting, the time for lodging proxies shall be as stated in the notice for the meeting;
- q. in relation to the power of the Board and the chairman of the meeting to make arrangements for managing attendance and/or participation and/or voting at the Principal Meeting Place, any Meeting Location(s) and/or participation in an electronic meeting or a hybrid meeting by means of electronic facilities:
- i. if it appears to the chairman of the general meeting that the electronic facilities have become inadequate for the meeting, or it is not possible to give all persons entitled to do so a reasonable opportunity to communicate and/or vote at the meeting or secure the proper and orderly conduct of the meeting, then the chairman may interrupt or adjourn the meeting (including adjournment for indefinite period). All business conducted at the meeting up to the time of such adjournment shall be valid;
  - ii. the Board and the chairman of the meeting may make any arrangements for and impose any requirement or restriction appropriate to ensure the security and orderly conduct of a meeting; and
  - iii. the Directors may, subject to certain notification requirements, change or postpone the meeting to another date, time and/or place and/or change the electronic facilities and/or change the form of the meeting without approval of the members if the Directors consider it is inappropriate or impracticable to hold the general meeting;
- r. to clarify that a physical meeting may also be held by means of such telephone, electronic or other communication facilities as permit all persons participating in the meeting to communicate with each other simultaneously and instantaneously, and participation in such a meeting shall constitute presence in person at such meeting;
- s. to clarify that votes (whether on a show of hands or by way of poll) may be cast by such means, electronic or otherwise, as the Directors or the chairman of the meeting may determine;

## CORPORATE GOVERNANCE REPORT (continued)

- t. to allow the Company to provide an electronic address for the receipt of any document or information relating to proxies for a general meeting;
- u. to allow the Board to decide to treat a proxy appointment as valid notwithstanding that the appointment or any of the information has not been received in accordance with the requirements under the New Articles of Association;
- v. to clarify that notice of a meeting of the Directors may be given by electronic means to an electronic address provided to the Company by the Directors or with the consent of the Directors by making it available on a website;
- w. to provide that, in relation to a resolution in writing signed by all the Directors, a notification of consent to such resolution given by a Director in writing to the Board by any means (including by means of electronic communication) shall be deemed to be his/her signature to such resolution in writing;
- x. subject to compliance with the applicable laws of the Cayman Islands and the Listing Rules and other requirements for the obtaining of consent, in addition to other methods set out in the Articles of Association, to allow the Company to issue and deliver a notice or document by sending or transmitting it as an electronic communication to the relevant person at an electronic address provided by that person or to serve notice by publishing it on the Company's website or the website of the Stock Exchange or such other means to the extent permitted by applicable laws and regulations;
- y. to clarify that every member or person who is entitled to receive notice from the Company may register with the Company an electronic address to which notices can be served upon such member;
- z. to provide that the Company shall issue notice, document or publication in the English language save that with the express indication of preference or election by a member to receive such notice, document or publication in Chinese, may be given to such member in the Chinese language only; and
- aa. to clarify that a notice, document or publication is deemed to have been served on the day on which it first appears on the Company's website to which the recipient may have access or the day on which the notice of availability is deemed to have been delivered to such person, whichever is later, or if the notice, document or publication is issued as an advertisement in a newspaper, it shall be deemed to have been served on the day on which the advertisement first so appears.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## INTRODUCTION

Maxicity Holdings Limited (the “**Company**”) and its subsidiaries (collectively the “**Group**”) is principally located in Hong Kong and engaged in the undertaking of slope works in Hong Kong which acknowledge the significance of effective Environmental, Social and Governance (“**ESG**”) initiatives at an operational level. The Group is a slope works contractor in Hong Kong. The slope works undertaken by the Group generally involve landslip preventive and remedial works for improving or maintaining the stability of slopes and/or retaining walls.

The Group provided landslip preventive and remedial works through its principal subsidiary, A-City Workshop, which is a registered specialist trade contractor under reinforcement bar fixing, concreting formwork and concreting and a registered subcontractor in general civil works with specialty of earthwork and geotechnical works of the Registered Specialist Trade Contractors Scheme of the Construction Industry Council. A-City Workshop is registered with the Building Authority as a registered general building contractor and a registered specialist contractor under the sub-register of “site formation works”. The Group is also registered as a probationary contractor on the List of Approved Specialist Contractors for Public Works maintained by the Development Bureau under the category of “Landslip preventive/remedial works to slopes/retaining walls”.

## BOARD STATEMENT

The Board of Directors (“**the Board**”) is committed to adhering to perform its operation in a sustainable manner and preserving the environment. The Board has incorporated the ESG issues into the Group’s business strategy. The Board is responsible to provide direction and maintain oversight over the ESG related risk and performance. The Board is ultimately responsible for the effectiveness of the Group’s sustainability, including setting ESG directions and evaluate the ESG related risks and performance.

Power and authority were delegated to the Group’s executive committee and department heads to handle all ESG-related matters with work of formulating the ESG strategies, executing ESG plan, identifying ESG-related risk and achieving the ESG related goals set up by the executive committee. The Board required the executive committee to provide updates on ESG related laws and regulations, the process and difficulties during implementation.

The executive committee will also regularly review the implementation effectiveness of relevant ESG-associated issues, environmental targets are being approved by the Board and required to be updated and cope with the latest regulatory requirements before issuance of Environmental, Social and Governance Report (the “**ESG Report**”).

## OBJECTIVES OF THE REPORT

This ESG Report summarises the ESG approaches, strategies, performances and response to the concerns and expectations of the Group’s stakeholders on the sustainable development.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (continued)

## REPORTING SCOPE AND STANDARDS

The Report has been prepared in compliance with the requirements set out in the Environmental, Social and Governance Reporting Guide (the “**ESG guide**”) under Appendix 27 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”). It mainly covers the social and environmental aspects of the ESG guide with reporting period from 1 January 2021 to 31 December 2021 (the “**Review Year**” or the “**Year**”), which is in conformity with the Group’s financial year. In particular, the environmental Key Performance Indicators (“**KPIs**”) disclosed in the Report covers the Group’s head office in Hong Kong, as well as the most of the Group’s construction sites in Hong Kong while the social KPIs covers the general business across the Group.

In the preparation of this ESG report, the Group strictly adheres to the principles of materiality, quantitative and consistency which listed below to report on the relevant measures and performances during the Review Year.

Reporting principles	Descriptions
Materiality	Relatively important ESG issues which are relevant and important to the operation of the Group and stakeholders must be covered in this Report.
Quantitative	KPIs disclosed in a measurable manner with sufficient description and explanation on those changes.
Consistency	Information presented in this Report are prepared using consistent methodologies throughout the Review Year.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (continued)

## STAKEHOLDERS ENGAGEMENT

The Group believes that maintaining continuous communication with its stakeholders enables the Group to have a sound grasp of the potential impacts of its business strategies and make informed decisions. Being transparent and honest to the Group's stakeholders is one of the key activities to maintain sustainable development. The following table summarised the aspects that each stakeholder is concerned about and the corresponding communication channels:

Stakeholders Groups	Specific Stakeholders	Expectations and concerns	Communication channel
Investors	Shareholders	Corporate governance Business compliance Investment return	Corporate website Financial reports Conference calls
Employees	Senior Management Staff Potential recruiters	Career development Safe working environment	Training Face-to-face meetings Regular performance reviews and interviews
Customers	Construction contractors	High-quality services Project quality	Customer satisfaction surveys Company hotline
Suppliers/ subcontractors	Material suppliers/ vendors/ subcontractors	Sustainable relationship	Supplier assessment Daily work review Site inspection/meetings with contractor
Government	Governments Regulators	Compliance with relevant laws and regulations	Written or electronic correspondence

## MATERIALITY ASSESSMENT

To ensure the effectiveness of stakeholders engagement, the Group has conducted a materiality assessment in this ESG Report. The Group identified the following 15 ESG issues based on the existing operations, and taking into the consideration of the disclosure requirements of "Environmental, Social and Governance Reporting Guide".

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (continued)

The Group will regularly review the material issues to ensure that the importance of each aspect of issues to different stakeholders can be accurately addressed. During the Review Year, no significant change in the material ESG issues was identified as there was no material change in the Group's operation scope. The Group's materiality table for the Review Year is as follows:

ESG aspects		Number	ESG issues
A. Environmental	Aspect A1: Emission	1	Greenhouse gas emissions
		2	Hazardous and non-hazardous wastes
	Aspect A2: Use of Resource	3	Energy saving
		4	Water consumption
	Aspect A3: The Environment and Natural Resources	5	Significant impacts of activities on environment and natural resources
B. Social	Aspect B1: Employment	6	Employee policy
	Aspect B2: Health and Safety	7	Safe working environment and protecting employees from occupational hazards
		8	Staff training
	Aspect B3: Development and Training	8	Staff training
	Aspect B4: Labour Standards	9	Prohibition of child labour and forced labour
	Aspect B5: Supply Chain Management	10	Tendering suppliers and subcontractors based on their awareness of environmental and social responsibility
		11	Health and Safety
		12	Advertising and labelling
Aspect B6: Services Responsibility	13	Protecting Customers' Privacy	
	14	Anti-corruption	
Aspect B7: Anti-corruption	14	Anti-corruption	
Aspect B8: Community Investment	15	Community investment	



# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (continued)

## A. ENVIRONMENTAL

The Group strives to operate and develop its business in a sustainable manner by striking a balance between economic development and environmental protection as the impacts of the environmental and climate-related issues become more significant in recent years.

The Group endeavours to minimise any adverse impact on the environment resulting from its business activities. In order to comply with the applicable environmental protection laws, the Group has established an environmental management system in conformance with ISO 14001:2015 international standard in 2018. The Group's environmental management system includes measures and work procedures governing environmental protection compliance that are required to be followed by its employees and its subcontractors.

### A1. Emissions

The Group's Greenhouse gas emissions ("**GHG Emission**") was mainly generated from the use of motor vehicles and plant and equipment such as air compressors and generators during the time carrying out projects, as well as electricity consumption in office and construction sites. The Group strictly complies with emission-related laws and regulations in Hong Kong such as Air Pollution Control Ordinance (Chapter 311 of the Laws of Hong Kong), Water Pollution Control Ordinance (Chapter 358 of the Laws of Hong Kong) and Waste Disposal Ordinance (Chapter 354 of the Laws of Hong Kong), which clearly set out the requirements for the discharge of pollutants. The Group has formulated and strictly implemented internal policies to provide clear guidance for its staff and its business partners on their environmental protection routine. The Group's environmental management plan provides air pollution abatement guidelines and the measures. The lists below show some general rules included in the Group's "Environmental Policy" (the "**Policy**"), which also helped the Group meet the requirements of ISO 14001:2015 certification:

- i. The Company is committed to protect the environment. In order to minimise environmental impacts from the business activities, the Group:
  - Comply with applicable legal and other requirements in the environmental aspects;
  - Minimise pollution, reduce waste and prevent unnecessary consumption of resources;
  - Educate, train and motivate employees to carry out tasks in an environmentally responsible manner; and
  - Encourage environmental protection activities amongst suppliers, vendors and subcontractors.
- ii. The Policy is communicated to all staff, suppliers, vendors, subcontractors and main contractors while the Group enrich and improve its content from time to time.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (continued)

- iii. The Group formed an environmental team to manage and control environmental issues for each construction projects including construction, general organisation and lines of communication.

## ***Sewage Discharge***

The Group did not consume significant volume of water during the Review Year, thus the Group did not discharge a lot of water wastage. The Group has established certain water discharge procedures at sites, which include:

- i. engagement of a service provider to collect sewage on site; and
- ii. installation of a recycling system to collect and filter sediment and store the discharge from drilling operation.

The Group strictly monitors the operation of its business to ensure the compliance with local laws and regulations. Regular self-monitoring reviews were conducted to ensure compliance to the said ordinance. The results of these guidelines will be reviewed from time to time, and new guidelines will be introduced when necessary.

## ***Waste Management***

The Group established guidelines in governing the disposal of hazardous wastes. For non-hazardous waste, the Group implemented several measures, stated in A1.6, to minimize non-hazardous wastes such as construction wastes, metal and paper.

The Group's major source of GHG emissions are generated from (i) use of motor vehicles; (ii) use of machinery (Scope 1); and (iii) electricity consumption (Scope 2). The following table sets forth a breakdown of the Group's GHG emissions during the Review Period:

### ***A1.1 GHG emissions from use of vehicles:***

	Unit	2021	2020
Nitrogen oxides	gram	185,229.04	149,653.12
Sulphur oxides	gram	720.23	1,037.26
Respiratory suspended particles	gram	17,429.54	13,552.68

The increase for emissions mainly came from newly acquired motor vehicles at the end of year 2020 to meet the expansion of operation needs. The Group has worked hard to minimize the emissions by using fuel-saving vehicles in priority.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (continued)

## A1.2 GHG emissions from (1) mobile combustion sources (direct) and (2) purchased electricity (indirect):

	Unit	2021	2020
Scope 1			
Carbon dioxide	kg	116,002.25	166,919.49
Methane	kg	208.74	317.67
Nitrous oxide	kg	13,707.23	21,204.15
Scope 2			
Carbon dioxide	kg	102,979.80	139,294.89
GHG emission Intensity	kg/construction contract	5,071.97	11,301.23

During the Review Year, the improvement in Scope 1 – Carbon dioxide resulted from (i) decrease in consumption of diesel oil and petrol and (ii) usage of fuel-saving vehicles in priority.

The improvement in Scope 2 – Carbon dioxide resulted from decrease in consumption of purchased electricity.

## A1.3 Hazardous wastes produced:

	Unit	2021	2020
Hazardous wastes disposal	tonnes	N/A*	N/A*
Hazardous wastes intensity	tonnes/construction contract*	N/A*	N/A*

## A1.4 Non-hazardous wastes produced:

	Unit	2021	2020
Inert construction materials	tonnes	3,536.30	8,113.19
Inert construction materials usage intensity	tonnes/construction contract*	252.59	737.56
Paper	tonnes	0.89	1.50
Paper usage intensity	tonnes/construction contract	0.02	0.05

\* Including works that would generate inert construction materials

There is no case of non-compliance on applicable environmental laws and regulations related to GHG emissions, sewage discharge and waste for the Review Year.

## *A1.5 Measures to mitigate GHG emissions*

The Group's carbon footprint policies on regulating the use of motor vehicles and plant and equipment mainly include:

- coaching its drivers to minimise fuel usage;
- closely monitoring the fuel consumption of its motor vehicles;
- purchasing environmentally friendly motor vehicles;
- regularly performing maintenance on its motor vehicles; and
- consuming environmental friendly diesel.

The Group targets to reduce 3% GHG emission in year 2026 with base line of the Review Year by reducing carbon footprint to address climate change. The measures include but not limited to repairing and maintaining machineries, equipment and vehicles on regular basis in order to avoid them from generating excess emissions caused by broken parts and other reasons, and to help the reduction of fuel consumption.

## *A1.6 Waste Management*

### **Hazardous Wastes**

Due to the business nature and to the best knowledge of the Directors, the Group did not generate any amount of hazardous waste in the course of its operation during the Review Year. In case any hazardous chemical wastes are produced, they will be temporarily stored in dedicated locations with appropriate hazard labels. A qualified chemical waste collector will be engaged to handle such waste.

### **Non-hazardous Wastes**

With the aim of minimising the environmental impacts from non-hazardous wastes generated from the business operations, the Group has implemented the following measures in waste management and launched different wastes reduction initiatives:

- By improving the design of detailed precautionary plans, the Group was able to minimise the generation of construction wastes. The Group's site agents would conduct surveys to identify and prepare a statement to address any construction activities that would potentially generate construction wastes.
- To the extent possible, the Group reused construction materials such as wood and metal.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (continued)

- Before construction works commenced, the Group's site agent would conduct a survey to identify any construction activities that would potentially generate construction wastes. They would then prepare a statement to address the issues of wastes generated from construction activities and demolition works or use of timber in temporary works construction.
- The Group encouraged its employees to reduce paper consumption by (a) using electronic media for internal communication; (b) printing only when necessary; and (c) when printing is necessary, use suitable font size or shrinkage mode to minimise pages.

As the construction waste was generated based on the specific construction works set out in construction plan and varies among projects, the annual consumption amount and intensity may not be comparable year over year. Looking forward, the Group targets to reduce construction waste by using as much reusable materials as possible and raising employee's awareness regarding the importance of environmental issue.

### **A2. Use of Resources**

The Group recognised the importance in saving resources which can help to reduce carbon footprint. The Group spent a lot of efforts on using the water and the electricity in eco-friendly manner. This principle has also been encouraged to its subcontractors to adopt it.

#### ***Energy Efficiency***

The Group's direct energy consumption mainly included electricity consumed. A series of measures to promote energy conservation were implemented to show the Group's concern on energy efficiency. The Group regularly reviews its energy objectives and targets to seek for continuous improvement on the Group's energy performance.

#### ***Water Consumption***

Water is mainly consumed during the operating stage and when cleaning and sanitation at construction sites. The Group sets up procedures for water conservation measures.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (continued)

The following tables set forth a breakdown of the Group's energy and water consumption for the Review Year:

## A2.1 Direct energy consumption in total and intensity

	Unit	2021	2020
Electricity usage	kWh	163,460.01	221,103.00
Electricity usage intensity	kWh/office*	27,243.33	44,220.00

\* including head office and construction site offices

## A2.2 Water consumption in total and intensity

	Unit	2021	2020
Water consumption	Cu.m	20,177.00	27,501.00
Water consumption intensity	Cu.m/office*	2,882.43	5,500.20

\* including head office and construction site offices

## A2.3 Energy use efficiency initiatives and target

During the Review Year, the Group has performed the following measures relating to promote energy efficiency:

Electricity consumption:

- Switching off electronic appliances before leaving the workplace
- Setting the office air conditioner temperature at 25 degrees Celsius

Water consumption:

- Utilising recycled water for core drilling operations; and
- Reporting any leaking faucet or pipe to the relevant authority

The staff's awareness on the efficient use of energy have been raised through the above measures and result achieved. The Group targets to reduce the energy consumption at 1%–3% in coming years by strengthening the current measures as the consumption of energy and water are depends on need of construction site and construction way which every projects varies.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (continued)

## *A2.4 Sourcing Water*

During the Review Year, the Group did not encounter any issue in sourcing water that is fit for purpose. The Group targets to reduce the water consumption at 1%–3% in coming years by the following ways:

- Install water storage tanks in construction sites with water meters to regularly monitor water consumption and spray roads and loose-soil surfaces by the recycled wastewater to suppress dust;
- Check and inspect water taps and fix dripping taps immediately once any leakage is found, turn taps off tightly to avoid dripping and giving priority to effective water-saving products;
- Put up some eye-catching signs for water saving near taps to remind staff to reduce water consumption; and
- Arrange regular toolbox talks and training programs to the frontline workers to raise their water conservation awareness.

## *A2.5 Packaging Material Used*

The data on total amount of packaging materials does not apply to the Group as the Group did not consume packaging materials during operations.

## **A3. The Environment and Natural Resources**

The Group spends plenty of efforts in reducing consumption of natural resources and promoting effective environmental management. The Group regularly assesses the environmental risks of its businesses, adopt preventive measures to reduce potential risks and ensure compliance with relevant laws and regulations. Due to the business nature, the Group recognises noise control as potential negative environmental impacts. To mitigate the disturbance to the community and environment, the Group adopted certain noise pollution control on its operations, which include:

- an on-site safety officer would conduct noise assessment to determine the noise level of the plant in use and construction in process. Depending on site circumstances, a new assessment would be made on every new work activity and, in general, the Group assesses the noise level in every three months;
- silent plant or machinery, e.g. generator, air compressor, etc., would be used on site whenever practicable; and
- when the Group plans to operate noisy machinery, it posts safety labels to clearly locate the noise protection zones and remind workers of the need for wearing hearing protectors.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (continued)

## A4. Climate Change

Extreme weather has been one of the most concern issues in recent decades. The Group recognises that it may be exposed to the climate change risks which cause disruptions to business operations.

### *A4.1 Significant climate-related issues*

Acute physical risk can be arisen from extreme weather conditions such as storms, floods and heatwaves. Transition risk can be arisen from change in environmental-related policy, requirement, regulations or customer preferences.

For acute physical risk, the Group manages the risks by several precautionary measures including set up work arrangements for extreme weather conditions such as black rainstorm warning, flooding and typhoon signal No. 8. At construction site, the Group would install temporary structures to prevent losses and incidents arisen from typhoon and flooding to protect the Group's asset and to ensure safety working environment. For heatwaves, the Group would provide periodic rest time and adequate supplies of water to staff who work in construction sites.

For transition risk, the Group keeps update on the regulatory requirements and market change to ensure that its services meet customers and regulatory expectations.

The Group will also continuously improve and raise awareness in relation to the energy consumption, climate change and energy conservation by reviewing the current measures and monitoring the potential impact of climate change from time to time.

## B. SOCIAL

The Group's management system was certified to comply with the International Organisation for Standardisation ("ISO") 9001:2015, which reflects its commitment to quality management, and ISO 45001:2018, which shows that the Group highly values the health and safety of its employees.

### B1. Employment

#### *Human Resources Policies*

The Group recognises that employees are valuable assets for the continuous development of the Group. A comprehensive framework demonstrating detailed human resource management policies is included in the Group's staff handbook. The Group's human resources policies are prepared based on the following philosophies:

- Sufficient resources are provided to each individual to achieve their optimum productivity and efficiency;
- Compensation offered to every staff are equitable and competitive;



# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (continued)

- Employees are always welcomed to equip themselves for the construction industry;
- Reward is given to those staff who can perform exceeding the Group's expectation;
- Placed high priority in two-way communications between employees and the management; and
- Provided safe workplace for the Group's staff to perform their duties.

The relevant recruitment procedures, promotion and appraisal process, staff compensation, dismissal, working hours, diversity and equal opportunities, etc., are documented in the Group's staff handbook. The Group will periodically review these policies and the employment practices to ensure its strategies have been implemented.

## B1.1 Total workforce

As at 31 December 2021, all staff are located in Hong Kong and the staff composition of the Group is as follow:

By Gender		By Age Group	
Male	206	30 years old or below	15
Female	12	31–64 years old	176
		65 years old or above	27
By Employment category			
Monthly-rated	42		
Daily-rated	176		

## B1.2 Turnover rate

The turnover rate of the Group is as follow:

By Gender		By Age Group	
Male	29.6%	30 years old or below	0.0%
Female	0.0%	31–64 years old	33.6%
		65 years old or above	10.0%

\* The above turnover rate of the Group excluded daily-rated workers as certain numbers of daily-rated works left and re-joined the Group during the Review Year.

## *Recruitment and Promotion and Staff Welfare*

The Group assesses job candidates based on their experience and skills. An applicant's age, gender, religion or race will not affect his/her chance to obtain an offer. This principle also applies to the Group's staff appraisal and staff counselling processes.

The Group provides competitive remuneration packages to its staff. The promotion and appraisal process enables the Group to review its staff's compensation and benefits periodically. Their compensation and benefit will be adjusted to reflect their performance and meet the market standard. Internal promotion is preferred over open recruitment when the Group expands its business.

The benefit and compensation policy of the Group will be regularly reviewed to attract and retain outstanding employees. Apart from statutory and public holidays, the Group provides employees with different paid leaves, such as annual leave, maternity leave. The Group's dismissal policy, working hours and rest periods complied with applicable labour laws and regulations.

## *Equal Opportunity, Diversity and Anti-discrimination*

The Group is committed to create an inclusive and collaborative workplace culture. Staff is always welcomed to discuss with their supervisors about any difficulties they encounter at work, or make suggestions on their duties. At the same time, the management team offers help at any time. The Group committed to provide a fair and equal recruitment process that candidates are considered regardless of their race, gender and age, religion or disability. When reviewing the staff performance, the Group appraises them solely based on their abilities and works. The Group complied with the Sex Discrimination Ordinance (Chapter 480 of the Laws of Hong Kong), Race Discrimination Ordinance (Chapter 602 of the Laws of Hong Kong) and Disability Discrimination Ordinance (Chapter 487 of the Laws of Hong Kong).

The Group did not have any non-compliance on applicable labour laws and regulations for the Review Year.

## **B2. Health and Safety**

The Group emphasizes a high priority that employees work under a safe and healthy working environment. The Group's occupational health and safety management systems are certified under ISO 45001:2018. The Group's safety officers are responsible for the implementation of the health and safety management system to ensure that its works performed by the subcontractors and the employees are complied with relevant statutory requirements concerning occupational health and safety.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (continued)

## ***B2.1 Number and rate of work-related fatalities***

During each of past three years, there were no reported cases of work-related fatalities.

## ***B2.2 Lost days due to work injury***

The Group did not involve any work injury was occurred during the Review Year.

## ***B2.3 Occupational health and safety measures adopted***

### *Safe Working Environment*

The Group carries out detailed risk assessment on safety before commencement of every construction work. Any inappropriate working procedures shall be revised on an ongoing basis. The Group's safety officers performed site inspections on a regular basis and would take immediate rectifications on any breach of safety rules and regulations.

The Group implemented a number of precautionary measures in response to the outbreak of COVID-19, for example, employees were required to check their body temperature before work.

### *Protecting Employees from Occupational Hazards*

The Group's project teams always ensured that its workers received adequate induction and toolbox trainings before entering construction sites. The essential protective equipment was also provided to staff individually before commencement of their works.

Work injuries were reported in accordance with the Group's internal guidelines which were set up with reference to the work injury reporting required by the Labour Department.

The Group did not have any non-compliance on the Occupational Safety and Health Ordinance (Chapter 509 of the Laws of Hong Kong) and applicable occupational health and safety laws and regulations for the Review Year.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (continued)

## B3. Development and Training

The Group's staff is the most valuable asset in the enterprise. The Group always encourages its staff to take ample training so that they can excel at their professional field and gain momentum in their career path. Training sponsorship for job related courses were granted from time to time with the Directors' approval.

New employees were greeted with an induction briefing by their immediate supervisor. Staff handbook would be provided to newly joined staff so as to familiarise them with the Group's culture and their job duties. Relevant safety training such as safety induction training, specific training for high-risk activities is provided to the staff and workers.

### *B3.1 The workforce trained during the Review Year*

By Gender		By Employment category	
Male	95.2%	Senior level	33.3%
Female	4.8%	Middle level	38.1%
		Entry level	28.6%

### *B3.2 The average training hours completed by the employee during the Review Year*

By Gender		By Employment category	
Male	33.3 hours	Senior level	6.4 hours
Female	4.0 hours	Middle level	38.1 hours
		Entry level	59.0 hours

## B4. Labour Standards

### *B4.1 Measures to avoid child and forced labour*

The Group's human resources department adopts stringent controls in the recruitment process for screening out forced labour, child labour and illegal immigrant labour. Meanwhile, the project management teams inspected regularly on construction sites to eliminate any chance of illegal employment.

### *B4.2 Steps to eliminate such practices when discovered*

If there is any irregularities on forced labour, child labour and illegal immigrant labour on staff, employment with all these candidates will be immediately terminated. The Group would also takes responsibility for investigation.

The Group did not have any non-compliance on applicable laws and regulations regarding labour standards and illegal employment practices for the Review Year.

## **B5. Supply Chain Management**

The Group highly values its relationships with suppliers and subcontractors, and regards them as important business partners. All suppliers and subcontractors were evaluated and subjected to regular monitoring and assessments. The Group adopts a subcontractor management plan based on its ISO requirement to manage its subcontractors database. "Attention to environmental issues" is one of the criteria for the Group to select a subcontractor.

### ***B5.1 Number of suppliers***

During the Review Year, the Group has 82 suppliers, including material suppliers and subcontractors which are all based in Hong Kong to save the transportation costs.

### ***B5.2 Procedure for engaging suppliers and subcontractors***

Whenever the Group needed to source for new vendors or subcontractors, it carried out a fair and unbiased tender process. Selection criteria included the price offered by the suppliers, their capabilities in meeting the Group's product and service requirements, their qualifications, and the level of their social and environmental awareness.

### ***B5.3 Practices used to identify environmental and social risks***

#### *Environmental and Social Responsibility of the Suppliers*

The Group's materials are purchased from qualified suppliers whose products meet the requirements of applicable environmental law and regulations. The Group regularly monitored the quality of the raw materials by engaging laboratories or testing companies to perform relevant tests.

#### *Environmental and Social Responsibility of the Subcontractors*

The Group's safety officer or environmental officer conducted regular environmental training course to raise environmental consciousness of the subcontractors' workers, while scheduled and ad-hoc environmental inspections were carried out at least once a week. Any findings on environmental issues were recorded and passed on to corresponding subcontractors for their actions and improvements. Workers and subcontractors were required to report to the site agents or the safety officers immediately on any significant incidents and environmental risks. Works were brought to a halt whenever risk of dangers was found, or when the works posed environmental hazards or adverse effects to the on-site staff and the public.

Action of reduce work, suspense contract or replacing subcontractors may be taken to subcontractors who have subsequently failed to meet the Group's standard or those that have already experienced serious environmental pollution and safety accidents.

## ***B5.4 Practices used to promote environmental preferable products and service when selecting supplier and subcontractors***

To promote environmental preferable products and service when selecting supplier and subcontractors, suppliers and subcontractors with certain environmental and social responsibility accreditation or no previous record of violation in environmental and social issue will be given preference when same package was offered by the potential suppliers and subcontractors. The Group regular review the selection process to ensure it was properly carried out.

## **B6. Services Responsibility**

It is important to achieve and maintain high quality standards on the Group's projects so that the Group can achieve sustainable growth. The Group pledged to deliver the best construction services to every customer. The Group complied with the quality management system certified with ISO 9001:2015 Quality Management. The implementation of the quality management system is reviewed annually to ensure its effectiveness and improvement.

### ***B6.1 Percentage of products sold subject to recalls for safety and health reasons***

Due to the Group's business nature, recalls for safety and health reasons was not applicable.

### ***B6.2 Number of products and services related complaints***

The Group received no complaints or claims from its customers arising from quality issues in work performed during the Review Year. Feedback received from employees, suppliers and subcontractors will be reviewed and handled from time to time to ensure continuous improvement.

### ***B6.3 Protecting Intellectual Property Right***

The Group has great attention in protecting intellectual property rights. The Group protects intellectual property rights by using licensed software and registering A-City Workshop company trademark for the Group's business operations.

### ***B6.4 Health and Safety***

Risk assessment was carried out for each project before the commencement of construction work to ensure the safety and health of the Group's workers and any onsite personnel. Appropriate safety training was offered to workers at the beginning of a contract period and from time to time to maintain workers' safety awareness. Regular safety inspections were carried out to identify any deficiencies in safety controls and then implement timely remedial actions. Prior to delivering the works, the Group's project management team invited its customers to inspect the work progress and resolved safety and health concerns, if any.

## ***B6.5 Protecting Customers' Privacy***

The Group respects customers' privacy and had implemented measures to protect it. The Group emphasises customers' data protection and privacy by maintaining updated policies and guidelines. The Group's staff was well trained to handle materials containing sensitive information of its customers. Firewall, anti-virus and anti-spam solutions were installed in the Group's information technology infrastructure to help protect customers' information.

### *Advertising and Labelling*

The Group did not engage in any advertising or labelling activities. Information related to advertising and labelling is considered immaterial to the Group.

The Group did not have any non-compliance with applicable laws and regulations regarding health and safety, advertising, labelling and privacy matters related to services offered for the Review Year.

## **B7. Anti-Corruption**

The Group implemented its anti-corruption policies during all procurement process. Over the years, no suspected or actual bribery, extortion, fraud or money laundering activities occurred. Acceptance of kickbacks, commissions or any form of bribery are strictly prohibited.

During the Review Year, the Group has subscribed to the Integrity Charter organized by Independent Commission Against Corruption ("ICAC"), Development Bureau and Construction Industry Council which aiming to promote integrity management through the implementation of an Integrity Management System. In subscribing the Integrity Charter, the Group committed to maintain good governance and internal control in its business process, undertake to implement an integrity policy and arrange at least one senior management staff to receive on average at least one hour integrity training annually.

**B7.1** No legal case regarding corrupt practices brought against the Group during the Review Year.

### ***B7.2 Preventive measures and whistle-blowing procedure***

The Group's internal manuals also provide guidance over conflicts of interest, intellectual property rights, privacy and information confidentiality, and equal opportunities. The gift policy in the internal manuals clearly states the required process and procedure for handling and accepting gifts. The Group has set up whistle-blower measures such as mailbox to allow employees and other relevant personnel to report cases of corruption. The reported cases will be kept and investigated with strict confidentiality under any circumstances to keep anonymity.

## ***B7.3 Anti-corruption training***

During the Review Year, the directors and the employees have participated in anti-corruption training by delivering the latest internal manuals and related information to strengthen and refresh related requirement.

The Group did not have any non-compliance on applicable laws and regulations regarding bribery, extortion, fraud and money laundering and commit any fraud or corruption for the Review Year.

## **B8. Community Investment**

### ***B8.1 Focus areas of contribution***

The Group supports and encourages its employees to participate in any volunteer works or charity activities.

### ***B8.2 Resources contributed***

From time to time, donations have been made to charity organizations. For the Review Year, the Group donated approximately HK\$4,300 to Po Leung Kuk to help those in need in the society.



# DIRECTORS' REPORT

The Directors are pleased to present their annual report together with the audited consolidated financial statements of the Group for the year ended 31 December 2021.

## CORPORATE REORGANISATION

The Company was incorporated in the Cayman Islands as an exempted company with members' limited liability on 30 January 2019. The Transfer of Listing has been completed on 31 December 2021.

## PRINCIPAL ACTIVITIES

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

Details of the principal activities of the principal subsidiaries are set out in note 14 to the consolidated financial statements.

## RESULTS AND DIVIDENDS

Profit of the Group for the year ended 31 December 2021 and the state of affairs of the Company and the Group as at that date are set out in the consolidated financial statements on pages 86 to 133.

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

## FINANCIAL SUMMARY

A summary of the results, and assets and liabilities of the Group announced in the past four years are set out on page 134 of this annual report.

## BUSINESS REVIEW

### Overview

A review of the business of the Group for the year ended 31 December 2021 and a discussion on the Group's future business development are provided in the "Management's Discussion and Analysis" on pages 7 to 19. The discussion constitutes a part of this Directors' Report.

### Principal Risks and Uncertainties

The principal risks faced by the Group are set out in pages 11 to 13 of this annual report. As it is a non-exhaustive list, there may be other risks and uncertainties further to the disclosures. Besides, this annual report does not constitute a recommendation or an advice for anyone to invest in the securities of the Company. Investors are advised to make their own judgements or consult professionals before making any investment in the securities of the Company. The discussion constitutes a part of this Directors' Report.

### Important Events

The Shares have been successfully transferred from the GEM to Main Board on 31 December 2021.

Save as disclosed above, the Board has not identified any important events affecting the Group that have occurred since the end of this financial year.

### Key Performance Indicators

The key performance indicators are detailed in the financial review set out in the Management's Discussion and Analysis on pages 7 to 19 of this annual report. This discussion constitutes a part of this Directors' Report.

## MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2021, the five largest customers accounted for approximately 95.0% (2020: 98.0%) of the Group's total revenue. The five largest suppliers accounted for approximately 61.6% (2020: 61.2%) of the Group's total purchases. In addition, the largest customer accounted for approximately 37.3% (2020: 34.7%) of the Group's total revenue while the largest supplier accounted for approximately 24.1% (2020: 26.0%) of the Group's total purchases.

None of the Directors, their associates or any shareholders (which, to the knowledge of the Directors, own more than 5% of the Company's issued share capital) had any interest in the Group's five largest customers and suppliers.

# DIRECTORS' REPORT (continued)

## RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Group maintains a good relationship with its employees, and certain policies have been implemented to ensure that its employees are provided with competitive remuneration, good welfare benefits and continuous professional training. The Group also maintains good relationships with its customers and suppliers, without whom success in the Group's operation would be at risk.

## DONATIONS

During the year ended 31 December 2021, the Group made a charitable and other donations of approximately HK\$4,300.

## EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2021, the Group had 212 employees in Hong Kong (31 December 2020: 224 employees in Hong Kong) excluding the Directors. The remuneration package the Group offered to its employees includes salary, bonuses and other cash subsidies. In general, the Group determines employees' salaries based on each employee's qualifications, position and seniority. The Group reviews the performance of the employees annually which will be taken into account in annual salary review and promotion appraisal.

## DIVIDEND POLICY

The declaration and payment of future dividends will be subject to the decision of the Board having regard to various factors including the operation and financial performance profitability, business development, prospects, capital requirements and economic outlook. It is also subject to the approval of the shareholders as well as any applicable laws. The historical dividend payments may not be indicative of future dividend trends. The Group does not have any predetermined dividend payment ratio.

## PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group for the year ended 31 December 2021 are set out in note 13 to the consolidated financial statements.

## BANK OVERDRAFTS AND BORROWING

The Group did not have any bank overdrafts and borrowing as at both 31 December 2021.

## INTEREST CAPITALISED

The Group has not capitalised any interest during the year ended 31 December 2021.

## SHARE CAPITAL

Details of the movements in the share capital of the Company during the year ended 31 December 2021 is set out in note 21 to the consolidated financial statements.

## RESERVES

Details of movements in reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity on page 88 and in note 23 to the consolidated financial statements, respectively.

## DISTRIBUTABLE RESERVES

As at 31 December 2021, the Company had distributable reserve of approximately HK\$18.5 million, calculated under the Companies Act. Such amount includes share premium which may be distributable provided that immediately following the date on which the dividend is proposed, the Company will be in a position to pay off its debts or when they fall due in the ordinary course of business.

## USE OF PROCEEDS

On the GEM Listing Date, a total of 100,000,000 new shares with nominal value of HK\$0.01 each of the Company were issued at HK\$0.6 per share for a total of approximately HK\$60.0 million. The net proceeds raised from the issue of new shares of the Company, after deduction of the professional fees, underwriting commissions and other fees payable by the Company in connection with the GEM Listing, were approximately HK\$37.1 million. All the proceeds from the GEM Listing was fully utilised by 30 June 2021.

Details are set out in Management's Discussion and Analysis on pages 14 to 17 of this annual report.

## PRE-EMPTIVE RIGHTS

There is no provision regarding pre-emptive right under the Articles as the laws of Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to its existing shareholders.

## EQUITY-LINKED AGREEMENTS

Save for the share option scheme as set out below, no equity-linked agreement was entered into by the Group, or existed during the year ended 31 December 2021.

## SHARE OPTION SCHEME

The Company has conditionally adopted a share option scheme (the "**Share Option Scheme**") pursuant to the written resolutions of the sole shareholder passed on 25 November 2019. The condition of which has been fulfilled. The Share Option Scheme shall be valid and effective for the period of ten years commencing on 13 December 2019, being the date on which the Share Option Scheme was adopted upon fulfillment of the condition. As at the date of this report, there is remaining life of over 7 years of the Share Option Scheme.

## DIRECTORS' REPORT (continued)

### The purpose of the Share Option Scheme

The Share Option Scheme is a share incentive scheme and is established to enable the Company to grant options to the Eligible Participants (as defined below) as incentives or rewards for their contribution to the Group.

### The participants of the Share Option Scheme

Under the Share Option Scheme, the Board may, at its discretion, make an offer to any person belonging to the following classes of participants (the "**Eligible Participants**") share options to subscribe for shares of the Company:

- (i) any employee (whether full time or part time, including any executive director but excluding any non-executive director) of the Company, any subsidiary or any entity in which any member of the Group holds any equity interest (the "**Invested Entity**");
- (ii) any non-executive director (including independent non-executive directors) of the Company, any subsidiary or any Invested Entity;
- (iii) any supplier of goods or services to any member of the Group or any Invested Entity;
- (iv) any customer of any member of the Group or any Invested Entity;
- (v) any person or entity that provides research, development or other technological support to any member of the Group or any Invested Entity;
- (vi) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity;
- (vii) any adviser (professional or otherwise) or consultant to any area of business or business development of any member of the Group or any Invested Entity; and
- (viii) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of the Group;

for the purposes of the Share Option Scheme, the offer may be made to any company wholly owned by one or more Eligible Participants.

### **The total number of Shares available for issue under the Share Option Scheme**

The total number of shares which may be allotted and issued upon exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Share Option Scheme and any other share option scheme of the Group) to be granted under the Share Option Scheme and any other share option scheme of the Group must not in aggregate exceed 10% of the shares in issue at the time dealings in the shares first commence on the Stock Exchange, i.e. 40,000,000 Shares (i.e. 10% of the total shares in issue at the date of this annual report).

### **The maximum entitlement of each participant under the Share Option Scheme**

Subject to certain circumstances relating to the grant of options to a substantial shareholder, an independent non-executive director or any of their respective associates, the total number of Shares issued which may fall to be issued upon exercise of the options and the options granted under any other share option scheme of the Group (including both exercised or outstanding options) to each grantee in any 12-month period shall not exceed 1% of the issued share capital of the Company for the time being. Where any further grant of options to a grantee under the Share Option Scheme would result in the Shares allotted and issued and to be allotted and issued upon exercise of all options granted and proposed to be granted to such person (including exercised, cancelled and outstanding options) under the Share Option Scheme and any other share option schemes of the Group in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the Shares in issue, such further grant must be separately approved by the Shareholders in general meeting with such grantee and his close associates (or his associates if such grantee is a connected person (as defined in the GEM Listing Rules)) abstaining from voting.

### **The period within which the Shares must be taken up under an option**

The period during which a share option may be exercised will be determined by the Board at its absolute discretion, save that no share option may be exercised more than 10 years after it has been granted under the Share Option Scheme.

### **The minimum period for which an option must be held before it can be exercised**

Unless otherwise determined by the Directors and stated in the offer to a grantee, a grantee is not required to hold an option for any minimum period nor achieve any performance targets before the exercise of an option granted to him.

### **The amount, if any, payable on application or acceptance of option and the period within which payments or calls must or may be made or loans for such purposes must be repaid**

An offer shall have been accepted by an Eligible Participant with a remittance in favour of the Company of HK\$1 by way of consideration for the grant thereof is received by the Company within such time as may be specified in the offer (which shall not be later than 21 days from the offer date).

# DIRECTORS' REPORT (continued)

## The basis of determining the exercise price

The subscription price in respect of any option shall be at the discretion of the Directors, provided that it shall not be less than the highest of:

- (a) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet for trade in one or more board lots of the Shares on the offer date;
- (b) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five Business Days immediately preceding the offer date; and
- (c) the nominal value of the Share.

No share option has been granted under the Share Option Scheme since its adoption. Accordingly, as at the date of this annual report, there was no share option outstanding under the Share Option Scheme.

## DIRECTORS

The members of the Board during the year ended 31 December 2021 and up to the date of this annual report are:

### EDs

Mr. Sieh Shing Kee (*Chairman*)

Mr. Ho Ka Ki (*Chief Executive Officer*)

### INEDs

Ms. Chiao Siu Ling (*appointed on 1 July 2021*)

Mr. Kwong Che Sing

Mr. Ling Siu Tsang

Mr. Tso Ping Cheong Brian

In accordance with article 84 of the Articles, at each AGM, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) shall retire from office by rotation provided that every Director shall be subject to retirement at an AGM at least once every three years. Accordingly, Ms. Chiao Siu Ling and Mr. Tso Ping Cheong Brian will retire and, being eligible, offer themselves for re-election at the forthcoming AGM.

## BIOGRAPHIES OF THE DIRECTORS AND SENIOR MANAGEMENT

The biographical details of the Directors and senior management are set out under the section headed "Biographical Details of Directors and Senior Management" as set out on pages 20 to 24 of this annual report.

## DIRECTORS' SERVICE CONTRACTS AND LETTERS OF APPOINTMENT

Each of the EDs has entered into a service agreement with the Company on 25 November 2019 for an initial term of three years commencing from the GEM Listing, which shall continue thereafter unless and until terminated by not less than three months' notice in writing served by either party on the other. The term of service of a Director is subject to retirement by rotation of Directors as set out in the Articles.

Each of the INEDs has entered into a letter of appointment with the Company on 25 November 2019 for a term of three years commencing from the GEM Listing, except Ms Chiao Siu Ling who has entered into a letter of appointment with the Company on 1 July 2021 ("**Appointment Date**") for a term of three years commencing from the same Appointment Date, which all of them shall continue thereafter unless and until terminated by not less than three months' notice in writing served by either party on the other. The term of service of a Director is subject to retirement by rotation of Directors as set out in the Articles.

Save as disclosed above, none of the Directors, including those to be re-elected at the forthcoming AGM has a service contract with the Company or any of its subsidiaries which is not determinable within one year without payment of compensation, other than statutory compensation.

## DIRECTORS' REMUNERATION

In compliance with the CG Code, the Company has established the Remuneration Committee to make recommendations to the Board on the Company's policy and structure for all the Directors' remuneration. The Directors' remuneration and their discretionary bonus is determined by the Board with reference to the Directors' duties and responsibilities, the recommendation of the Remuneration Committee and the performance and results of the Group. Details of Directors' remuneration are set out in note 12 to the consolidated financial statements of this annual report.

## FIVE HIGHEST PAID INDIVIDUALS

The five highest paid individuals of the Group during the year ended 31 December 2021 include 2 Directors (2020: 2 Directors). Details of the five highest paid individuals are set out in note 12 to the consolidated financial statements.

## CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received annual confirmation of independence pursuant to Rule 18.39B of the GEM Listing Rules and Rule 3.13 of the Listing Rules from each of the INEDs and considers that all the INEDs, namely Ms. Chiao Siu Ling, Mr. Kwong Che Sing, Mr. Ling Siu Tsang and Mr. Tso Ping Cheong Brian, are independent and meet the independent guidelines set out in Rule 5.09 of the GEM Listing Rules and Rule 3.13 of the Listing Rules.



## DIRECTORS' REPORT (continued)

### DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTEREST IN CONTRACT OF SIGNIFICANCE

Save as disclosed in note 24 to the consolidated financial statements of this annual report, there was no transaction, arrangement or contract of significance connected to the business of the Group to which the Company, its subsidiaries, or its holding company or any of its fellow subsidiaries was a party and in which any Director or a connected entity of a Director had a direct or indirect material interest, subsisting at the end of the year or at any time during the year.

As of 31 December 2021, save as disclosed in note 24 to the consolidated financial statements of this annual report, no contract of significance had been entered into between the Company, or any of its subsidiaries and the Controlling Shareholders of the Company or any of its subsidiaries.

### DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year ended 31 December 2021 and up to the date of this report, none of the Directors, the Controlling Shareholders and the substantial shareholders of the Company or their respective close associates (as defined under the GEM Listing Rules and the Listing Rules) had any business or interests in a business that competes or may compete, either directly or indirectly, with the business of the Group and any other conflicts of interest which any such person has or may have with the Group. The INEDs confirmed that the internal control measures in relation to managing actual or potential conflict of interest of the Group have been properly implemented.

### NON-COMPETITION UNDERTAKING BY CONTROLLING SHAREHOLDERS

In order to protect the Group's interest in its business activities, on 25 November 2019, the Controlling Shareholders as covenantors executed the Non-Competition Undertaking in favour of the Company.

Pursuant to the Non-Competition Undertaking, each of the Controlling Shareholders jointly and severally undertakes that he or it shall not, and shall procure that none of their respective close associates (other than members of the Group) shall, during the period which (i) the shares of the Company remain listed on the Stock Exchange; and (ii) the Controlling Shareholders and their respective close associates (other than members of the Group), individually or jointly, are entitled to exercise, or control the exercise of, not less than 30% of the voting power at general meetings of the Company; or (iii) any of the Controlling Shareholders or their respective close associates remains as a director of any member of the Group (the "**Restricted Period**"), directly or indirectly, either on their own account, in conjunction with, on behalf of, or through any person, firm or company, among other things, carry on, participate or be interested, engaged or otherwise involved in or acquire or hold (in each case whether as a shareholder, partner, agent or otherwise and whether for profit, reward or otherwise) any business that is similar to or in competition directly or indirectly with or is likely to be in competition with any business currently and from time to time engaged by the Group in Hong Kong and any other new business which the Group may undertake from time to time after the GEM Listing and after Transfer of Listing ("**Restricted Business**").

Each of the Controlling Shareholders further jointly and severally undertakes to procure that, during the Restricted Period, any business investment or other commercial opportunity relating to the Restricted Business (the **"New Opportunity"**) identified by or offered to the Controlling Shareholders and/or any of their respective close associates (other than members of the Group) (the **"Offeror"**) shall be first referred to the Group in the following manner:

- (a) the Controlling Shareholders are required to, and shall procure their respective close associates (other than members of the Group) to, promptly refer, or procure the referral of, the New Opportunity to the Group, and shall promptly give written notice to the Company of any New Opportunity containing all information reasonably necessary for the Group to consider whether (i) the New Opportunity would constitute competition with the business of the Group and/or any other new business which the Group may undertake at the relevant time; and (ii) it is in the interest of the Group to pursue the New Opportunity, including but not limited to the nature of the New Opportunity and the details of the investment or acquisition costs (the **"Offer Notice"**); and
- (b) the Offeror will be entitled to pursue the New Opportunity only if (i) the Offeror has received a written notice from the Company declining the New Opportunity and confirming that the New Opportunity would not constitute competition with the business of the Group; or (ii) the Offeror has not received the notice from the Company within 10 business days from the Company's receipt of the Offer Notice. If there is a material change in the terms and conditions of the New Opportunity pursued by the Offeror, the Offeror shall refer the New Opportunity as so revised to the Group in the manner as set out above.

The Company confirms that the Non-Competition Undertaking of each of Mr. Sieh, Mr. Ho and Good Hill (collectively constituting the Controlling Shareholders), details of which were set out in the Prospectus, has been fully complied and enforced since the GEM Listing and up to the date of this report. The Company has obtained an annual written confirmation from each of the Controlling Shareholders in relation to their compliance with the terms of the Deed. The INEDs confirmed that they have reviewed the compliance with the terms of the Non-Competition Undertaking by the Controlling Shareholders and the enforcement of the Non-Competition Undertaking given by the Controlling Shareholders and are satisfied that the Controlling Shareholders have complied with the terms of the Non-Competition Undertaking. The Board also confirms that there are no other matters in relation to the aforesaid undertaking which should be brought to the attention of the shareholders and the potential investors of the Group.

# DIRECTORS' REPORT (continued)

## COMPETING INTERESTS

The Directors confirm that none of the Controlling Shareholders or the Directors and their respective close associates (as defined in the GEM Listing Rules and the Listing Rules) is interested in any business apart from the business operated by the Group which competes or is likely to compete, directly or indirectly, with the Group's business during the year ended 31 December 2021 and up to the date of this annual report.

## PERMITTED INDEMNITY PROVISION

Upon the Listing, the Company has in force indemnity provisions as permitted under the relevant statutes for the benefits of the Directors. The permitted indemnity provisions are provided for in the Company's Articles in respect of potential losses and liability associated with legal proceedings that may be brought against such Directors and the payment of any sum primarily due from the Company that may be liable by the Directors.

The Company has maintained appropriate directors and officers liability insurance and such permitted indemnity provision for the benefit of the Directors is currently in force.

## MANAGEMENT CONTRACTS

There was no contracts concerning the management or administration of the whole or any substantial part of the business of the Company which was entered into or existed during the year ended 31 December 2021.

## RELATED PARTY TRANSACTIONS

To the best knowledge of the Directors, save as disclosed under note 24 to the consolidated financial statements of this annual report, the Group did not incur any related party transactions during the year ended 31 December 2021.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as otherwise disclosed in this Report, at no time during the year ended 31 December 2021 and up to the date of this report, have the Directors and the chief executive of the Company and their respective close associates (as defined in the GEM Listing Rules and the Listing Rules) had any interests in, or had been granted, or exercised any rights to acquire benefits by means of the acquisition of shares in, or debentures of, the Company and/or its associated corporations (within the meaning of SFO).

## INTERESTS AND SHORT POSITIONS OF DIRECTORS AND CHIEF EXECUTIVE IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATION

As at 31 December 2021, the interests or short positions of each of the Directors and the chief executive of the Company in the shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which (a) would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which such Directors and chief executives of the Company were taken or deemed to have under such provisions of the SFO); or (b) would be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) would be required, pursuant to the Code and the Model Code relating to securities transactions by directors to be notified to the Company and the Stock Exchange, were as follows:

### Long positions in shares and underlying shares of the Company and its associated corporation

Name of Director	Company concerned	Nature of interest/ holding capacity	Number of ordinary shares held	Percentage of interests in the issued share capital of the Company/ associated corporation
Mr. Sieh	Company	Interest in a controlled corporation/Interests held jointly with another person	300,000,000 (L) <small>(Notes 2 and 3)</small>	75% <small>(Note 1)</small>
	Good Hill	Beneficial owner	2 (L) <small>(Note 3)</small>	50%
Mr. Ho	Company	Interest in a controlled corporation/Interests held jointly with another person	300,000,000 (L) <small>(Notes 2 and 3)</small>	75% <small>(Note 1)</small>
	Good Hill	Beneficial owner	2 (L) <small>(Note 3)</small>	50%

#### Notes:

- As at 31 December 2021, the Company's issued ordinary share capital was HK\$4.0 million divided into 400,000,000 shares of HK\$0.01 each.
- These 300,000,000 Shares are held by Good Hill, which in turn is directly owned in equal share by each of Mr. Sieh and Mr. Ho. As such, Mr. Sieh and Mr. Ho are deemed under the SFO to be interested in the 300,000,000 Shares collectively held through Good Hill.
- The letter "L" denotes the person's long position in the shares.

## DIRECTORS' REPORT (continued)

Save as disclosed above, as at the date of this report, none of the Directors or the chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered into the register required to be kept therein; or (iii) pursuant to the Code and the Model Code relating to securities transactions by directors to be notified to the Company and the Stock Exchange.

### INTERESTS AND SHORT POSITIONS OF THE SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 December 2021, so far as it is known to the Directors, the following persons (not being a Director or chief executive of the Company) had or were deemed to have interests in shares or underlying shares of the Company which (i) were recorded in the register required to be kept by the Company under Section 336 of the SFO, or (ii) which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO and the Listing Rules; or (iii) who will be, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

Name of shareholders	Nature of Interest/ holding capacity	Number of ordinary shares held	Percentage of Interests in the issued share capital of the Company <sup>(Note 1)</sup>
Good Hill	Beneficial owner	300,000,000 (L) <sup>(Notes 2 and 5)</sup>	75%
Ms. Cao Hongmei	Interest of spouse	300,000,000 (L) <sup>(Notes 3 and 5)</sup>	75%
Ms. Lee Kim Kum	Interest of spouse	300,000,000 (L) <sup>(Notes 4 and 5)</sup>	75%

#### Notes:

- As at 31 December 2021, the Company's issued ordinary share capital was HK\$4.0 million divided into 400,000,000 shares of HK\$0.01 each.
- These 300,000,000 Shares are held by Good Hill, which in turn is directly owned in equal share by each of Mr. Sieh and Mr. Ho. As such, Mr. Sieh and Mr. Ho are deemed under the SFO to be interested in the 300,000,000 Shares collectively held through Good Hill.
- Ms. Cao Hongmei is the spouse of Mr. Sieh. As such, she is deemed to be interested in the shares of the Company in which Mr. Sieh Shing Kee is interested under Part XV of the SFO.
- Ms. Lee Kim Kum is the spouse of Mr. Ho. As such, she is deemed to be interested in the shares of the Company in which Mr. Ho Ka Ki is interested under Part XV of the SFO.
- The letter "L" denotes the person's long position in the shares of the Company.

Save as disclosed above, as at the 31 December 2021, the Directors have not been notified by any person who had interests or short positions in the Shares or underlying Shares or debentures of the Company as recorded in the register required to be kept pursuant to Section 336 of the SFO, or which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO.

### **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's shares during the year ended 31 December 2021.

### **CORPORATE GOVERNANCE**

The Company has applied the principles of the CG Code and has complied with the applicable code provisions during the financial year ended 31 December 2021. Details of the principal corporate governance practices as adopted by the Company and the Company's compliance with the applicable code provisions are set out in the section headed "Corporate Governance Report" on pages 25 to 44 of this report.

### **SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Code and the Model Code as its own code of conduct regarding securities transactions by Directors. Having made specific enquiry of all Directors, all Directors confirmed that they had complied with the required standard of dealings and the Code and the Model Code regarding securities transactions during the year ended 31 December 2021.

The Board has also adopted the Code and the Model Code to regulate all dealings by relevant employees who are likely to be in possession of unpublished inside information of the Company in respect of securities in the Company as referred to in code provision C.1.3 of the CG Code. No incident of non-compliance with the Code and the Model Code by the Company's relevant employees was identified during the year ended 31 December 2021 after making reasonable enquiry.

### **COMPLIANCE WITH LAWS AND REGULATIONS**

The Group has adopted risk management and internal control policies to monitor the on-going compliance with the relevant laws and regulations. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group during the year ended 31 December 2021.

### **SUFFICIENCY OF PUBLIC FLOAT**

Based on information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this report, there is sufficient public float of not less than 25% of the Company's issued share as required under the Listing Rules.

# DIRECTORS' REPORT (continued)

## ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to enhancing environmental protection to minimise the impact of its activities on the environment. It is the policy of the Group to promote clean operation and strives to making the most efficient use of resources in its operations and minimizing wastes and emission. Details are set out in Environmental, Social and Governance Report on pages 45 to 64 of this annual report.

## INTERESTS OF THE COMPLIANCE ADVISER

Pursuant to Rule 6A.19 of the GEM Listing Rule, the Company has appointed Grande Capital Limited as the independent compliance adviser (the “**Compliance Adviser**”) on an on-going basis for consultation on compliance with the GEM Listing Rules. As at 31 December 2021, as informed by the Compliance Adviser, save for the compliance adviser’s agreement entered into between the Company and the Compliance Adviser dated 25 March 2019 and the financial adviser agreement in respect of proposed transfer of listing dated 8 December 2020, neither the Compliance Adviser nor any of its directors, employees or close associates (as defined under the GEM Listing Rules) had any interests in the Group which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules and Rule 3A.19 of the Listing Rules.

## SIGNIFICANT INVESTMENTS AND FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

During the year ended 31 December 2021, the Group did not have any significant investment and any other plan for material investments and capital assets.

## MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

During the year ended 31 December 2021 and up to the date of this report, the Group did not have any material acquisitions nor disposals of subsidiaries, associates and joint ventures.

## SIGNIFICANT EVENT AFTER THE REPORTING PERIOD

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

Save as disclosed above, there were no significant event affecting the Group have occurred after the reporting period.

## ANNUAL GENERAL MEETING

The AGM of the Company will be held on 20 May 2022, the notice of which shall be sent to the shareholders of the Company in accordance with the Articles, the Listing Rules and other applicable laws and regulations.

## CLOSURE OF THE REGISTER OF MEMBERS OF SHARES

To be eligible to attend and vote in the forthcoming annual general meeting, the register of members of the Company will be closed from Tuesday, 17 May 2022 to Friday, 20 May 2022 (both dates inclusive) during which period no transfer of Shares will be registered. To be qualified for attending and voting at the forthcoming annual general meeting, all Share transfer documents must be lodged with Boardroom Share Registrars (HK) Limited, the Company's share registrar in Hong Kong, at Room 2103B, 21/F, 148 Electric Road, North Point, Hong Kong, for registration no later than 4:30 p.m. on Monday, 16 May 2022.

## AUDITOR

The consolidated financial statements for the year ended 31 December 2021 have been audited by Grant Thornton, who will retire at the forthcoming the AGM and offer themselves for re-appointment. A resolution will be proposed at the forthcoming AGM of the Company to re-appoint Grant Thornton as the auditor of the Company.

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

Hong Kong, 23 March 2022



# INDEPENDENT AUDITOR'S REPORT



To the members of Maxicity Holdings Limited  
(incorporated in the Cayman Islands with limited liability)

## OPINION

We have audited the consolidated financial statements of Maxicity Holdings Limited (the “**Company**”) and its subsidiaries (together, the “**Group**”) set out on pages 86 to 133, which comprise the consolidated statement of financial position as at 31 December 2021, and 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 year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

## BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing (“**HKSAs**”) issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA’s Code of Ethics for Professional Accountants (the “**Code**”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## KEY AUDIT MATTERS

Key audit matters are those matter that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

# INDEPENDENT AUDITOR'S REPORT (continued)

## KEY AUDIT MATTERS (Continued)

### Accounting for construction contracts

Refer to the summary of significant accounting policies in note 2.13, note 4 and note 5 to the consolidated financial statements.

#### Key Audit Matter

#### How the matter was addressed in our audit

The Group recognised revenue and costs from construction contracts amounted to approximately HK\$293,907,000 and HK\$240,162,000, respectively for the year ended 31 December 2021.

The Group's revenue and costs of construction contracts are recognised by reference to the direct measurements of the value of the services transferred to the customer to date relative to the remaining services promised under the contract. The value of the services transferred to customer to date is measured according to the progress certificates (by reference to the construction works certified by the customers or their appointed architects, surveyors or other representatives). When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable.

These transactions requires the management's estimation and judgement of the contract revenue and direct costs which may have an impact on the accounting for construction contracts and corresponding profit margin incurred, we therefore identified such as a key audit matter.

Our audit procedures in relation to the construction contracts included the following:

- Understood the basis of estimation of the budgets through discussion with the management who is responsible for the budgeting of the construction contracts, and evaluated the reasonableness of the estimated profit margins by taking into account of the profit margins of historical similar projects;
- Inspected the key terms and conditions of construction contracts and verify the total contract revenue;
- Assessed and checked, on a sample basis, the accuracy of the budgeted construction revenue by agreeing to contract sum as set out in the construction contracts or the agreements entered with customers;
- Selected, on a sample basis, the construction contracts to examine project manager's budget of the cost components to actual cost incurred, such as direct materials, subcontracting charges and direct labour, etc. We compared the budgeted construction costs to supporting documents including but not limited to invoices, quotations and rate of direct labour, etc.; and
- Evaluated the management's assessment on the revenue recognised of the construction contracts, on a sample basis, based on the latest progress certificates issued by the customers or their agents, including the certified contract works, if any, and discussed with management and the respective project managers about the progress of the projects and cost incurred for works performed but not certified.

# INDEPENDENT AUDITOR'S REPORT (continued)

## OTHER INFORMATION

The directors are responsible for the other information. The other information comprises all the information included in the 2021 annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors assisted by the Audit Committee are responsible for overseeing the Group's financial reporting process.

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

## INDEPENDENT AUDITOR'S REPORT (continued)

### AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

As part of an audit in accordance with HKSAAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguard applied.

# INDEPENDENT AUDITOR'S REPORT (continued)

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters.

We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### **Grant Thornton Hong Kong Limited**

*Certified Public Accountants*

11th Floor

Lee Garden Two

28 Yun Ping Road

Causeway Bay

Hong Kong

23 March 2022

**Chan Tze Kit**

Practising Certificate No.: P05707

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2021

	Notes	2021 HK\$'000	2020 HK\$'000
<b>Revenue</b>	5	293,907	276,006
Cost of services		(240,162)	(224,410)
<b>Gross profit</b>		53,745	51,596
Other income, gains and losses, net	6	2,186	4,784
Administrative expenses		(8,852)	(8,672)
Transfer of Listing and related expenses		(11,807)	(1,449)
Finance costs	7	(16)	(15)
<b>Profit before income tax</b>	8	35,256	46,244
Income tax expense	9	(7,455)	(6,894)
<b>Profit and total comprehensive income for the year</b>		27,801	39,350
<b>Earnings per share attributable to equity holders of the Company</b>			
Basic and diluted	11	HK6.95 cents	HK9.84 cents

The notes on pages 90 to 133 are an integral part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2021

	Notes	2021 HK\$'000	2020 HK\$'000
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current asset</b>			
Property, plant and equipment	13	3,863	4,948
<b>Current assets</b>			
Contract assets	16	50,679	50,494
Trade and other receivables	15	13,122	22,311
Cash and bank balances	17	119,417	83,531
		183,218	156,336
<b>Current liabilities</b>			
Trade and other payables	18	30,698	31,362
Lease liabilities	19	181	260
Current tax liabilities		1,040	2,160
		31,919	33,782
<b>Net current assets</b>		151,299	122,554
<b>Total assets less current liabilities</b>		155,162	127,502
<b>Non-current liabilities</b>			
Lease liabilities	19	–	181
Deferred tax liabilities	20	499	459
		499	640
<b>Net assets</b>		154,663	126,862
<b>EQUITY</b>			
Share capital	21	4,000	4,000
Reserves	22	150,663	122,862
<b>Equity attributable to equity holders of the Company</b>		154,663	126,862

**Mr. Sieh Shing Kee**  
Director

**Mr. Ho Ka Ki**  
Director

The notes on pages 90 to 133 are an integral part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2021

	Share capital HK\$'000 (note 21)	Share premium* HK\$'000 (note 22)	Capital reserve* HK\$'000 (note 22)	Retained earnings* HK\$'000 (note 22)	Total HK\$'000
Balance at 1 January 2020	4,000	50,084	1	33,427	87,512
Profit and total comprehensive income for the year	–	–	–	39,350	39,350
<b>Balance at 31 December 2020 and 1 January 2021</b>	<b>4,000</b>	<b>50,084</b>	<b>1</b>	<b>72,777</b>	<b>126,862</b>
Profit and total comprehensive income for the year	–	–	–	27,801	27,801
<b>Balance at 31 December 2021</b>	<b>4,000</b>	<b>50,084</b>	<b>1</b>	<b>100,578</b>	<b>154,663</b>

\* These reserve accounts comprise the consolidated reserves of approximately HK\$150,663,000 (2020: approximately HK\$122,862,000) in the consolidated statement of financial position

The notes on pages 90 to 133 are an integral part of these consolidated financial statements.



# CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2021

	Notes	2021 HK\$'000	2020 HK\$'000
<b>Cash flows from operating activities</b>			
Profit before income tax		35,256	46,244
Adjustments for:			
Depreciation		1,848	1,658
(Gain)/Loss on disposal of property, plant and equipment		(116)	5
Written-off of property, plant and equipment		–	57
Finance charges on lease liabilities		16	15
Interest income		(92)	(450)
Operating profit before working capital changes		36,912	47,529
Increase in contract assets		(185)	(29,576)
Decrease/(Increase) in trade and other receivables		9,189	(5,534)
(Decrease)/Increase in trade and other payables		(664)	16,886
Cash generated from operations		45,252	29,305
Income taxes paid		(8,535)	(9,956)
<i>Net cash generated from operating activities</i>		36,717	19,349
<b>Cash flows from investing activities</b>			
Interest received	6	92	450
Purchase of property, plant and equipment		(860)	(2,570)
Proceeds from disposal of property, plant and equipment		213	5
<i>Net cash used in investing activities</i>		(555)	(2,115)
<b>Cash flows from financing activities</b>			
Payment of lease liabilities	25	(260)	(389)
Interest paid		(16)	(15)
<i>Net cash used in financing activities</i>		(276)	(404)
<b>Net increase in cash and cash equivalents</b>		35,886	16,830
Cash and cash equivalents at the beginning of year		83,531	66,701
<b>Cash and cash equivalents at the end of year</b>	17	119,417	83,531

The notes on pages 90 to 133 are an integral part of these consolidated financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2021

## 1. GENERAL INFORMATION AND BASIS OF PRESENTATION

### 1.1 General information

Maxicity Holdings Limited (the “**Company**”) was incorporated as an exempted company with limited liability in the Cayman Islands under the Companies Act of the Cayman Islands on 30 January 2019. The addresses of the Company’s registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and the principal place of business of the Company is Unit 1A, 6/F, Harbour Crystal Centre, 100 Granville Road, Tsim Sha Tsui, Hong Kong.

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

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

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

The consolidated financial statements were approved for issue by the board of directors on 23 March 2022.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 2.1 Basis of preparation

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) and the accounting principles generally accepted in Hong Kong.

The consolidated financial statements also comply with the applicable requirements of the Hong Kong Companies Ordinance and include the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange (“**Listing Rules**”).

The significant accounting policies that have been used in the preparation of this consolidated financial statements are summarised below. These policies have been consistently applied to all the years presented unless otherwise stated. The adoption of new or amended HKFRSs and the impacts on the Group’s financial statements, if any, are disclosed in note 3.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2021

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.1 Basis of preparation (Continued)

The consolidated financial statements have been prepared under the historical cost basis. The consolidated financial statements are presented in Hong Kong dollars (“HK\$”), which is also the functional currency of the Company and its subsidiaries, and all values are rounded to the nearest thousand (HK\$’000), except where otherwise indicated.

The preparation of the consolidated financial statements 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 consolidated financial statements are disclosed in note 4.

### 2.2 Basis of consolidation

The consolidated financial statements incorporate the financial information of the Company and all its subsidiaries made up to 31 December each year.

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 consolidated financial statements 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 consolidated financial statements. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

In the Company’s statement of financial position, subsidiaries are carried at cost less any impairment loss unless the subsidiary is held for sale or included in a disposal group.

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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2021

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.3 Foreign currency translation

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

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

### 2.4 Property, plant and equipment

Property, plant and equipment (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 2.10). 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%

Accounting policy for depreciation of right-of-use assets is set out in note 2.10.

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. All other costs, such as repairs and maintenance, are charged to profit or loss during the financial period in which they are incurred.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2021

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.5 Financial instruments

#### *Recognition and derecognition*

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

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all of its risks and rewards are transferred. 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2021

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.5 Financial instruments (Continued)

#### *Financial assets (Continued)*

##### *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 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.

Accounting policies of lease liabilities are set out in note 2.10.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2021

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.6 Impairment of financial assets and contract assets

HKFRS 9 “Financial Instruments” (“HKFRS 9”)’s impairment requirements use more forward-looking information to recognise ECL – the “ECL model”. Instruments within the scope included loans and other debt-type financial assets measured at amortised cost, 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.

To measure the ECL, trade receivables and contract assets have 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2021

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.6 Impairment of financial assets and contract assets (Continued)

#### *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; and
- 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.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2021

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.6 Impairment of financial assets and contract assets (Continued)

#### *Other financial assets measured at amortised cost (Continued)*

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 27.3.

### 2.7 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2021

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.7 Impairment of non-financial assets (Continued)

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.

### 2.8 Cash and cash equivalents

Cash and cash equivalents include cash at bank 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.

### 2.9 Contract assets

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

### 2.10 Leases

#### *Definition of a lease and the Group as a lessee*

At inception of a contract, the Group considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an identified asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition, the Group assesses whether the contract meets three key evaluations which are whether:

- the contracts contain an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group;
- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and
- the Group has the right to direct the use of the identified asset throughout the period of use. The Group assesses whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2021

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.10 Leases (Continued)

#### *Definition of a lease and the Group as a lessee (Continued)*

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

The Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term unless the Group is reasonably certain to obtain ownership at the end of the lease term. The Group also assesses the right-of-use asset 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2021

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.10 Leases (Continued)

#### *Definition of a lease and the Group as a lessee (Continued)*

#### *Measurement and recognition of leases as a lessee (Continued)*

On the consolidated statement 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.

### 2.11 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.

### 2.12 Share capital

Ordinary shares are classified as equity. Share capital is recognised at the amount of consideration of shares issued, after deducting 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2021

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.13 Revenue recognition

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

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

1. Identifying the contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognising revenue when/as performance obligation(s) are satisfied

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

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2021

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.13 Revenue recognition (Continued)

#### *Revenue from undertaking slope works contracts*

The Group undertakes slope works 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's 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 warranties for repairs to any construction defects and does not provide any 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.

### 2.14 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 statement 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 statement of profit or loss and other comprehensive income.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2021

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.15 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 (the “MPF Scheme”), for all of its employees who are eligible to participate in the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of independent trustees. The minimum monthly contribution is made at the lower of (i) HK\$1,500; or (ii) 5% of the relevant monthly payroll costs to the MPF Scheme, which contribution is matched by employees.

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

There were no contributions forfeited by the Group on behalf of its employees who left the plan prior to vesting fully in such contribution, nor had there been any utilisation of such forfeited contributions to reduce future contributions. As at 31 December 2021 and 2020, no forfeited contributions were available for utilisation by the Group to reduce the existing level of contributions.

#### *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.

### 2.16 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2021

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.16 Accounting for income taxes (Continued)

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 consolidated financial statements 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.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2021

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.16 Accounting for income taxes (Continued)

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.

### 2.17 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2021

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.18 Related parties

For the purposes of the consolidated financial statements, 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2021

## 3. ADOPTION OF AMENDED HKFRSs

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

In the current year, the Group has applied for the first time the following amended HKFRSs issued by the HKICPA, which are relevant to the Group's operations and effective for the Group's consolidated financial statements for the annual period beginning on 1 January 2021:

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

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

### Issued but not yet effective HKFRSs

At the date of authorisation of these consolidated financial statements, certain new and amended HKFRSs have been published but are not yet effective, and have not been adopted early by the Group. These developments include the following which may be relevant to the Group.

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

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

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2023

<sup>3</sup> Effective date not yet determined

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

<sup>5</sup> Effective for annual periods beginning on or after 1 April 2021

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2021

## 3. ADOPTION OF AMENDED HKFRSs (Continued)

### Issued but not yet effective HKFRSs (Continued)

The directors anticipate that all of the new and amended HKFRSs will be adopted in the Group's accounting policy for the first period beginning on or after the effective date of the new and amended HKFRSs. These new and amended HKFRSs are not expected to have a material impact on the Group's consolidated financial statements.

## 4. 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 2.13, 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 may be 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 5 and 16, respectively.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2021

## 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

### Estimation of impairment of trade and other receivables (excluding prepayments) and contract assets

The Group makes allowances on items subjects to ECL (including trade and other receivables (excluding prepayments) 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 each reporting period as set out in note 2.6. 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 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 contract assets was recognised during the years. Carrying amounts of trade and other receivables and contract assets are set out in notes 15 and 16, respectively.

## 5. REVENUE AND SEGMENT INFORMATION

### 5.1 Revenue

The Group's principal activities are disclosed in note 1.1 of the consolidated financial statements. Revenue represents income arising on the provision of slope works to external customers. The Group's revenue is recognised over time.

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2021

## 5. REVENUE AND SEGMENT INFORMATION (Continued)

### 5.1 Revenue (Continued)

#### *Remaining performance obligations*

The following table includes revenue expected to be recognised in the future related to performance obligations that are unsatisfied (or partially unsatisfied) at the end of the reporting period.

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

### 5.2 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2021

## 5. REVENUE AND SEGMENT INFORMATION (Continued)

### 5.2 Segment information (Continued)

#### *Information about major customers*

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

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

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

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

Note:

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

During the year ended 31 December 2021, the Group recognised the subsidies from the Employment Support Scheme for Regular Employees and Construction Sector (Casual Employees) under Anti-epidemic Fund provided by the Government of Hong Kong Special Administrative Region as part of the relief measures on COVID-19 pandemic and the Construction Innovation and Technology Fund of approximately HK\$1,276,000 and HK\$297,000 respectively.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2021

## 7. FINANCE COSTS

	2021 HK\$'000	2020 HK\$'000
Finance charges on lease liabilities	16	15

## 8. PROFIT BEFORE INCOME TAX

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



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2021

## 9. INCOME TAX EXPENSE

	2021 HK\$'000	2020 HK\$'000
Provision for Hong Kong Profits Tax		
– Current tax	7,559	6,710
– Over provision in respect of prior years	(144)	(18)
	7,415	6,692
Deferred tax (note 20)	40	202
	7,455	6,894

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

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

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

For the years ended 31 December 2021 and 2020, Hong Kong Profits Tax of A-City Workshop Limited (“A-City”), 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:

	2021 HK\$'000	2020 HK\$'000
Profit before income tax	35,256	46,244
Tax at Hong Kong Profits Tax rate of 16.5%	5,817	7,630
Tax effect of non-taxable revenue	(274)	(789)
Tax effect of non-deductible expenses	2,228	236
Effect of two-tiered profits tax rates regime	(165)	(165)
Over provision in respect of prior years	(144)	(18)
Utilisation of tax losses previously not recognised	(7)	–
Income tax expense	7,455	6,894

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2021

## 9. INCOME TAX EXPENSE (Continued)

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 31 December 2021, the Group had unused tax losses of approximately HK\$150,000 (2020: nil), 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.

## 10. DIVIDENDS

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

## 11. EARNINGS PER SHARE

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

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

Diluted earnings per share is the same as basic earnings per share as there were no dilutive potential ordinary shares during the years ended 31 December 2021 and 2020.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2021

## 12. DIRECTORS' AND CHIEF EXECUTIVES' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS

### (a) Directors' and chief executives' emoluments

Directors' and chief executive's emoluments, disclosed pursuant to the Listing Rules, section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	Fees HK\$'000	Salaries and allowances HK\$'000	Retirement scheme contributions HK\$'000	Total HK\$'000
<b>Year ended 31 December 2021</b>				
<i>Executive directors:</i>				
Mr. Sieh (Chairman) (note (i))	–	1,200	18	1,218
Mr. Ho (Chief executive officer) (note (ii))	–	1,200	18	1,218
<i>Independent non-executive directors:</i>				
Mr. Kwong Che Sing	150	–	–	150
Mr. Ling Siu Tsang	150	–	–	150
Mr. Tso Ping Cheong Brian	150	–	–	150
Ms. Chiao Siu Ling (note (iii))	75	–	–	75
	525	2,400	36	2,961
<b>Year ended 31 December 2020</b>				
<i>Executive directors:</i>				
Mr. Sieh (Chairman) (note (i))	–	1,200	18	1,218
Mr. Ho (Chief executive officer) note (ii))	–	1,200	18	1,218
<i>Independent non-executive directors:</i>				
Mr. Kwong Che Sing	150	–	–	150
Mr. Ling Siu Tsang	150	–	–	150
Mr. Tso Ping Cheong Brian	150	–	–	150
	450	2,400	36	2,886

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2021

## 12. DIRECTORS' AND CHIEF EXECUTIVES' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS (Continued)

### (a) Directors' and chief executives' emoluments (Continued)

Notes:

- (i) Mr. Sieh was a director of the Company's subsidiary during the years ended 31 December 2021 and 2020.
- (ii) Mr. Ho was a director of the Company's subsidiary during the years ended 31 December 2021 and 2020.
- (iii) Ms. Chiao Siu Ling was appointed as independent non-executive directors of the Company on 1 July 2021.
- (iv) The emoluments shown above were for the services in connection with the management of the affairs of the Group during the years ended 31 December 2021 and 2020.
- (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 years ended 31 December 2021 and 2020.
- (vi) There was no arrangement under which a director has waived or agreed to waive any emolument during the years ended 31 December 2021 and 2020.

### (b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year ended 31 December 2021 included two (2020: two) directors whose emoluments are disclosed in note 12(a). The aggregate of the emoluments in respect of the remaining three (2020: three) individuals are as follows:

	2021 HK\$'000	2020 HK\$'000
Salaries, fee and allowances	2,003	2,479
Retirement scheme contributions	60	58
	<b>2,063</b>	<b>2,537</b>

The emoluments fell within the following bands:

	2021	2020
Emolument bands:		
Nil – HK\$1,000,000	3	2
HK\$1,000,001 – HK\$1,500,000	–	1

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2021

## 13. PROPERTY, PLANT AND EQUIPMENT

	Building HK\$'000 (note)	Leasehold improvements HK\$'000	Furniture and fixtures HK\$'000	Plant and machinery HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
<b>At 1 January 2020</b>						
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
<b>Year ended 31 December 2020</b>						
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
<b>At 31 December 2020 and 1 January 2021</b>						
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
<b>Year ended 31 December 2021</b>						
Opening net book amount	417	62	375	2,683	1,411	4,948
Additions	-	-	666	162	32	860
Disposals	-	-	(94)	-	(3)	(97)
Depreciation	(251)	(13)	(187)	(814)	(583)	(1,848)
Closing net book amount	166	49	760	2,031	857	3,863
<b>At 31 December 2021</b>						
Cost	501	66	2,005	3,936	1,911	8,419
Accumulated depreciation	(335)	(17)	(1,245)	(1,905)	(1,054)	(4,556)
Net book amount	166	49	760	2,031	857	3,863

Note:

The Group has obtained the right to use a premise 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 2021, the carrying amounts of the Group's right-of-use assets in relation to the building are HK\$166,000 (2020: HK\$417,000).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2021

## 14. PARTICULARS OF SUBSIDIARIES

Particulars of the subsidiaries at 31 December 2021 and 2020 are as follows:

Name of company	Place of incorporation and operation	Issued and paid up capital	Equity interest attributable to the Group		Principal activities
			2021	2020	
<b>Directly held by the Company</b>					
Kanic International Limited ("Kanic International")	BVI	US\$11 (2020: US\$11)	100%	100%	Investment holding
<b>Indirectly held by the Company</b>					
A-City	Hong Kong	HK\$8,600,000 (2020: HK\$8,600,000)	100%	100%	Undertaking slope works in Hong Kong

## 15. TRADE AND OTHER RECEIVABLES

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

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 TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2021

## 15. TRADE AND OTHER RECEIVABLES (Continued)

Notes:

### (i) Trade receivables

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

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

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

The Group applies the simplified approach to provide for ECLs prescribed by HKFRS 9 which permits the use of lifetime ECL provision for all trade receivables. As at 31 December 2021 and 2020, the ECL rates are close to be zero and therefore no provision have been made during the years ended 31 December 2021 and 2020.

### (ii) Prepayments

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

## 16. CONTRACT ASSETS

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2021

## 16. CONTRACT ASSETS (Continued)

Contract assets represent the Group's right to considerations from customers for the provision of undertaking slope work, which arise when: (i) the Group completed the relevant services under such contracts but yet certified by the customers or their appointed architects, surveyors or other representatives; and (ii) the customers withhold certain certified amounts payable to the Group as retention money to secure the due performance of the contracts after the expiry of the defect liability period of construction projects. Any amount previously recognised as a contract asset is reclassified to trade receivables at the point at which it becomes unconditional and is invoiced to the customer. As at 31 December 2021 and 2020, the ECL rates are close to be zero and therefore no provision have been made during the years ended 31 December 2021 and 2020.

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

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

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

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

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

## 17. CASH AND BANK BALANCES

	2021 HK\$'000	2020 HK\$'000
Cash at banks and in hand	77,261	51,455
Short-term bank deposits	42,156	32,076
	119,417	83,531



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2021

## 17. CASH AND BANK BALANCES (Continued)

Cash at banks earns interest at floating rates based on daily bank deposit rates. The short-term bank deposits earn at 0.25% to 0.50% (2020: 0.35% to 0.50%) interest per annum with a maturity of three months (2020: three months).

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.

## 18. TRADE AND OTHER PAYABLES

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

Notes:

### (i) Trade payables

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

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

### (ii) Accruals and other payables

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

All amounts are short-term and hence, the carrying values of the Group's trade and other payables are considered to be a reasonable approximation of fair value.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2021

## 19. LEASE LIABILITIES

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

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

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

## 20. DEFERRED TAX LIABILITIES

During the years ended 31 December 2021 and 2020, 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 in which the temporary differences are expected to be utilised.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2021

## 20. DEFERRED TAX LIABILITIES (Continued)

The movement in deferred tax liabilities during the years and recognised in the consolidated statement of the financial position as at each reporting date are as follows:

	<b>Accelerated tax depreciation HK\$'000</b>
As at 1 January 2020	257
Charged to profit or loss (note 9)	202
As at 31 December 2020 and 1 January 2021	459
Charged to profit or loss (note 9)	40
As at 31 December 2021	499

## 21. SHARE CAPITAL

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2021

## 22. RESERVES

The amounts of the Group's reserves and the movements therein for the years ended 31 December 2021 and 2020 are presented in the consolidated statement of changes in equity.

### Share premium

The share premium represents the difference between the par value of the shares of the Company and net proceeds 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 2021 and 2020 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2021

## 23. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	2021 HK\$'000	2020 HK\$'000
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current asset</b>			
Investment in a subsidiary		26,780	26,780
<b>Current assets</b>			
Prepayments (note (i))	15	401	1,064
Amounts due from subsidiaries (note (ii))		20,376	32,868
Cash and bank balances		5,405	2,388
		26,182	36,320
<b>Current liabilities</b>			
Accruals (note (iii))	18	3,630	1,164
Current tax liabilities		28	38
		3,658	1,202
<b>Net current assets</b>		22,524	35,118
<b>Net assets/Total asset less current liabilities</b>		49,304	61,898
<b>EQUITY</b>			
Share capital	21	4,000	4,000
Reserves (note (iv))		45,304	57,898
<b>Total equity</b>		49,304	61,898

Approved and authorised for issue by the board of directors on 23 March 2022.

**Mr. Sieh Shing Kee**  
Director

**Mr. Ho Ka Ki**  
Director

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2021

## 23. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Note:

- (i) As at 31 December 2021, prepayments mainly comprised of: (1) prepaid professional fee amounted to HK\$261,000 (2020: HK\$213,000); and (2) prepaid Transfer of Listing expenses amounted to nil (2020: HK\$851,000).
- (ii) The amount due is non-trade nature, unsecured, interest-free and has no fixed repayment term and on repayable demand. The Group considers the ECL rate to be close to zero (2020: 0.01%) based on historical settlement records, forward-looking information and past experience. The Group has assessed that the ECL for these receivables are not material under the 12 months expected losses method.
- (iii) As at 31 December 2021, accruals mainly comprised of: (1) accrued Transfer of Listing expenses amounted to HK\$2,618,000 (2020: HK\$464,000); and (2) accrued professional fee amounted to HK\$866,000 (2020:HK\$700,000).
- (iv) The movements of the Company's reserves are as follows:

	Share premium HK\$'000	Capital reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
Balance as at 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 year	–	–	(12,594)	(12,594)
Balance as at 31 December 2021	50,084	26,780	(31,560)	45,304

## 24. RELATED PARTY TRANSACTIONS

In addition to the transactions detailed elsewhere in the consolidated financial statements, the Group had the following related party transactions during the years:

### Key management personnel remuneration

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

	2021 HK\$'000	2020 HK\$'000
Salaries, fee and allowances	3,900	4,302
Retirement benefit scheme contributions	72	72
	3,972	4,374

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2021

## 25. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	Lease liabilities HK\$'000
At 1 January 2020	329
<b>Change from financing cash flows:</b>	
Payment of lease liabilities	(389)
Interest paid	(15)
<b>Other changes:</b>	
Capital element upon entering of new leases	501
Finance charges on lease liabilities	15
At 31 December 2020	441
At 1 January 2021	441
<b>Change from financing cash flows:</b>	
Payment of lease liabilities	(260)
Interest paid	(16)
<b>Other changes:</b>	
Finance charges on lease liabilities	16
At 31 December 2021	181

## 26. POTENTIAL LITIGATION

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2021

## 27. 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.

### 27.1 Categories of financial assets and liabilities

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

	2021 HK\$'000	2020 HK\$'000
Financial assets		
<i>Financial assets at amortised cost</i>		
– Trade and other receivables	10,014	19,523
– Cash and bank balances	119,417	83,531
	129,431	103,054
Financial liabilities		
<i>Financial liabilities measured at amortised cost</i>		
– Trade and other payables	30,698	30,624
– Lease liabilities	181	441
	30,879	31,065

### 27.2 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.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2021

## 27. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT (Continued)

### 27.3 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 each reporting period.

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

At 31 December 2021, the Group has concentration of credit risk as nil and 100% (2020: 55% and 100%) of the total trade receivables (note 15) were due from the Group's largest customers (2020: HK\$9,339,000) and five largest customers, amounting to approximately HK\$9,154,000 (2020: HK\$18,713,000), 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 each reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2021

## 27. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT (Continued)

### 27.3 Credit risk (Continued)

#### (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.

As at 31 December 2021 and 2020, assessed lifetime ECL rates of contract assets and trade receivables are close to be zero as there are no recent history of default and continuous payment received based on historical credit loss experience and forward-looking elements including the possible impacts associated with the overall changes in the economic environment arising from COVID-19 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 2.6 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.

### 27.4 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 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2021

## 27. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT (Continued)

### 27.4 Liquidity risk (Continued)

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.

	Within 1 year or on demand HK\$'000	Over 1 year but within 2 years HK\$'000	Over 2 years but within 5 years HK\$'000	Total contractual undiscounted cash flows HK\$'000	Carrying amount HK\$'000
<b>At 31 December 2021</b>					
Trade and other payables	30,698	–	–	30,698	30,698
Lease liabilities	184	–	–	184	181
	<b>30,882</b>	<b>–</b>	<b>–</b>	<b>30,882</b>	<b>30,879</b>
<b>At 31 December 2020</b>					
Trade and other payables	30,624	–	–	30,624	30,624
Lease liabilities	276	184	–	460	441
	<b>30,900</b>	<b>184</b>	<b>–</b>	<b>31,084</b>	<b>31,065</b>

### 27.5 Fair value measurement

The carrying amounts of the financial instruments of the Group carried at cost or amortised cost are not materially different from their fair values at the end of the reporting date due to their short-term maturities.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2021

## 28. 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:

	2021 HK\$'000	2020 HK\$'000
Lease liabilities	181	441
Less: cash and bank balances	(119,417)	(83,531)
Net debt	(119,236)	(83,090)
Total equity	154,663	126,862
Net debt to equity ratio	N/A	N/A

## 29. SIGNIFICANT EVENT

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

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

# FINANCIAL SUMMARY

The following table summarises the consolidated results of our Group for the five years ended 31 December:

	For the year ended 31 December				
	2021 HK\$'000	2020 HK\$'000	2019 HK\$'000	2018 HK\$'000	2017 HK\$'000
<b>CONSOLIDATED RESULTS</b>					
Revenue	293,907	276,006	183,903	111,245	94,323
Gross profit	53,745	51,596	33,357	21,585	18,863
Profit before income tax	35,256	46,244	11,476	19,069	16,642
Income tax expense	(7,455)	(6,894)	(4,610)	(2,975)	(2,717)
Profit and total comprehensive income for the year	27,801	39,350	6,866	16,094	13,925

	As at 31 December				
	2021 HK\$'000	2020 HK\$'000	2019 HK\$'000	2018 HK\$'000	2017 HK\$'000
<b>CONSOLIDATED ASSETS AND LIABILITIES</b>					
Total assets	187,081	161,284	108,058	40,140	30,284
Total liabilities	(32,418)	(34,422)	(20,546)	(13,578)	(9,817)
Equity attributable to equity holders of the Company	154,663	126,862	87,512	26,562	20,467

Note:

The consolidated results and summary of assets and liabilities for the year ended 31 December 2017 and 2018 which were extracted from the Prospectus have been prepared on a combined basis to indicate the results of the Group as if the Group structure, at time when the Company's shares were listed on GEM of the Stock Exchange, had been in existence through those years.