

Maxicity Holdings Limited 豐城控股有限公司

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

Stock code: 2295

INTERIM
REPORT
2022

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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
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
Mr. Kwong Che Sing
Mr. Ling Siu Tsang

REMUNERATION COMMITTEE

Mr. Ling Siu Tsang (*Chairman*)
Mr. Sieh Shing Kee
Ms. Chiao Siu Ling
Mr. Kwong Che Sing

NOMINATION COMMITTEE

Mr. Sieh Shing Kee (*Chairman*)
Ms. Chiao Siu Ling
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

CORPORATE INFORMATION

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Boardroom Share Registrars (HK) Limited
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Hong Kong

WEBSITE

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STOCK CODE

02295

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

FINANCIAL HIGHLIGHTS

The revenue of Maxicity Holdings Limited (the **"Company"**) and its subsidiaries (collectively the **"Group"**) decreased significantly from approximately HK\$154.8 million for the six months ended 30 June 2021 to approximately HK\$83.2 million for the six months ended 30 June 2022, representing a decrease of approximately HK\$71.6 million or 46.3%. Such significant decrease in revenue was mainly due to the significant decrease in number of relatively larger scale projects and revenue derived from the relatively larger scale projects during the six months ended 30 June 2022.

Gross profit decreased significantly by approximately HK\$19.6 million, or 68.1%, from approximately HK\$28.8 million for the six months ended 30 June 2021 to approximately HK\$9.2 million for the six months ended 30 June 2022. Gross profit margin decreased significantly from approximately 18.6% for the six months ended 30 June 2021 to approximately 11.0% for the six months ended 30 June 2022. Both the decrease in gross profit and gross profit margin were mainly caused by the decrease in the Group's revenue as mentioned above as well as the less proportionate decrease in staff cost. During the six months ended 30 June 2022, 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. The Group is also required to maintain the workforce during the suspension of work caused by the quarantine in case of immediate resumption of work, putting additional financial burden on the Group. The Group has taken additional measures to combat the labour crunch by hiring an additional number of casual workers in case of workers' absences due to COVID-19.

Profit and total comprehensive income decreased significantly from approximately HK\$15.8 million for the six months ended 30 June 2021 to approximately HK\$6.1 million for the six months ended 30 June 2022, representing a decrease of approximately HK\$9.7 million or 61.5%. Such significant decrease was mainly attributable to the significant decrease of revenue and gross profit for the six months ended 30 June 2022 as mentioned above as compared to the six months ended 30 June 2021. Adjusted profit and total comprehensive income attributable to equity holders of the Company (excluding transfer of listing and related expenses and the government grants received from Employment Support Scheme) for the six months ended 30 June 2022 amounted to approximately HK\$3.9 million, which decreased by approximately HK\$16.2 million or 80.8% as compared with HK\$20.1 million for the six months ended 30 June 2021.

Basic and diluted earnings per share amounted to approximately HK1.52 cents for six months ended 30 June 2022 (six months ended 30 June 2021: HK3.9 cents).

The board (the **"Board"**) of directors (the **"Directors"**) does not recommend the declaration of any interim dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: Nil).

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2022

The Board of the Company hereby announces the unaudited condensed interim consolidated results of the Group for the six months ended 30 June 2022, together with the comparative unaudited figures for the six months ended 30 June 2021 and certain comparative figures as at the end of the last audited financial year 31 December 2021.

		Six months ended 30 June	
		2022	2021
		<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Unaudited)
	<i>Notes</i>		
Revenue	3	83,184	154,791
Cost of services		(74,009)	(125,996)
Gross profit		9,175	28,795
Other income, gains and losses	4	2,261	1,493
Administrative expenses		(4,595)	(4,928)
Transfer of listing and related expenses		–	(5,657)
Finance costs	5	(3)	(10)
Profit before income tax	6	6,838	19,693
Income tax expense	7	(766)	(3,908)
Profit and total comprehensive income for the period attributable to equity holders of the Company		6,072	15,785
Earnings per share attributable to equity holders of the Company			
Basic and diluted	8	HK1.52 cents	HK3.9 cents

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

	Notes	As at 30 June 2022 HK\$'000 (Unaudited)	As at 31 December 2021 HK\$'000 (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	10	5,711	3,863
Current assets			
Contract assets	12	44,984	50,679
Trade and other receivables	11	10,700	13,122
Cash and bank balances		121,116	119,417
		176,800	183,218
Current liabilities			
Trade and other payables	13	19,426	30,698
Lease liabilities		45	181
Current tax liabilities		1,852	1,040
		21,323	31,919
Net current assets		155,477	151,299
Total assets less current liabilities		161,188	155,162
Non-current liabilities			
Deferred tax liabilities		453	499
Net assets		160,735	154,663
EQUITY			
Share capital	14	4,000	4,000
Reserves		156,735	150,663
Equity attributable to equity holders of the Company		160,735	154,663

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Retained earnings <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2021 (Audited)	4,000	50,084	1	72,777	126,862
Profit and total comprehensive income for the period	–	–	–	15,785	15,785
At 30 June 2021 (Unaudited)	4,000	50,084	1	88,562	142,647
At 1 January 2022 (Audited)	4,000	50,084	1	100,578	154,663
Profit and total comprehensive income for the period	–	–	–	6,072	6,072
At 30 June 2022 (Unaudited)	4,000	50,084	1	106,650	160,735

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2022

	Six months ended 30 June	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Cash flows from operating activities		
Profit before income tax	6,838	19,693
Adjustments for:		
Depreciation	993	921
Loss/(gain) on disposal of property, plant and equipment	3	(114)
Interest expense for lease liabilities	3	10
Interest income	(64)	(50)
	7,773	20,460
Operating profit before working capital changes	7,773	20,460
Decrease in contract assets	5,695	4,242
Decrease in trade and other receivables	2,422	5,328
Decrease in trade and other payables	(11,272)	(17,254)
	4,618	12,776
Cash generated from operations	4,618	12,776
Income taxes paid	–	–
	4,618	12,776
<i>Net cash generated from operating activities</i>	4,618	12,776
Cash flows from investing activities		
Purchase of property, plant and equipment	(2,844)	(329)
Proceeds from disposal of property, plant and equipment	–	208
Interest received	64	50
	(2,780)	(71)
<i>Net cash used in investing activities</i>	(2,780)	(71)
Net cash used in financing activities		
Payment of lease liabilities	(139)	(139)
	1,699	12,566
Net increase in cash and cash equivalents	1,699	12,566
Cash and cash equivalents at the beginning of period	119,417	83,531
	121,116	96,097
Cash and cash equivalents at the end of period	121,116	96,097

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

1. GENERAL INFORMATION

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**") (the "**Listing**"). On 31 December 2021, the listing of the shares of the Company has been transferred from the GEM to the Main Board of the Stock Exchange (the "**Main Board**") (the "**Transfer of Listing**"). The Company is an investment holding company.

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

The interim financial report of the Group for the six months ended 30 June 2022 ("**Interim Financial Report**") were approved for issue by the Board of directors (the "**Directors**") on 31 August 2022.

2. BASIS OF PREPARATION

2.1 General

This Interim Financial Report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Main Board (the "**Listing Rules**"), including compliance with Hong Kong Accounting Standard ("**HKAS**") 34, Interim financial reporting, issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

The preparation of an Interim Financial Report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This Interim Financial Report contains the unaudited condensed consolidated interim financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2021 annual financial statements. The unaudited condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with HKFRSs.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

2. BASIS OF PREPARATION (CONTINUED)

2.1 General (Continued)

The financial information relating to the financial year ended 31 December 2021 that is included in the Interim Financial Report as comparative information does not constitute the Company's statutory annual consolidated financial statements for that financial year but is derived from those financial statements.

The Interim Financial Report has been prepared on 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.

2.2 Adoption of New or Amended HKFRSs

New and amended HKFRSs that are effective for annual periods beginning or after 1 January 2022

The Interim Financial Report has been prepared in accordance with the accounting policies adopted in the Group's annual financial statements for the year ended 31 December 2021, except for the adoption of the following new and amended Hong Kong Financial Reporting Standards ("HKFRSs") effective as of 1 January 2022. The Group has not early adopted any other standards, interpretation or amendment that has been issued but is not yet effective.

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

The adoption of these new and amended HKFRSs do not have any material impact on how the results and financial position for the current and prior periods have been prepared and presented.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

2. BASIS OF PREPARATION (CONTINUED)

2.2 Adoption of New or Amended HKFRSs (Continued)

Issued but not yet effective HKFRSs

At the date of authorisation of the Interim Financial Report, certain new and amended HKFRSs have been published but are not yet effective, and have not been adopted early by the Group.

HKFRS 17	Insurance Contracts and related amendments ¹
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ¹
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ¹
Amendments to HKAS 8	Definition of Accounting Estimates ¹
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ¹
Amendments to HKFRS 17	Amendments to HKFRS 17 ¹
Hong Kong interpretations 5	Presentation of financial statements-classification by the borrower of a term loan that contains a repayment on demand clause (2020) ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²

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

² Effective date not yet determined

The directors of the Company anticipate that the above new and amended HKFRSs will be adopted in the Group's accounting policy for the first period beginning on or after the effective date of such standards. The Group is in the process of making an assessment of the impact of these new and amended HKFRSs upon initial application. Currently it has been considered that the adoption of them is unlikely to have a material impact on the Group's results of operations and financial position.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

3. REVENUE

The Group's principal activities are disclosed in note 1 to the Interim Financial Report. Revenue represents income arising on the provision of slope works to external customers. The Group's revenue is recognised over time.

	Six months ended 30 June	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Provision of slope works		
Public sector projects	72,712	139,178
Private sector projects	10,472	15,613
	83,184	154,791

4. OTHER INCOME, GAINS AND LOSSES

	Six months ended 30 June	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Bank interest income	64	50
(Loss)/gain on disposal of property, plant and equipment	(3)	114
Government grant (note)	2,200	1,321
Sundry income	–	8
	2,261	1,493

Note: During the six months ended 30 June 2022, the Group recognised the subsidies from the Employment Support Scheme for Regular Employees and Construction Sector (Casual Employees) under Anti-epidemic Fund of approximately HK\$2.2 million (six months ended 30 June 2020: HK\$1.3 million) provided by the Government of Hong Kong Special Administrative Region as part of the relief measures on COVID-19 pandemic.

5. FINANCE COSTS

	Six months ended 30 June	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Interest on lease liabilities	3	10

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

6. PROFIT BEFORE TAXATION

	Six months ended 30 June	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Profit before income tax is stated after charging:		
(a) Staff costs (including directors' emoluments) (note)		
– Directors' emoluments	1,536	1,443
– Salaries, wages and other benefits	25,364	35,435
– Contributions to defined contribution retirement plans	951	1,484
	27,851	38,362
Note:		
Presenting in consolidated statement of profit or loss and other comprehensive income as:		
– Cost of services	25,492	36,180
– Administrative expenses	2,359	2,182
	27,851	38,362
(b) Other items		
Depreciations, included in Cost of service		
– owned assets	853	780
Administrative expenses		
– owned assets	15	16
– right-of-use assets	125	125
	993	921
Auditor's remuneration	400	375

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Provision for Hong Kong Profits Tax		
Current tax	812	3,975
Deferred tax	(46)	(67)
	766	3,908

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 million of profits of qualifying corporations will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%.

For the six months ended 30 June 2022 and 2021, Hong Kong Profits Tax of A-City Workshop Limited ("**A-City Workshop**"), a subsidiary of the Group, is calculated in accordance with the two-tiered profits tax rates regime. Profit tax of other group entities continue to be taxed at the flat rate of 16.5%.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

8. EARNINGS PER SHARE

	Six months ended 30 June	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Earnings for the purpose of calculating basic earnings per share (profit for the period) (HK\$'000)	6,072	15,785
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share (in thousand)	400,000	400,000

There were no dilutive potential ordinary shares during the six months ended 30 June 2022 and 2021, respectively and therefore, diluted earnings per share equals to basic earnings per share.

9. DIVIDEND

The directors of the Company do not recommend the declaration of any dividend in respect of the period for the six months ended 30 June 2022 (six months ended 30 June 2021: Nil).

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2022, the Group acquired items of property, plant and equipment of approximately HK\$2.8 million (six months ended 30 June 2021: HK\$0.3 million).

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

11. TRADE AND OTHER RECEIVABLES

	At 30 June 2022 HK\$'000 (Unaudited)	At 31 December 2021 HK\$'000 (Audited)
Trade receivables (note (a))	3,936	9,154
Prepayments (note (b))	5,435	3,108
Deposits	1,329	860
	10,700	13,122

Notes:

(a) Trade receivables

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

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

	At 30 June 2022 HK\$'000 (Unaudited)	At 31 December 2021 HK\$'000 (Audited)
0-30 days	3,936	9,154

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

11. TRADE AND OTHER RECEIVABLES (CONTINUED)

Notes: (Continued)

(a) Trade receivables (Continued)

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 30 June 2022 and 31 December 2021, the ECL rates are close to be zero and therefore no provision has been made during the six months ended 30 June 2022 and the year ended 31 December 2021.

(b) Prepayments

As at 30 June 2022, prepayments mainly comprised of prepaid expenses for insurance covered in sites operation amounted to approximately HK\$5.4 million (31 December 2021: approximately HK\$2.7 million).

12. CONTRACT ASSETS

	At 30 June 2022 HK\$'000 (Unaudited)	At 31 December 2021 HK\$'000 (Audited)
Unbilled revenue	32,340	34,311
Retention receivables	12,644	16,368
	44,984	50,679

Contract assets represent the Group's right to considerations from customers for the provision of undertaking slope work, which arise when: (i) the Group completed the relevant services under such contracts but yet certified by architects, surveyors or other representatives; 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 30 June 2022 and 31 December 2021, the ECL rates are close to be zero and therefore no provision has been made during the six months ended 30 June 2022 and the year ended 31 December 2021.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

12. CONTRACT ASSETS (CONTINUED)

Changes of contract assets during the six months ended 30 June 2022 were mainly due to:

- (1) Changes in retention receivables as a result of a decrease of number of ongoing and completed contracts under the defect liability period during the year; and
- (2) Changes in number of contract works that the relevant services were completed but yet been certified at the end of each reporting period.
- (3) Performance bonds amounting to HK\$9.0 million paid to its customer to secure the due performance of construction projects and are recognised as retention receivables.

During the six months ended 30 June 2022 and the year ended 31 December 2021, the Group does not generate any contract liability.

13. TRADE AND OTHER PAYABLES

	At 30 June 2022 HK\$'000 (Unaudited)	At 31 December 2021 HK\$'000 (Audited)
Trade payables (note (a))	18,091	26,475
Accruals and other payables	1,335	4,223
	19,426	30,698

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

13. TRADE AND OTHER PAYABLES (CONTINUED)

Notes:

(a) Trade payables

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

	At 30 June 2022 HK\$'000 (Unaudited)	At 31 December 2021 HK\$'000 (Audited)
0–30 days	18,075	26,403
31–60 days	–	53
91–365 days	–	–
Over 365 days	16	19
	18,091	26,475

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

14. SHARE CAPITAL

	Number of shares	HK\$'000
Authorised:		
As at 31 December 2021 (audited) and 30 June 2022 (unaudited)	<u>1,000,000,000</u>	<u>10,000</u>
Issued and fully paid:		
As at 31 December 2021 (audited) and 30 June 2022 (unaudited)	<u>400,000,000</u>	<u>4,000</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

15. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the Interim Financial Report, the Group had the following related party transaction during the six months ended 30 June 2022 and 2021, respectively.

Key management personnel remuneration

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

	At 30 June 2022 HK\$'000 (Unaudited)	At 30 June 2021 HK\$'000 (Unaudited)
Salaries, fee and allowances	2,083	1,944
Retirement benefit scheme contributions	36	36
	2,119	1,980

16. CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 30 June 2022 and 31 December 2021, respectively.

17. APPROVAL OF INTERIM FINANCIAL STATEMENTS

The Interim Financial Report was both approved and authorised for issue by the Board on 31 August 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

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

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

- (i) an approved specialist contractor on the List of Approved Specialist Contractors for Public Works maintained by the Development Bureau under the category of "Landslip preventive/remedial works to slopes/retaining walls" ("**Approved Specialist Contractor**") since 27 June 2022;
- (ii) a Registered General Building Contractor under section 8A of the Buildings Ordinance;
- (iii) a Registered Specialist Contractor under the sub-register of "site formation works" under section 8A of the Buildings Ordinance;

MANAGEMENT DISCUSSION AND ANALYSIS

- (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 six months ended 30 June 2022, the Group undertook 27 contracts with an aggregate contract sum of approximately HK\$819.5 million in which the Group had completed 6 contracts with an aggregate contract sum of approximately HK\$85.3 million. As at 30 June 2022, the Group had 21 contracts in progress with an aggregate contract sum of approximately HK\$734.2 million.

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**”) has long implemented the Landslip Prevention and Mitigation Programme (“**LPMitP**”) to upgrade government man-made slopes, mitigate landslide hazards and conduct safety screenings. 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 decreased from HK\$444.4 million (actual) in 2021–2022 to HK\$432.5 million in 2022–2023. The Government also estimated that the expenditure for landslip prevention and mitigation will reduce to HK\$1.1 billion in 2022 from HK\$1.2 billion in 2021.

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.

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**”). It was not until late April 2022 that the WFH Policy for government employees was cancelled. The Directors confirm that the WFH Policy has an adverse impact on the public sector of construction industry. According to the press release of the Hong Kong Construction Association dated 6 March 2022, the WFH Policy has caused significantly delays in the certification process by architects, surveyors or other representatives of the Government. The WFH Policy also impeded the approval of billing process by the Government and affect the cash flow of construction contractors.

MANAGEMENT DISCUSSION AND ANALYSIS

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. 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. The Group was also required to maintain the workforce during the suspension of work caused by the quarantine in case of immediate resumption of work, putting additional financial burden on the Group. The Group had taken additional measures to combat the labour crunch by hiring an additional number of casual workers in case of workers' absences due to COVID-19.

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

The Group's business operation has also been impeded by the fifth wave of outbreak of COVID-19. A number of the Group's employees have been tested positive for COVID-19 in the first half of 2022. Moreover, there have been occasions where the operation of the relevant sites had to be suspended temporarily for disinfection, which resulted in certain disruptions to the project schedule. Further, the Group was required to recruit new project management team for a new project which recorded delay in project commencement. It also increased the Group's overhead and financial burden.

PROSPECTS

The Group is prepared for a big challenging times in the second half of 2022. In view of the recent surge in number of confirmed cases, it is generally expected that the fifth wave of outbreak will continue at least until the second half 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 the second half of 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

The Group's revenue decreased significantly from approximately HK\$154.8 million for the six months ended 30 June 2021 to approximately HK\$83.2 million for the six months ended 30 June 2022, representing a decrease of approximately HK\$71.6 million or 46.3%. Such significant decrease was mainly due to the significant decrease in total number of projects derived from the relatively larger scale projects (i.e. projects with revenue recognised HK\$10.0 million or above and HK\$5.0 million to below HK\$10.0 million) during the six months ended 30 June 2022.

Number of projects with revenue contributions:

	Six months ended 30 June	
	2022	2021
Public sector projects	12	17
Private sector projects	15	10
Total	27	27

Revenue recognised:

	Six months ended 30 June	
	2022	2021
HK\$10.0 million or above	3	5
HK\$5.0 million to below HK\$10.0 million	3	4
HK\$1.0 million to below HK\$5.0 million	8	6
Below HK\$1.0 million	13	12
Total	27	27

Cost of Services

Cost of services decreased by approximately HK\$52.0 million, or 41.3%, from approximately HK\$126.0 million for the six months ended 30 June 2021 to approximately HK\$74.0 million for the six months ended 30 June 2022. Such decrease in cost of services was mainly contributed by the decrease in revenue.

MANAGEMENT DISCUSSION AND ANALYSIS

Gross Profit and Gross Profit Margin

Gross profit decreased significantly by approximately HK\$19.6 million, or 68.1%, from approximately HK\$28.8 million for the six months ended 30 June 2021 to approximately HK\$9.2 million for the six months ended 30 June 2022. Gross profit margin decreased significantly from approximately 18.6% for the six months ended 30 June 2021 to approximately 11.0% for the six months ended 30 June 2022. Both the decrease in gross profit and gross profit margin were mainly caused by the decrease in the Group's revenue as mentioned above as well as the less proportionate decrease in staff cost. During the six months ended 30 June 2022, 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. The Group is also required to maintain the workforce during the suspension of work caused by the quarantine in case of immediate resumption of work, putting additional financial burden on the Group. The Group has taken additional measures to combat the labour crunch by hiring an additional number of casual workers in case of workers' absences due to COVID-19.

Other Income, Gains and Losses

Other income, gains and losses increased by approximately HK\$0.8 million from approximately HK\$1.5 million for the six months ended 30 June 2021 to approximately HK\$2.3 million for the six months ended 30 June 2022. Such increase was mainly due to the increase in the government grant received by the Group in relation to the Employment Support Scheme during the six months ended 30 June 2022.

Administrative Expenses

Administrative expenses decreased by approximately HK\$0.3 million or 6.8% from approximately HK\$4.9 million for the six months ended 30 June 2021 to approximately HK\$4.6 million for the six months ended 30 June 2022. The decrease in administrative expense was mainly contributed by the decrease in professional fee.

Finance Costs

The Group's finance costs which was derived from lease liabilities, amounted to approximately HK\$3,000 and HK\$10,000 for the six months ended 30 June 2022 and 2021, respectively.

Income Tax Expenses

As a result of the above, in particular the decrease in the Group's revenue and gross profit, income tax expenses decreased significantly by approximately HK\$3.1 million or 80.4% from approximately HK\$3.9 million for the six months ended 30 June 2021 to approximately HK\$0.8 million for the six months ended 30 June 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

Profit and Total Comprehensive Income for the Period

Profit and total comprehensive income decreased significantly from approximately HK\$15.8 million for the six months ended 30 June 2021 to approximately HK\$6.1 million for the six months ended 30 June 2022, representing a decrease of approximately HK\$9.7 million or 61.5%. Such significant decrease was mainly attributable to the significant decrease of revenue and gross profit for the six months ended 30 June 2022 as mentioned above as compared to the six months ended 30 June 2021. Adjusted profit and total comprehensive income attributable to equity holders of the Company (excluding transfer of listing and related expenses and the government grants received from Employment Support Scheme) for the six months ended 30 June 2022 amounted to approximately HK\$3.9 million, which decreased by approximately HK\$16.2 million or 80.8% as compared with HK\$20.1 million for the six months ended 30 June 2021.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Financial Resources and Liquidity

As at 30 June 2022, the Group recorded net current assets of approximately HK\$155.5 million (31 December 2021: approximately HK\$151.3 million). The Group had cash and bank balances of approximately HK\$121.1 million as at 30 June 2022 (31 December 2021: approximately HK\$119.4 million), which were denominated in Hong Kong dollars. The Group's financial resources were funded mainly by its equity capital, cash generated from its operations and proceeds of the GEM share offer. As at 30 June 2022, the Group's current assets amounted to approximately HK\$176.8 million (31 December 2021: approximately HK\$183.2 million) and the Group's current liabilities amounted to approximately HK\$21.3 million (31 December 2021: approximately HK\$31.9 million).

Current ratio was approximately 8.3 times (31 December 2021: approximately 5.7 times) as at 30 June 2022. Current ratio is calculated based on total current assets at the end of the period divided by total current liabilities at the end of the period.

Gearing ratio was approximately 0.03% as at 30 June 2022 (31 December 2021: approximately 0.1%) which was calculated based on the total interest bearing liability at the end of the period divided by total equity at the end of the period.

Capital Structure

For the six months ended 30 June 2022, the capital structure of the Group consisted of equity attributable to the owners of the Company of approximately HK\$160.7 million. The share capital of the Group only consists of ordinary shares. The Shares were listed on the GEM of the Stock Exchange on the Listing Date, and transferred from the GEM to Main Board of the Stock Exchange on 31 December 2021. There has been no change in the capital structure of the Group since then.

MANAGEMENT DISCUSSION AND ANALYSIS

TREASURY POLICIES

The Group has adopted a prudent financial management approach towards its treasury policies and thus maintained a healthy liquidity position throughout the six months ended 30 June 2022. The Group strives to reduce exposure to credit risk by performing ongoing credit assessments and evaluations of the financial status of its customers. To manage liquidity risk, 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 from time to time.

CAPITAL EXPENDITURE

During the six months ended 30 June 2022, the Group invested approximately HK\$2.8 million on the acquisition of property, plant and equipment. Capital expenditure was principally funded by internal resources.

FOREIGN CURRENCY EXPOSURE RISKS

The Group operates mainly in Hong Kong and is not exposed to any foreign exchange risks throughout the six months ended 30 June 2022. As such, the Directors consider the Group's risk in foreign exchange is insignificant and no foreign exchange hedging was conducted by the Group during the six months ended 30 June 2022.

CONTINGENT LIABILITY

The Group had no contingent liabilities as at both 30 June 2022 and 31 December 2021.

PLEDGE OF ASSETS

As at both 30 June 2022 and 31 December 2021, the Group did not have any pledge of assets.

SIGNIFICANT INVESTMENT, MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

The Group did not have any significant investments held, material acquisitions nor disposals of subsidiaries, associates and joint ventures during the six months ended 30 June 2022.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

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

MANAGEMENT DISCUSSION AND ANALYSIS

ENVIRONMENTAL POLICIES AND PERFORMANCE

The principal activity of the Group is governed by environmental laws and regulations in Hong Kong such as those relation to air pollution control and noise control as set out in the section headed "Regulatory Overview" in the Prospectus.

The Group recognises the importance of environmental protection and has implemented various environmental protection measures, such as reducing air pollutant emissions and noise assessment, in order to minimise the operation impact on the environment and natural resources.

The Group will continue to monitor the business operations in order to ensure that it does not carry any significant adverse effect on the environment and that the Group's environment protection measures are adequate to ensure compliance with all applicable laws or regulations in Hong Kong.

As at the date of this report, no prosecution, penalty or punishment has been imposed upon the Group for the violation of any applicable environmental laws or regulations.

USE OF PROCEEDS

The net proceeds from the Listing (after deducting the underwriting fees and other listing expenses borne by the Company) amounted to approximately HK\$37.1 million. After the Listing, a part of these proceeds have been applied for the purposes as set out in the section headed the "Future Plans And Use of Proceeds" in the prospectus of the Company dated 30 November 2019 (the "**Prospectus**").

MANAGEMENT DISCUSSION AND ANALYSIS

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 intended 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:

	Estimated net proceeds <i>HK\$ million</i>	Adjusted net proceeds <i>HK\$ million</i>	Actual net proceeds <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
Total	40.0	37.1	37.1

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^(Note 1)

Actual activities^(Note 2)

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.

MANAGEMENT DISCUSSION AND ANALYSIS

Business strategies as stated in the Prospectus

Implementation activities^(Note 1)

Actual activities^(Note 2)

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.

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.

CORPORATE GOVERNANCE AND OTHER INFORMATION

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 30 June 2022, 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 Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (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 Model Code for Securities Transactions by Directors of Listed Issuer (the “Model Code”) set out in Appendix 10 to the Listing Rules were as follows:

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

Names of Directors	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) <i>(Notes 2 and 3)</i>	75% <i>(Note 1)</i>
	Good Hill	Beneficial owner	2 (L) <i>(Notes 3)</i>	50%
Mr. Ho	Company	Interest in a controlled corporation/ Interests held jointly with another person	300,000,000 (L) <i>(Notes 2 and 3)</i>	75% <i>(Note 1)</i>
	Good Hill	Beneficial owner	2 (L) <i>(Notes 3)</i>	50%

CORPORATE GOVERNANCE AND OTHER INFORMATION

Notes:

1. As at 30 June 2022, the Company's issued ordinary share capital was HK\$4.0 million divided into 400,000,000 shares of HK\$0.01 each.
2. These 300,000,000 Shares are held by Good Hill, which in turn are 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.
3. The letter "L" denotes the person's long position in the shares.

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 Model Code, 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 30 June 2022, 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.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Long position in shares

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

Notes:

1. As at 30 June 2022, the Company's issued ordinary share capital was HK\$4.0 million divided into 400,000,000 shares of HK\$0.01 each.
2. These 300,000,000 Shares are held by Good Hill, which in turn are 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.
3. 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.
4. 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.
5. The letter "L" denotes the person's long position in the shares of the Company.

Save as disclosed above, as at 30 June 2022, 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 six months ended 30 June 2022.

CORPORATE GOVERNANCE AND OTHER INFORMATION

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.

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;

CORPORATE GOVERNANCE AND OTHER INFORMATION

- (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 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 Listing Rules)) abstaining from voting.

CORPORATE GOVERNANCE AND OTHER INFORMATION

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).

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 report, there was no share option outstanding under the Share Option Scheme.

CORPORATE GOVERNANCE AND OTHER INFORMATION

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted 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 six months ended 30 June 2022.

COMPETING BUSINESS

The Directors confirm that none of the Controlling Shareholders or the Directors and their respective close associates (as defined in 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 from the Listing Date to the date of this report.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2022, the Group had 161 employees (31 December 2021: 212 employees) excluding the Directors.

Total staff costs excluding Directors' remuneration amounted to approximately HK\$26.3 million for the six months ended 30 June 2022 (30 June 2021: HK\$36.9 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.

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 Corporate Governance Code (the "CG Code") as set out in the Appendix 14 of the Listing Rules as the basis of the Company's corporate governance practices. The CG Code has been applicable to the Company with effect from the Listing Date. The Board is of the view that since the Listing Date and up to the date of this report, the Company has complied with all applicable code provisions as set out in the CG Code.

CORPORATE GOVERNANCE AND OTHER INFORMATION

AUDIT COMMITTEE

The Company established an audit committee (the “**Audit Committee**”) in compliance with Rule 3.21 to 3.24 of the Listing Rules. All written terms of reference are complied with paragraph D.3.3 of the principles and code provisions as set out in the corporate governance contained in the CG Code. Audit Committee consists of four members, namely, Mr. Tso Ping Cheong Brian, Ms. Chiao Siu Ling, Mr. Kwong Che Sing and Mr. Ling Siu Tsang. Mr. Tso Ping Cheong Brian is the chairman of Audit Committee and he is a certified public accountant with more than 18 years of experience in professional accounting. Accordingly, the Company has fully complied with Rule 3.10(2) of the Listing Rules.

This report and the unaudited condensed consolidated interim financial statements have not been audited by the Company’s external auditor, but have been reviewed by the Audit Committee of the Company and opined that the applicable accounting standard and requirements have been complied with and adequate disclosures have been made.

INTERIM DIVIDEND

The Board does not recommend the declaration of any interim dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: nil).

EVENTS AFTER THE END OF REPORTING PERIOD

There are no significant events affecting the Group after 30 June 2022 up to the date of this report.

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

Hong Kong, 31 August 2022