

ANNUAL REPORT 2023

Maxicity Holdings Limited 豐城控股有限公司

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

Stock code: 2295

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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
Registered Public Interest Entity Auditor
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 (continued)

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

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Harbour Crystal Centre
100 Granville Road
Tsim Sha Tsui
Hong Kong

WEBSITE

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 2023 (the "**Year**").

FINANCIAL PERFORMANCE

For the year ended 31 December 2023, the Group recorded a revenue of approximately HK\$168.2 million, representing a decrease of approximately HK\$24.1 million, or 12.5% as compared with the year ended 31 December 2022 of approximately HK\$192.3 million. Profit and total comprehensive income attributable to the equity holders of the Company for the year was HK\$13.9 million, representing a decrease of approximately HK\$0.5 million or 3.7% as compared with the year ended 31 December 2022 of approximately HK\$14.5 million. Adjusted profit and total comprehensive income attributable to the equity holders of the Company for the year ended 31 December 2023 (excluding financial support from the Anti-epidemic Fund) amounted to approximately HK\$13.9 million, increased by approximately HK\$2.9 million, or 25.7%, as compared with the year ended 31 December 2022 for approximately HK\$11.1 million. As at 31 December 2023, the Group had cash and bank balances of approximately HK\$114.6 million, which was decreased by approximately HK\$32.8 million, or 22.3% as compared with those as at 31 December 2022 of approximately HK\$147.4 million.

PROSPECTS/BUSINESS OUTLOOK

In 2023, the Civil Engineering and Development Department (the "**CEDD**") continued the Landslip Prevention and Mitigation Programme (the "**LPMitP**") to upgrade government manmade slopes, mitigate landslide hazards and conduct safety screenings. Under the LPMitP, 112 man-made slopes were upgraded in the nine months ended 30 September 2023. As put forward in the Hong Kong 2023–2024 Budget by the government of Hong Kong (the "**Government**"), the Government estimated that the expenditure for landslip prevention and mitigation will continue to reach HK\$1.1 billion in 2024. In the Chief Executive's 2023 Policy Address announced in October 2023, the Chief Executive announced a series of policy measures to enhance land supply, including that the Government will (i) streamline statutory and administrative procedures; (ii) extend the arrangement for standardisation of land premium; (iii) expedite the approval of building plans; (iv) duly deliver about 3,370 hectare of newly formed land from 2024 to 2034; (v) make land available for the production of around 80,000 private housing units for disposal in the market in the next five years from 2024 to 2029; and (vi) publish a 10-year supply forecast of developable land on a yearly basis.

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.

CHAIRMAN'S STATEMENT (continued)

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

28 March 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

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

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

- (i) an approved specialist contractor on the List of Approved Specialist Contractors for Public Works maintained by the Development Bureau under the category of "Landslip preventive/remedial works to slopes/retaining walls" ("**Approved Specialist Contractor**");
- (ii) a Registered General Building Contractor under section 8A of the Buildings Ordinance;
- (iii) a Registered Specialist Contractor under the sub-register of "site formation works" under section 8A of the Buildings Ordinance; and
- (iv) a Registered Subcontractor for earthwork and geotechnical works under Register of Subcontractors of the Construction Industry Council.

During the year ended 31 December 2023, the Group undertook 42 contracts with an aggregate contract sum of approximately HK\$838.9 million in which the Group had completed 29 contracts with an aggregate contract sum of approximately HK\$166.5 million. As at 31 December 2023, the Group had 13 contracts in progress with an aggregate contract sum of approximately HK\$672.4 million. In additions, 5 projects which were previously considered as practically completed also contributed revenue in this year.

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

FINANCIAL REVIEW

Revenue

The Group's revenue decreased from approximately HK\$192.3 million for the year ended 31 December 2022 to approximately HK\$168.2 million for the year ended 31 December 2023, representing a decrease of approximately 12.5% or approximately HK\$24.1 million. The Group's revenue decreased primarily due to the decrease in the Group's revenue derived from relatively larger scale projects. They are illustrated in the tables below:

Number of projects with revenue contributions:

	2023	2022
Public sector projects	16	17
Private sector projects	31	25
Total	47	42

	2023	2022
Revenue recognised:		
HK\$10.0 million or above	5	7
HK\$5.0 million to below HK\$10.0 million	1	5
HK\$1.0 million to below HK\$5.0 million	8	7
Below HK\$1.0 million	33	23
Total	47	42

Cost of Services

Cost of services decreased by approximately HK\$23.9 million, or 13.9%, from approximately HK\$171.4 million for the year ended 31 December 2022 to approximately HK\$147.5 million for the year ended 31 December 2023. Such decrease in cost of services was mainly driven by the decrease in revenue.

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Gross Profit and Gross Profit Margin

Gross profit decreased by approximately HK\$0.2 million, or 1.0%, from approximately HK\$20.9 million for the year ended 31 December 2022 to approximately HK\$20.7 million for the year ended 31 December 2023. Gross profit margin increased from approximately 10.9% for the year ended 31 December 2022 to approximately 12.3% for the year ended 31 December 2023. The decrease in gross profit and increase in gross profit margin were mainly caused by the decrease in the Group's revenue mentioned above and the huge saving on short term lease with lease term less than 12 months in respect of machinery.

Other Income and Other Gains, net

Other income and other gains net remained broadly stable at approximately HK\$4.3 million for the year ended 31 December 2023 and 2022. The difference was primarily attributable to the increase in bank interest income by approximately HK\$3.4 million, and was partly offset by the decrease in the government grants by approximately HK\$3.4 million in relation to Anti-epidemic Fund during the year ended 31 December 2023.

Administrative Expenses

Administrative expenses remained broadly stable at approximately HK\$9.0 million and HK\$8.9 million for the year ended 31 December 2023 and 2022, respectively.

Finance Costs

The finance costs increased from approximately HK\$52,000 for the year ended 31 December 2022 to approximately HK\$83,000 for the year ended 31 December 2023, which was mainly due to the full year effect of interest expense derived from the increase in lease liabilities in last year.

Income Tax Expenses

The Group's income tax expenses increased from approximately HK\$1.8 million for the year ended 31 December 2022 to approximately HK\$2.0 million for the year ended 31 December 2023, representing an increase of approximately HK\$0.2 million or 10.9%. Such increase was primarily driven by the decrease in depreciation allowance for our property, plant and equipment.

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 2023 amounted to approximately HK\$13.9 million, decreased by approximately HK\$0.5 million or 3.7%, as compared with HK\$14.5 million for the year ended 31 December 2022. Such decrease was mainly attributable to the decrease of revenue and gross profit for the year ended 31 December 2023 as mentioned above as compared to the year ended 31 December 2022.

Adjusted profit and total comprehensive income (excluding the government grants in relation to Anti-epidemic Fund) for the year ended 31 December 2023 amounted to approximately HK\$13.9 million, increased by approximately HK\$2.9 million or 25.7% as compared with HK\$11.1 million for the year ended 31 December 2022.

Capital Commitments and Contingent Liabilities

As at 31 December 2023, the Group had no material capital commitments nor contingent liabilities.

Pledge of Assets

As at 31 December 2023, 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 2023. As at 31 December 2023, the Group had cash and bank balances of approximately HK\$114.6 million (as at 31 December 2022: approximately HK\$147.4 million), decreased by approximately HK\$32.8 million, or 22.3%, which was mainly attributable to dividend paid of approximately HK\$40.0 million during the year. The cash and bank balances were denominated in Hong Kong Dollars.

Dividend

The Group has distributed the final dividend of HK7.5 cents per ordinary share (the "Share(s)"), totalling HK\$30.0 million in respect of the year ended 31 December 2022 on 5 June 2023 and the interim dividend of HK2.5 cents per the Shares, totalling HK\$10.0 million in respect of the six months ended 30 June 2023 on 29 September 2023. The Group has paid one-off special dividend of HK\$0.175 per the Shares, totalling HK\$70.0 million on 16 February 2024.

The Board does not recommend the payment of final dividend for the year ended 31 December 2023.

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Bank Borrowings

As at 31 December 2023 and 2022, 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 1.0% as at 31 December 2022 to approximately 0.5% as at 31 December 2023. The decrease was mainly due to the decrease in lease liabilities of approximately 54.4%, which outweighed the decrease in equity attributable to equity holders of the Company of approximately 15.4% as at 31 December 2023, as compared with 31 December 2022.

Current ratio

As at 31 December 2023, the Group had net current assets of approximately HK\$137.2 million, representing a decrease of approximately HK\$24.0 million as compared to that of approximately HK\$161.2 million as at 31 December 2022. The Group's current ratio increased from approximately 5.5 times as at 31 December 2022 to approximately 7.0 times as at 31 December 2023.

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

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.	Five new customers had awarded 18 projects to us with an aggregate estimated contract sum of HK\$22.0 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 over total number of projects from 59.5% during the year ended 31 December 2022 to 66.0% during the year ended 31 December 2023.
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 and ISO 45001:2018, respectively.

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Principal Risks Identified	Description of the Principal Risks Identified	Mitigation of Risks
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.
Credit risk management	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.	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.
Liquidity risk management	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>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)

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") and the same section of the listing documents of the Company dated 31 December 2021 (the "Listing Documents").

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2023, the Group had 119 employees (2022: 137 employees) excluding the Directors. Total staff costs excluding Directors' remuneration amounted to approximately HK\$57.1 million for the year ended 31 December 2023 (2022: HK\$56.5 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. The remuneration of the Directors is decided by the Board upon the recommendation from the remuneration committee of the Company having regard to the Group's operating results, individual performance and comparable market statistics.

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.

CAPITAL EXPENDITURE

During the year ended 31 December 2023, the Group invested approximately HK\$0.4 million on the acquisition of property, plant and equipment. Capital expenditure was principally funded by internal resources.

CAPITAL STRUCTURE

As at 31 December 2023, 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

SIGNIFICANT INVESTMENT HELD

During the year ended 31 December 2023 and 2022, the Group did not hold any significant investments.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

During the year ended 31 December 2023 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.

SIGNIFICANT EVENT AFTER THE REPORTING PERIOD

The Group has paid one-off special dividend of HK\$0.175 per the Shares, totalling HK\$70.0 million on 16 February 2024.

Saved for 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.

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

During the year ended 31 December 2023, 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 2023 and opined that the applicable accounting standards and requirements have been complied with and adequate disclosures have been made.

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

PROSPECTS

In 2023, the Civil Engineering and Development Department (the “CEDD”) continued the Landslip Prevention and Mitigation Programme (the “LPMitP”) to upgrade government manmade slopes, mitigate landslide hazards and conduct safety screenings. Under the LPMitP, 112 man-made slopes were upgraded in the nine months ended 30 September 2023. As put forward in the Hong Kong 2023–2024 Budget by the government of Hong Kong (the “Government”), the Government estimated that the expenditure for landslip prevention and mitigation will continue to reach HK\$1.1 billion in 2024. In the Chief Executive’s 2023 Policy Address announced in October 2023, the Chief Executive announced a series of policy measures to enhance land supply, including that the Government will (i) streamline statutory and administrative procedures; (ii) extend the arrangement for standardisation of land premium; (iii) expedite the approval of building plans; (iv) duly deliver about 3,370 hectare of newly formed land from 2024 to 2034; (v) make land available for the production of around 80,000 private housing units for disposal in the market in the next five years from 2024 to 2029; and (vi) publish a 10-year supply forecast of developable land on a yearly basis.

The Group is a slope works contractor in Hong Kong. The Group has commenced its business in 2013 and mainly undertook slope works in the role of subcontractor through A-City Workshop Limited (“A-City Workshop”), the Group’s principal operating subsidiary. The slope works undertaken by the Group generally involve landslip preventive and remedial works for improving or maintaining the stability of slopes and/or retaining walls.

Hong Kong has record outbreak of COVID-19 in 2022. Since early-2023, the business activities in Hong Kong have resumed normal. However the outbreak of COVID-19 has completely reshaped the construction industry and brought along continuous consequences. In particular, shortage of construction-related professions resulting in continuous difficulty in recruiting sufficient construction staff to commence new construction projects. According to the “Manpower Forecast for Hong Kong Construction Industry (February 2023)” published by the Construction Industry Council, the Construction Industry has a shortage of 17,500 to 24,000 workers and professionals, and the number is expected to increased to 48,500 to 55,000 in 2027. The Group was forced to adjust its tendering strategy and remain conservative on tendering new projects until adequate resources are available.

The Group experienced a challenging year in 2023 and still experienced difficulty in engaging sufficient construction-related professions. According to the Government, the real gross domestic product of Hong Kong resumed growth of 3.2% in 2023 but the external environment is rather complicated in 2024. On one hand, Hong Kong is affected by the geopolitical tensions and the lagged effects of the sharp monetary tightening. On the other hand, major central banks are expected or have started to cut interest rates, thereby lending some support to economic confidence and activities around the world. It is generally expected the economy of Hong Kong is going to improve in mid to late 2024. The Group believes that a recovery in the economy should increase the demand of slope works and offer plenty of opportunities for the Group to develop. However, the Group is still affected by difficulties in shortage of personnels The Directors aim to focus on existing projects and have taken a more conservative approach in tendering new projects until adequate resources are available in the labour and construction market. The Directors remain cautious on the Group’s business outlook in 2024.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Sieh Shing Kee (“Mr. Sieh”), aged 56, 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 (the “**Stock Exchange**”) (the “**GEM**”) (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 50, 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 51, 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 62, 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 68, 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 44, 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 (the “**Main Board**”) (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. He has been an independent non-executive director of Huasheng International Holding Limited (Stock code: 1323) since February 2015 and of Shenglong Splendecor International Limited (Stock Code: 8481) since June 2018. He was an independent non-executive director of Guoen Holdings Limited (formerly known as Guru Online (Holdings) Limited) (Stock code: 8121) from May 2014 to May 2023 and of EFT Solutions Holdings Limited (Stock code: 8062) from September 2019 to January 2024.

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 43, 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 42, 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 (the “**CG Report**”) in the Group’s annual report for the year ended 31 December 2023.

CORPORATE GOVERNANCE PRACTICES

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

The Group has adopted the principles and code provisions as set out in the corporate governance (the “**CG Code**”) contained in the Appendix C1 of the Rules Governing the Listing of Securities on the Main Board (the “**Listing Rules**”) as the basis of the Group’s corporate governance practices.

The CG Code has been applicable to the Group with effect from 13 December 2019 when the shares were listed on the GEM (the “**GEM Listing**”). The Board is of the view that for the year ended 31 December 2023 and up to the date of this report, the Group has complied with all applicable code provisions as set out in the CG Code.

Securities Transactions by Directors

The Group has adopted a Code of Ethics and Securities Transactions on terms no less exacting than the required standard of dealings set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix C3 to the Listing Rules as a code of conduct of the Group for Directors’ securities transactions. Having made specific enquiries with the Directors, all of the Directors have confirmed that they have complied with the requirements of the Model Code during the year ended 31 December 2023.

The Board has also adopted the Model Code to regulate all dealings by relevant employees who are likely to be in possession of unpublished inside information of the Group in respect of securities in the Group as referred to in code provision C.1.3 of the CG Code. No incident of non-compliance with the Model Code by the Group’s relevant employees was identified during the year ended 31 December 2023 after making reasonable enquiry.

CORPORATE GOVERNANCE REPORT (continued)

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

Mr. Kwong Che Sing

Mr. Ling Siu Tsang

Mr. Tso Ping Cheong Brian

During the year ended 31 December 2023, the Board comprised of six members, four of which are INEDs, which represented more than one-third of the Board in accordance with Rules 3.10(1) and 3.10A of the Listing Rules. In compliance with 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 20 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 16 to 20 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

Group Culture and Strategy

The Group is keen to strengthen its market position and generate value for its investors while constantly looking out for its stakeholders to attain sustainable development. The Group formulates and implements the following strategies and plans to achieve its objectives and value.

- (a) The Board encourages its members to discuss the underlying value of its culture at board meetings to align and improve its strategies.
- (b) The Group provides sufficient resources to execute its strategies.
- (c) The management teams report to the Board regularly so that the Board can regularly evaluate the core value of its culture.
- (d) Open communication is always available between the Board and the Company’s workforce.

CORPORATE GOVERNANCE REPORT (continued)

- (e) The Board periodically monitors the Company's conduct and encourages holding the responsible individuals accountable where any misalignment occurs.
- (f) Share option scheme is available for the Board to provide incentives for any relevant parties in future.
- (g) Management teams regularly review the remuneration policies of the employees.
- (h) The Group maintains continuous communication with the stakeholders to understand the potential impacts of its culture and strategy.

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 development and strategic planning;
- (b) Reviewing and monitoring the business performance;
- (c) Approving the financial statements and annual budgets, internal controls and risk management;
- (d) Reviewing and supervising the management of the Group periodically;
- (e) Assessing any significant acquisitions and disposal; and
- (f) Approving the public release of periodic financial results.

The Board is also committed to incorporate the Environmental, Social and Governance (the "ESG") mindset into its business operations. The Board accepts full responsibility for the sustainability of the Group, including formulating strategies, overseeing the Group's ESG related risks and opportunities, and approving the ESG Report. The Board is also required to keep abreast of and comply with the latest regulatory requirements before the approval of the ESG Report.

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:

- (a) Developing and reviewing the Company's policies and practices on corporate governance;
- (b) Reviewing and monitoring the training and continuous professional development of Directors and senior management;
- (c) Reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements;

CORPORATE GOVERNANCE REPORT (continued)

- (d) Developing, reviewing and monitoring the code of conduct and compliance manual (including in relation to securities trading) applicable to all employees and Directors; and
- (e) 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 six Board meetings during the year ended 31 December 2023 and up to the date of this report. Other Board meetings will also be held if necessary.

In the Board meeting held on 28 March 2024, 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 Model Code and the Company's compliance with the CG Code and disclosure in this CG Report.

During the Board meeting on 28 March 2024, the Board has reviewed the corporate governance measures of the Group and this CG Report and is of the view that the Group has fully complied with the CG Code in the manner as detailed in this CG Report.

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

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 2023, 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.

CORPORATE GOVERNANCE REPORT (continued)

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 Listing Rules and they are published on the websites of the Stock Exchange and the Group accordingly.

Other than the matters delegated to Board committees, the Board can delegate daily operation of the Group to the Group's management. The Group's financial controller is responsible for providing all member of the Board with monthly updates of the Group's performance, position and prospect. The Board shall review arrangements for functions delegated to board committees and management annually or more frequently if necessary to ensure that they remain appropriate to the Group's needs.

Audit Committee

According to Rules 3.21 to 3.24 of the Listing Rules, the Group established the Audit Committee. 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;
- (d) Developing and implementing policy on engaging an external auditor to supply non-audit services;
- (e) Monitoring integrity of the financial statements, annual report and interim report and reviewing significant financial reporting judgements contained in them;
- (f) Overseeing the Company's financial reporting system, risk management and internal control systems;
- (g) Reviewing the Group's financial and accounting policies and practices; and
- (h) Reviewing arrangements for employees to use in confidence to raise concerns about possible improprieties in financial reporting, internal control or other matters and proper arrangements for fair and independent investigation of these matters and for appropriate follow-up action.

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.

CORPORATE GOVERNANCE REPORT (continued)

During the year ended 31 December 2023 and up to the date of this annual report, three 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 2024, which is subject to the approval of shareholders at the forthcoming annual general meeting of the Group (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 interim and annual results during the year ended 31 December 2023 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 2023.

Nomination Committee

The Group established the Nomination Committee in compliance with Rule 3.27A of the Listing Rules. The relevant written terms of reference were adopted in compliance with paragraph B.3.1 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.

CORPORATE GOVERNANCE REPORT (continued)

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 2023 and up to the date of this annual report, two Nomination Committee meetings were held. The summary of these nomination committee meetings is as follows:

- (a) Reviewed, among other things, the independence of the INEDs;
- (b) Considered the qualifications of the retiring Directors standing for re-election at the forthcoming annual general meeting;
- (c) Reviewed the structure, size and composition of the Board; and
- (d) 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.

Remuneration Committee

The Group established the Remuneration Committee in compliance with 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 directors and senior management.

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

CORPORATE GOVERNANCE REPORT (continued)

During the year 31 December 2023 and up to the date of this annual report, two Remuneration Committee meetings were held. On the meeting held on 28 March 2024, the Remuneration Committee has reviewed and approved the remuneration of each of Director and senior management. Pursuant to code provision E.1.5 of the CG Code, details of the remuneration of the senior management (other than Directors) by band for the year ended 31 December 2023 is as follows:

	Number of employee
Nil to HK\$1,000,000	2

Details of the remuneration of each Director for the year ended 31 December 2023 are set out in note 12 to the consolidated financial statements for the year ended 31 December 2023.

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.

The attendance records of each of the Directors at the Board meeting, committee meetings, AGM and extraordinary general meeting (the "EGM") held during the year ended 31 December 2023 and up to the date of this report are set out in the table below:

Name of Directors	Attendance/Number of Meeting					AGM	EGM
	Board Meeting	Audit Committee	Nomination Committee	Remuneration Committee			
Mr. Sieh	6/6	N/A	2/2	2/2		1/1	1/1
Mr. Ho	6/6	N/A	N/A	N/A		1/1	1/1
Ms. Chiao	6/6	3/3	2/2	2/2		1/1	1/1
Mr. Kwong	6/6	3/3	2/2	2/2		1/1	1/1
Mr. Ling	6/6	3/3	2/2	2/2		1/1	1/1
Mr. Tso	5/6	3/3	N/A	N/A		1/1	1/1

The forthcoming AGM will be held on 21 May 2024.

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 2023.

CORPORATE GOVERNANCE REPORT (continued)

APPOINTMENT AND RE-ELECTION OF DIRECTORS

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.

Each of the INEDs has entered into a letter of appointment with the Company on 25 November 2019 and subsequently renewed for a term of three years commencing from the GEM Listing, except Ms Chiao who has entered into a letter of appointment with the Company on 1 July 2021 (the "**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.

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 one in every three years but is eligible for re-election at an AGM in accordance with the Articles.

Independent Views of INEDs

The Board established the following mechanisms to increase the credibility of independents views.

- (a) Directors are entitled to seek external independent legal and other professional advice for performing their duties. Separate independent professional advice is always available upon their request.
- (b) The Board (led by an INED) has conducted evaluation of the directors' (including INEDs) performance every half year through questionnaires, interviews and/or observations. Criteria for evaluation include (i) board meeting attendance; (ii) whether they actively participated in discussion; (iii) whether they had the motivation and integrity required; (iv) whether they had or were capable to devote sufficient time to make contributions to the Group; (v) whether they had the business experience and skills to effectively oversee the management; and (vi) whether they were independent. The aforementioned criteria are for by no means exhaustive or decisive. Management, external advisers and key stakeholders such as shareholders are also encouraged to provide useful feedback.
- (c) The composition of the Board consisted of four INEDs, which accounted for over half of the Board. The INEDs will have a dominating voting power of the Board.
- (d) The Chairman welcomes any nomination of directors. The Board deploys multiple channels for identifying suitable candidates, including directors' referrals, management, advisors of the Group and external executive search firms. Candidates will be shortlisted by the Nomination Committee and the Nomination Committee will evaluate the candidate based on the aforementioned criteria. The Board has the final authority to determine suitable candidates to be elected as directors.

CORPORATE GOVERNANCE REPORT (continued)

- (e) The Group has received annual written confirmation from each of the INEDs in respect of their independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules.

The Board shall conduct annual review of the implementation and effectiveness of such policy to ensure independent views are available to the Board. The Board considers that the current policy to ensure independent views are heard by the Board is sufficient and efficient.

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 Group adopted a nomination policy in compliance with the CG Code which is effective from the GEM Listing.

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 applying selection criteria consistently and fairly during the nomination process and confirming the same mentality to the Board when making its recommendation on each appointment.

Selection Criteria

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

- (a) merit;
- (b) the board diversity policy;
- (c) the requirements under the Listing Rules;
- (d) the expected contribution to the Board, the balance of skills, experience and diversity of perspectives that are required to support the execution of the Company's business strategy;

CORPORATE GOVERNANCE REPORT (continued)

- (e) the ability of the candidate to commit and devote sufficient time and attention to the Company's affairs;
- (f) the level of independence from the Group and potential or actual conflicts of interest of the candidate; and
- (g) 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.

(a) Gender Diversity

The Group values gender diversity and will continue to take steps to promote gender diversity at all levels of the Group, including but not limited to (i) make appointments based on merits with reference to board diversity as a whole; (ii) take steps to promote gender diversity at all levels of the Group by recruiting staff of different gender; (iii) provide career development opportunities for female staff and devote more resources in training female staff who have extensive and relevant experience in the Group's business; and (iv) consider the possibility of nominating female management staff who has the necessary skills and experience to the Board. It is the Group's objective to have one-third or more of the Board comprising of females by the year ending 31 December 2028.

Please refer to the section headed "Environmental, Social and Governance Report – B.1 Employment" for the gender ratio in the workforce and relevant discussion.

(b) Knowledge Diversity

The Board has a balanced mix of experiences, including business management, business development, industry knowledge, corporate governance and compliance, legal, finance, auditing and accounting experiences. 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.

(c) Age Diversity

The ages of the Directors in the Board range from 44 years old to 68 years old.

At this moment, the Group is applying the principle of appointments based on merits with reference to the Board Diversity Policy as a whole. However, the above factors are not exhaustive and decisive. The Nomination Committee has the discretion to nominate any person as it considers appropriate. The Group shall review and reassess the nomination policy on an annual basis or as required.

CORPORATE GOVERNANCE REPORT (continued)

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) 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 Group 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, Mr. Kwong and Mr. Ling shall retire at the forthcoming AGM. The retiring Directors, all being eligible, offer themselves for re-election.

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 2023. In preparing the consolidated financial statements for the year ended 31 December 2023, 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.

CORPORATE GOVERNANCE REPORT (continued)

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 77 to 81 of this report.

AUDITOR'S REMUNERATION

The fees paid or payable to Grant Thornton, for the year ended 31 December 2023 are as follows:

Services rendered	Fees paid/payable HK\$'000
Annual audit services for the year ended 31 December 2023	830
Non-audit services for the year ended 31 December 2023	–

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 maintain sustainable development as well as safeguard the Group's assets and the shareholders' interests. 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, ensure compliance with applicable laws, rules and regulations and sustainable business, 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.

CORPORATE GOVERNANCE REPORT (continued)

Process used to identify, evaluate and manage significant risks

The Group faces a variety of risks in the daily business operations, including credit risk, the ESG-related risk, interest rate risk, liquidity risk, operational risk and legal and compliance risk. Please refer to the section headed “Business – Risk management and internal control systems” in the Prospectus and the Listing Documents 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 Group from time to time on any weakness in controls which come to their attention;
- 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 2023, the management conducted an annual internal assessment and a consolidation of relevant risks faced by the Group. There is no material change in the nature and extent of the risks faced by the Group.

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 Group engaged an external consulting firm to review the internal control of the Group. 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 it is sufficient and efficient for the Audit Committee, the external consulting firm and itself to regularly and individually evaluate on the adequacy and the effectiveness of the risk management and internal control systems including financial controls and other major controls over the material ESG issues. The risk management and internal control systems assure accuracy, reliability and the timeliness of the data presented and sustainable development measures.

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.

CORPORATE GOVERNANCE REPORT (continued)

Handling and Dissemination of Inside Information

With respect to procedures and internal controls for the handling and dissemination of inside information, the Group is aware of its relevant obligations under the SFO (Chapter 571 of Laws of Hong Kong) 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.

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 2023, 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 Main Board, and further enhance their knowledge by reading related materials. They also from time to time received from the Group 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 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.

CORPORATE GOVERNANCE REPORT (continued)

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 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 2023. 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.

WHISTLEBLOWING POLICY

In compliance with code provision D.2.6 of the CG Code, the Board adopted a whistleblowing policy. It provides employees and the relevant third parties who deal with the Group (e.g. customers, suppliers, creditors and debtors) with guidance and reporting channels on reporting any suspected improprieties in any matters related to the Group directly addressed to the designated person.

The chairman of the Audit Committee is designated to receive the relevant complaints for this purpose. All reported matters will be investigated independently and, in the meantime, all information received from a whistleblower and its identity will be kept confidential.

The Board and the Audit Committee will periodically review the whistleblowing policy and mechanism to improve its effectiveness.

ANTI-CORRUPTION POLICY

In compliance with the new code provision D.2.7 of the CG Code, the Board adopted an anti-corruption policy. It outlines guidelines and the minimum standards of conducts, all applicable laws and regulations in relation to the anti-corruption and anti-bribery, the responsibilities of employees to resist fraud, to help the Group defend against corrupt practices and to report any reasonably suspected case of fraud and corruption or any attempts thereof, to the management or through an appropriate reporting channel. The Group does not tolerate all forms of fraud and corruption among all employees and those acting in an agency or fiduciary capacity on behalf of the Group, and in its business dealing with third parties.

The Board and the Audit Committee will constantly review the anti-corruption policy and mechanism to ensure its effectiveness and enforce the commitment of the Group to the prevention, deterrence, detection and investigation of all forms of fraud and corruption.

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.

CORPORATE GOVERNANCE REPORT (continued)

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 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 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 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 the EGM following the procedures set out above.

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.

CORPORATE GOVERNANCE REPORT (continued)

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

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 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 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.

The Group considered that it establishes effective communication channels with its shareholders through its website and AGM.

COMPLIANCE OFFICER

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

INTRODUCTION

Maxicity Holdings Limited (the “**Company**”), along with its subsidiaries (referred to collectively as the “**Group**”), is pleased to present this Environmental, Social, and Governance (“**ESG**”) Report (the “**ESG Report**”). This ESG Report illustrates the Group’s performance and initiatives concerning ESG matters for the fiscal year concluding on 31 December 2023 (referred to as the “**Reporting Year**” or “**Year 2023**”), which was prepared based on the information available and at the best knowledge of the Company, demonstrates our efforts on sustainability development in both the environmental and social aspects.

The Group follows sustainable ESG management policies and is dedicated to effectively and responsibly managing its ESG affairs. These are integral to our business strategy, as we believe they are crucial for our future success.

BOARD STATEMENT

The commitment of the Board of Directors (the “**Board**”) to sustainable operations is unwavering, driven by a desire to safeguard the environment and contribute value to both the community and stakeholders. This principle forms the foundation upon which the Board integrates ESG issues into the Group’s overarching business strategy.

To enact this commitment, the Board has developed internal policies and practices that address various aspects such as environmental preservation, resource conservation, human resources management, service quality enhancement, business ethics, and occupational health and safety. These policies and practices undergo regular review and updates to ensure alignment with market developments and regulatory requirements.

ESG Governance

The Group has adopted a top-down management approach to handle its ESG-related affairs, with the Board bearing ultimate responsibility for formulating the Group’s ESG strategies and overseeing their effectiveness and impacts. The Board identifies ESG-related risks and opportunities, tailoring relevant strategies and objectives accordingly. Delegation of power and authority is extended to business operation teams and supporting departments to develop and implement ESG plans within their respective domains, aligning with the Board’s directives. Business operation teams and supporting departments are required to raise any concerns or difficulties encountered during the execution of the plan.

To ensure that the ESG plan is executed according to the Board’s direction, regular meetings are held between the Board, the business operation teams, and supporting departments to review the performance, strategy, procedures, and effectiveness of the plan.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (continued)

OBJECTIVES OF THE REPORT

This ESG Report summarises the ESG approaches, strategies, performances and responses towards the concerns and expectations of the Group's stakeholders.

REPORTING SCOPE AND STANDARDS

This ESG Report has been prepared in accordance with the guidelines outlined in the Environmental, Social, and Governance Reporting Guide (referred to as the "ESG guide") in Appendix C2 of the Listing Rules. It primarily focuses on the social and environmental aspects outlined in the ESG guide for the Reporting Year. Specifically, the key performance indicators (KPIs) disclosed in the ESG Report covers the Group's construction sites in Hong Kong and the Group's head office. Additionally, the social KPIs encompass the overall business operations across the Group. These KPIs were evaluated based on the proportion of revenue generated by the Group during the Reporting Year.

In the preparation of the ESG Report, the Group strictly adhered to the principles of materiality, quantitative and consistency on the relevant measures and performances during the Reporting Year.

Reporting principles	Descriptions
Materiality	Stakeholder engagement and materiality assessment were conducted to identify the material ESG issues that most relevant and material to our business operations and stakeholders.
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 Reporting Year.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (continued)

STAKEHOLDERS ENGAGEMENT

The Group consistently strives to gain a deeper understanding of stakeholders' needs and expectations to enhance its performance through collaboration. By maintaining close communication with stakeholders through various engagement channels, the Group aims to address their expectations and concerns. In formulating operational strategies and ESG measures, the Group actively considers the expectations and concerns of its stakeholders.

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 Staff compensation and welfare	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

The Group has conducted a materiality assessment in the 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 ESG Guide.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (continued)

The Group regularly reviews the materiality levels to ensure that the full picture of every ESG aspect can be relevantly addressed to different stakeholders. The Group's materiality table is shown 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	
Aspect A4: Climate Change	6	Physical and transition risks	
B. Social	Aspect B1: Employment	7	Employee policy
	Aspect B2: Health and Safety	8	Safe working environment and protecting employees from occupational hazards
	Aspect B3: Development and Training	9	Staff training
	Aspect B4: Labour Standards	10	Prohibition of child labour and forced labour
	Aspect B5: Supply Chain Management	11	Tendering suppliers and subcontractors based on their awareness of environmental and social responsibility
	Aspect B6: Services Responsibility	12	Health and Safety
		13	Protecting Customers' Privacy
	Aspect B7: Anti-corruption	14	Anti-corruption
Aspect B8: Community Investment	15	Community investment	

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (continued)

A. ENVIRONMENTAL

The Group values environmental protection and aims to create a sustainable future. It has developed policies and procedures accredited by the International Organisation for Standardisation (ISO) 14001:2015 – the environmental management system. The Group proactively identifies potential emissions or pollution in its operations and takes measures to prevent or reduce any adverse impacts. To achieve this, it develops and implements environmentally friendly guidelines to optimise resource usage and streamline operations, minimizing environmental impact. The Group also mandates subcontractors to adhere to this environmental management system to ensure compliance with environmental protection standards.

A1. Emissions

Greenhouse Gas Emission (the “GHG Emission”)

The pressing challenge of reducing greenhouse gas emissions has emerged as a defining issue in recent decades, prompting urgent action across various sectors. Similar to the previous year, the Group’s GHG emissions were primarily generated from the use of motor vehicles and plant and equipment such as air compressors and generators (Scope 1), as well as electricity consumption in offices and construction sites (Scope 2). The Group formulates and strictly implements internal policies for its staff and business partners to reduce GHG emissions and ensure compliance with rules, laws, and regulations. Extracted examples of our policies are as follows:

- i. An environmental team is responsible for managing and controlling the environmental issues for each construction project;
- ii. The Group complies with applicable legal and other requirements in the environmental aspects;
- iii. The Group implements green guidelines to minimise the pollution, reduce waste and prevent unnecessary consumption of resources;
- iv. The Environmental Policy (the “**Policy**”) is dispatched and communicated to all staff, suppliers, vendors and subcontractors;
- v. Training is provided to each employee so as to motivate them to carry out tasks in an environmentally responsible manner;
- vi. The Group encourages its suppliers, vendors and subcontractors to actively participate on environmental protection activities.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (continued)

The following table sets forth a breakdown of the Group's GHG emissions during the Reporting Year:

A1.1 GHG emissions from use of motor vehicle

	Unit	2023	2022
Nitrogen oxides	gram	143,563.79	180,344.75
Sulphur oxides	gram	883.77	776.94
Respiratory suspended particles	gram	13,063.21	16,861.18

GHG Emissions are mainly generated from burning of diesel. During the Reporting Year, the Group has priority in using unleaded petrol, instead of diesel, which provided better fuel economy and generated less GHG emissions.

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

	Unit	2023	2022
Scope 1			
Carbon dioxide	kg	142,212.15	125,112.80
Methane	kg	362.46	303.53
Nitrous oxide	kg	15,448.98	12,855.13
Scope 2			
Carbon dioxide	kg	96,075.66	129,954.72
GHG emission Intensity	kg/construction contract	6,049.98	8,652.46

Increase in GHG Emission (Scope 1)

Throughout the year, the Company engaged in a greater number of projects compared to the previous year, resulting in increased usage of motor vehicles and consequently higher emissions in Scope 1. However, the Company has replaced several traditional motor vehicles for electric cars in an effort to diminish GHG emissions. Moving forward, the Company intends to persist in this direction, further decreasing its greenhouse gas emissions.

Decrease in GHG Emission (Scope 2)

During the Reporting Year, although overall electricity consumption decreased, there was an increase in electricity usage intensity due to the progress of our construction projects. Some projects initiated in previous year did not fully utilise electricity during those period, whereas they were fully operational for the entire Reporting Year.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (continued)

Waste Management and Sewage Discharge

Apart from fulfilling the requirements of relevant rules and regulations, the Group also established guidelines for handling hazardous wastes and minimizing non-hazardous wastes, as detailed in section A1.6.

A1.3 Hazardous wastes produced

	Unit	2023	2022
Hazardous wastes disposal	tonnes	N/A*	N/A*
Hazardous wastes intensity	tonnes/construction contract*	N/A*	N/A*

* including works that would generate inert construction materials

A1.4 Non-hazardous wastes produced

	Unit	2023	2022
Inert construction materials	tonnes	3,315.40	4,157.20
Inert construction materials usage intensity	tonnes/construction contract*	276.28	230.96
Paper	tonnes	1.51	1.79
Paper usage intensity	tonnes/construction contract	0.30	0.06

* including works that would generate inert construction materials

As some projects initiated in the previous year did not operate fully during that period, whereas they were fully operational for the entire Reporting Year, this led to an increase in the use of inert construction materials and paper.

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:

- purchasing environmentally friendly motor vehicles;
- closely monitoring the fuel consumption of its motor vehicles;
- regularly performing maintenance on each of motor vehicle; and
- consuming environmental friendly diesel.

The Group targets to reduce 3% GHG emission in year 2026 with base line of the Year 2021 by reducing carbon footprint and fuel consumption.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (continued)

A1.6 Waste Management

Hazardous Wastes

Due to the business nature, to the best knowledge of the Directors, the Group did not generate any hazardous waste in the course of its operation during the Reporting 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

The non-hazardous waste generated during the Reporting Year primarily consisted of inert construction materials, which were handled in accordance with the requirements of the Environmental Protection Department. The Group implements the following measures to minimise adverse environmental effects.

- By improving the design of detailed precautionary plans, the Group is able to minimise the generation of construction wastes. The site agents regularly conduct surveys to identify and prepare a statement to address any construction activities or demolition works that would potentially generate construction wastes or use of resources in temporary works construction.
- To the extent possible, the Group reuses construction materials such as wood and metal.
- The Group encourages 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 is generated depending 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.

Sewage Discharge

Despite the minimal consumption of water during Reporting Year, the Group implements certain water discharge procedures to reduce the water wastage such as:

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (continued)

The Group strictly monitors the operation of its business to ensure the compliance with the laws and regulations. The Group evaluates the effectiveness of these guidelines from time to time, and new guidelines will be introduced when necessary.

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

A2. Use of Resources

The Group is committed to protecting the environment by enhancing operational efficiency to reduce energy consumption. The main resources utilised include electricity for lighting, air-conditioning, and office equipment.

Energy Efficiency

The Group's direct energy consumption mainly derives from the consumption of electricity. A series of measures are adopted by the Group to promote energy conservation. The Group regularly reviews its energy consumption objectives and targets to seek for continuous improvement on the Group's energy performance.

Water Consumption

Water is mainly used for cleaning and sanitation at construction sites in accordance with relevant rules and regulations or sometimes on customers' request. The Group designs a series of procedures for water conservation measures.

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

A2.1 Direct energy consumption in total and intensity

	Unit	2023	2022
Electricity usage	kWh	152,501.04	206,277.33
Electricity usage intensity	kWh/office*	25,416.84	22,919.70

* including head office and construction site offices

During the Reporting Year, there was an increase in electricity usage intensity due to the progress of our construction projects. Some projects initiated in previous year did not fully utilise electricity during those period, whereas they were fully operational for the entire Reporting Year.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (continued)

A2.2 Water consumption in total and intensity

	Unit	2023	2022
Water consumption	Cu.m	24,298.00	24,283.00
Water consumption intensity	Cu.m/office*	528.22	674.53

* including head office and construction site offices

Despite the increase in the total consumption of water, the intensity of consumption was improved which proved that the existing measures are effective.

A2.3 Energy use efficiency initiatives and target

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

Electricity consumption

- Educating workers and staff about the importance of energy conservation by posting tips on how to minimise electricity usage.
- Retiring the normal electric appliance and office equipment and switching to energy-efficient models
- Maintaining an average indoor temperature between 22 degrees Celsius and 25 degrees Celsius
- Switching off lights, air-conditioners and computers when they are not in use

Water consumption

- Utilising recycled water for core drilling operations; and
- Maximising natural lights and ventilation 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. Since the energy and water consumes depending on specific construction work scope and nature, setting target is not meaningful. The Group continuously maintains the minimum usage by strengthening the current measures over consumption of energy and water.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (continued)

A2.4 Sourcing Water

During the Reporting Year, the Group did not encounter any issue in sourcing water. The Group targets to reduce the water consumption by the following ways:

- Install water meters for each water storage tank in construction sites to regularly monitor water consumption;
- Spray roads and loose-soil surface to suppress dust by utilising the recycled water;
- Check and inspect water tips and fix dripping taps immediately once any leakage is found;
- Install some eye-catching signs near taps to remind staff to reduce water consumption; and
- Arrange regular the use of toolbox talks and training programs for the frontline workers to raise their water conservation awareness.

A2.5 Packaging Material Used

The KPI for packaging materials is not relevant to the Group since the Group did not utilize any packaging materials during its operations.

A3. The Environment and Natural Resources

Our company recognises the paramount importance of protecting the environment and preserving natural resources. In line with this commitment, we are dedicated to mitigating any potential harmful effects on the environment. While various factors contribute to environmental impact, we acknowledge that noise pollution stands out as a significant concern in our operation. Therefore, we particularly focused on addressing noise emissions to ensure minimal disruption to surrounding ecosystems and communities by following noise control measures.

- Safety officer conducts noise assessment to determine the noise level of the plant in use and construction in process. Depending on site circumstances, a new assessment is made on every new work activity and, in general, the Group assesses the noise level every three months;
- silent plants or machineries, e.g. generator, air compressor, etc., are preferably operated 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 reminds workers to wear hearing protectors.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (continued)

A4. Climate Change

The Group acknowledges the substantial threat posed by climate may change to businesses worldwide and finally our operations may encounter both physical and transitional risks. The Group has regularly assessed the climate-related risks to our operation and reviewed the appropriateness of the strategies toward these risks.

A4.1 Significant climate-related issues

Identified risks description and response:

1. Acute physical risks to our operation arise due to extreme weather or changing climatic conditions such as storms, floods, and typhoons. These risks can have a direct impact on construction workers and project timelines.

To response the risk, the Group has incorporated climate resilience strategies into our risk management and safety policy. This includes conducting thorough risk assessments, providing work arrangement guideline for workers under for extreme weather conditions, and considering climate adaptation measures in construction design and planning.

2. Climate-related chronic physical risks arise due to prolonged exposure to changing climatic conditions or environmental factors. These risks can have lasting effects on the health and well-being of our workers, such as heat-related illnesses. Rising temperatures and prolonged exposure to heat on construction sites can lead to chronic heat-related health conditions, such as heat stress, heat exhaustion, and heat stroke.

To address the chronic physical risks, the company provides periodic and appropriate rest time in shaded areas and ensures an adequate supply of water to workers to minimise adverse impacts from heatwaves.

3. Transition risks in our operation may be arise as a result of the implementation of climate change mitigation measures including regulatory compliance and market demand.

Implementation of new regulations and policies aimed at reducing GHG emissions could increase compliance costs and affect project feasibility. Changing consumer preferences and increasing awareness of environmental sustainability may drive shifts in market demand for sustainable construction practices. Reduced demand from customer may be faced by the Group if we fail to adapt to these changing preferences.

To address the transition risk, the Group proactively assesses and manages these risks as part of our strategic planning and risk management processes and regularly update on the regulatory requirements and market changes to ensure that its services meet customers and regulatory expectations.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (continued)

B. SOCIAL

The Group has established a robust management system, certified in compliance with ISO 9001:2015, highlighting our commitment to quality management, and ISO 45001:2018, emphasizing our dedication to the health and safety of our employees.

B1. Employment

Human Resources Policies

The Group recognises employees as valuable assets for the continuous development of the Group. In the Group's staff handbook, the human resource policies has detailed the following comprehensive framework and philosophies:

- Resources are provided on request to each staff to achieve their optimum productivity and efficiency;
- Compensations offered to each staff are equitable and competitive;
- Employees are always welcomed to equip themselves for the construction industry;
- Reward is offered to the staff who can perform exceeding the Group's expectation;
- Places two-way communications between employees and the management; and
- Provides 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 periodically reviews these policies and the employment practices to ensure its effectiveness on implementing on these strategies.

B1.1 Total workforce

As at 31 December 2023 and 2022, all staff are located in Hong Kong and the staff composition of the Group is as follow:

By Gender	2023	2022
Male	110	126
Female	15	17
By Age Group	2023	2022
30 years old or below	14	16
31–64 years old	92	118
65 years old or above	19	9

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (continued)

By Employment category	2023	2022
Monthly-rated	40	27
Daily-rated	85	116

According to the statistics by the Construction Industry Council, as in February 2024, the number of male registered workers was 516,204, which is significantly higher than the number of female registered workers of 127,552. The percentage of female employees in the Group's workforce increased from 11.9% in 2022 to 12.0% in 2023. The gender ratio for the Board and senior management is 7 males to 1 female as at 31 December 2023. The Group is devoted in achieving gender diversity and will continue to promote gender diversity across its workforce by hiring suitable female staff when appropriate. We target to maintain the percentage of female employees in the Group's workforce of no less than 10% in the next three years.

B1.2 Turnover rate

During the Reporting Year, the Group achieved a reduction in turnover rate, which stood at 5.0%, compared to the 38.1% in previous year. This significant improvement can be attributed to our concerted efforts to cultivate an environment where employees feel motivated, satisfied, and committed to remaining with us for the long term.

The turnover rate of the Group is as follow:

By Gender	2023	2022
Male	–	31.2%
Female	18.2%	60.0%

By Age Group	2023	2022
30 years old or below	–	100.0%
31–64 years old	7.7%	30.0%
65 years old or above	–	50.0%

* 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 Reporting Year. It was calculated by number of staff left during the Reporting Year/the number of full-time staff as at 31 December 2023.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (continued)

Recruitment and Promotion and Staff Welfare

In our recruitment process, the human resources department conducts strict background checks and interviews with candidates to ensure their experience, skills, and abilities align with the needs of the Group. The recruitment process is solely based on their experience and skills, without consideration of age, gender, religion, or race, to ensure fairness throughout. This principle also extends to the Group's staff appraisal and counseling processes.

The Group offers competitive remuneration packages to its staff and regularly reviews their compensation and benefits through the promotion and appraisal process. This ensures that their compensation aligns with their performance and meets market standards. Internal promotion is preferred over open recruitment when the Group has vacancies during expansions of its business.

The Group's benefit and compensation policy is periodically reviewed to attract and retain exceptional employees. In addition to statutory and public holidays, the Group provides various paid leaves, including annual leave, maternity leave, occasional leave, etc. The Group's dismissal policy, working hours, and rest periods adhere to applicable labor laws and regulations.

Equal Opportunity, Diversity and Anti-discrimination

The Group is dedicated to fostering an inclusive and collaborative workplace culture. Staff members are encouraged to openly discuss any work-related challenges with their supervisors and offer suggestions for improvement in their duties. Simultaneously, the management team is readily available to offer assistance whenever needed. Moreover, the Group is committed to ensuring a fair and equitable recruitment and appraisal process, where every candidate is provided with equal opportunities. When evaluating staff performance, the Group assesses individuals solely based on their abilities and contributions. Any form of unfair or wrongful dismissal is not tolerated, and all dismissal procedures must be strictly adhered to and appropriately approved in accordance with our internal policy.

The Group did not have any non-compliance on applicable labour laws and regulations relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunities, diversity, anti-discrimination and other benefits and welfare for the Reporting Year. 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).

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (continued)

B2. Health and Safety

The Group emphasises that employees work under a safe and healthy working environment. The Group's occupational health and safety management system is 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 the works performed by the subcontractors and the employees are complied with relevant statutory requirements concerning occupational health and safety.

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

During the Reporting Year, there are 359 days lost due to work injury (2022: 102 days).

B2.3 Occupational health and safety measures adopted

Safe Working Environment

The Group conducts detailed risk assessments on safety before commencing every construction project. Corresponding safety measures and procedures are implemented and periodically reviewed based on the detailed risk assessment to ensure a safe working environment. The Group's safety officers perform regular site inspections to assess the latest site situation and adjust safety measures when needed. Additionally, during site visits, the Group's safety officers promptly address any inappropriate working procedures or breaches of safety rules and regulations.

Protecting Employees from Occupational Hazards

Apart from the aforementioned safety risk assessment and site visits, our project teams always ensure that their workers receive adequate induction and toolbox training before entering the construction site. These sessions are designed to familiarize workers with the specific risks associated with the site and equip them with the necessary knowledge and skills to mitigate these risks effectively.

Site-specific risk areas and corresponding risk prevention measures are communicated to workers. This ensures that each member of the team is aware of potential hazards and understands the protocols for addressing them safely. Essential personal protective equipment is provided to all staff before the commencement of their work.

Work injuries are reported in accordance with the Group's internal guidelines which is established with reference to the work injury reporting required by the Labour Department.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (continued)

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 relating to providing a safe working environment and protecting employees from occupational hazards for the Reporting Year.

B3. Development and Training

The Group values opportunities for employee training and development, motivating individuals across various roles to continuously enhance their knowledge and skills. This encouragement aims to facilitate career growth. Training sponsorship for job related courses are provided at discretionary basis. During the Reporting Year, 59.2% (2022: 21.2%) of our employees have participated in training with average 3.9 (2022: 4.2) training hours.

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

B3.1 The workforce trained during the Reporting Year

By Gender	2023	2022
Male	91.9%	75.6%
Female	8.1%	24.4%
By Employment category	2023	2022
Senior level	9.5%	17.1%
Middle level	8.1%	24.4%
Entry level	82.4%	58.5%

B3.2 The average training hours completed by the employee during the Reporting Year

By Gender	2023	2022
Male	3.7 hours	5.4 hours
Female	6.3 hours	0.5 hours
By Employment category	2023	2022
Senior level	13.7 hours	4.6 hours
Middle level	7.2 hours	3.3 hours
Entry level	2.4 hours	4.5 hours

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (continued)

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 inspect 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, employment is immediately suspended and terminated. The Group also takes responsibility for the investigation.

The Group did not have any non-compliance on applicable laws and regulations relating to preventing child and forced labour for the Reporting Year.

B5. Supply Chain Management

The Group places great importance on its relationships with suppliers and subcontractors, considering them vital business partners. We consistently assess and oversee them in terms of the products supplied, service quality, and reliability. The Group's supplier management system is aligned with ISO standards. Additionally, the Group pays close attention to their environmental and social performance.

B5.1 Number of suppliers

During the Reporting Year, the Group had 111 suppliers (2022: 96), including material suppliers and subcontractors which are all based in Hong Kong (2022: all based in Hong Kong) to save the transportation costs.

B5.2 Procedure for engaging suppliers and subcontractors

Whenever the Group needs to source for new vendors or subcontractors, it carries 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 suppliers mainly provide project materials, all of which are qualified suppliers. These suppliers undergo assessment by the Group, considering factors such as product quality, qualifications, pricing, and compliance with applicable environmental and social laws and regulations. The Group conducts regular monitoring of raw material quality by enlisting laboratories or testing companies to perform relevant tests.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (continued)

Environmental and Social Responsibility of the Subcontractors

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

Action of work reduction, suspense contract or replacing subcontractors will be taken to those subcontractors who have subsequently failed to meet the Group's standard or 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

The Group prefers to engage those suppliers or subcontractors who have certain environmental and social responsibility accreditation or have no previous record of violation on any environmental and social issue. The Group regular reviews the selection process to ensure it was properly carried out.

B6. Services Responsibility

The Group is dedicated to upholding high standards of quality in its business operations by adhering to laws and regulations set forth by relevant authorities. To prevent any breaches of legal or regulatory requirements, the Group has implemented the ISO 9001:2015 Quality Management system to oversee its service responsibilities. The effectiveness and enhancement of the quality management system are reviewed annually to ensure its continued efficiency.

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 is not applicable.

B6.2 Number of products and services related complaints

Feedback received from employees, suppliers and subcontractors are reviewed and handled from time to time to ensure continuous improvement.

The Group received no complaints or claims from its customers arising from quality issues in work performed during the Reporting Year.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (continued)

B6.3 Protecting Intellectual Property Right

The Group provides 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 and quality assurance

Risk assessment is 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 are executed to identify any deficiencies in safety controls and then implement timely remedial actions. Prior to delivering the works, the Group’s project management teams invite its customers to inspect the work progress and resolved safety and health concerns.

Through the integration of our quality management system, we uphold work standards via a systematic control process. Furthermore, our safety officers conduct regular inspections, and we maintain open communication with our customers regarding work methods, project timelines, and human resource allocation. Any deviations from expected standards are promptly identified and rectified to meet customer requirements.

B6.5 Protecting Customers’ Privacy

The Group ensures information security and protecting personal data by regularly updating the corresponding policies and guidelines in place. Firewall, anti-virus and anti-spam solutions are installed in the Group’s information technology infrastructure to help protect customers’ information. The staff handbook detail describes the specific requirements on protecting client data and the confidentiality management. Customer’s information is prohibited to use without prior, explicit and implicit consent from the client.

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 Reporting Year.

B7. Anti-corruption

Throughout all procurement processes, the Group enforces its anti-corruption policies. Over the years, there have been no instances of suspected or actual bribery, extortion, fraud, or money laundering activities. The acceptance of kickbacks, commissions, or any form of bribery is strictly prohibited.

B7.1 No legal case regarding corrupt practices was brought against the Group during the Reporting Year and the year ended 31 December 2022.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (continued)

B7.2 Preventive measures and whistle-blowing procedure

The Group's internal manuals serve as comprehensive resources, providing clear guidance on various critical aspects of ethical conduct and compliance within the organization. These manuals address the management of conflicts of interest, ensuring that employees understand how to navigate situations where personal interests may conflict with the interests of the Group. Additionally, the manuals emphasize the importance of protecting intellectual property rights, safeguarding confidential information, and upholding privacy standards to maintain trust and integrity. Specifically, the gift policy outlined in the manuals establishes transparent procedures for handling and accepting gifts, ensuring that such exchanges do not compromise ethical standards or create conflicts of interest.

Furthermore, the Group has implemented robust whistleblower measures to encourage the reporting of any instances of corruption or unethical behavior. A dedicated mailbox provides employees and relevant personnel with a confidential channel to raise concerns without fear of retaliation. Each reported case undergoes thorough investigation, conducted with the utmost confidentiality to protect the anonymity of whistleblowers and maintain trust in the reporting process. This commitment to accountability ensures that the Group upholds its ethical standards and fosters a culture of integrity and compliance across all levels of the organization.

B7.3 Anti-corruption training

During the Reporting Year and the year ended 31 December 2022, the directors attended anti-corruption training along with other regulatory training. The employees have been provided with the latest internal manuals and related information to strengthen and refresh their understanding of relevant requirements.

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 Reporting Year and the year ended 31 December 2022.

B8. Community Investment

We support the community by incorporating social participation and contribution into our business development. The Group regularly conducts meeting and explores opportunities to provide volunteer services, sponsors, or donations to those organizations which have similar values and principles with the Group.

B8.1 Focus areas of contribution

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (continued)

B8.2 Resources contributed

During the Reporting Year, the Group made a cash donation to support the “District Elderly Campaign” organized by Po Leung Kuk. This comprehensive program aims to provide support and care for elderly individuals in various districts. The initiative encompasses a range of services and activities designed to address the needs and well-being of elderly individuals living in the community. Additionally, the program targets raising public awareness about the elderly and their caregivers, while also providing support at various levels.

According to the campaign description, our cash donation helped an elderly person receive comprehensive support to address their medical, food, housing, and transportation needs. This support included medical appointments and escort services, nutritious meals, day respite services, assessments by professional therapists, and integration activities involving the arts. During the Reporting Year, the Group made a charitable and other donations of approximately HK\$4,000.

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 2023.

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 was 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 2023 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 82 to 131.

The Group has distributed the final dividend of HK7.5 cents per ordinary shares (the "Shares"), totalling HK\$30.0 million in respect of the year ended 31 December 2022 on 5 June 2023 and the interim dividend of HK2.5 cents per the Shares, totalling HK\$10.0 million in respect of the six months ended 30 June 2023 on 29 September 2023. The Group has paid one-off special dividend of HK\$0.175 per the Shares, totalling HK\$70.0 million on 16 February 2024.

The Board does not recommend the payment of final dividend for the year ended 31 December 2023.

FINANCIAL SUMMARY

A summary of the results, and assets and liabilities of the Group announced in the past five years are set out on page 132 of this annual report.

DIRECTORS' REPORT (continued)

BUSINESS REVIEW

Overview

A review of the business of the Group for the year ended 31 December 2023 and a discussion on the Group's future business development are provided in the "Management's Discussion and Analysis" on pages 6 to 15. 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 12 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 Group has paid one-off special dividend of HK\$0.175 per the Shares, totalling HK\$70.0 million on 16 February 2024.

Saved 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 6 to 15 of this annual report. This discussion constitutes a part of this Directors' Report.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2023, the five largest customers accounted for approximately 86.9% (2022: 90.5%) of the Group's total revenue. The five largest suppliers accounted for approximately 45.1% (2022: 57.4%) of the Group's total purchases. In addition, the largest customer accounted for approximately 40.0% (2022: 48.7%) of the Group's total revenue while the largest supplier accounted for approximately 15.5% (2022: 32.5%) 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.

RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Group maintains a sound 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 sound relationships with its customers and suppliers, without whom success in the Group's operation would be at risk.

DONATION

During the year ended 31 December 2023, the Group made a charitable and other donations of approximately HK\$4,000 (2022: Nil).

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2023, the Group had 119 employees in Hong Kong (31 December 2022: 137 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 2023 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 2023.

INTEREST CAPITALISED

The Group has not capitalised any interest during the year ended 31 December 2023.

SHARE CAPITAL

Details of the movements in the share capital of the Company during the year ended 31 December 2023 is set out in note 21 to the consolidated financial statements.

DIRECTORS' REPORT (continued)

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 84 and in note 22 to the consolidated financial statements, respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2023, the Company had distributable reserve of approximately HK\$120.1 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.

PRE-EMPTIVE RIGHTS

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

TAX RELIEF

The Directors are not aware of any tax relief available to the shareholders by reason of their holding of the Company's securities.

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 2023.

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 five years of the Share Option Scheme.

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.

DIRECTORS' REPORT (continued)

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 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).

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 2023 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

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, Mr. Kwong and Mr. Ling 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 16 to 20 of this annual report.

DIRECTORS' REPORT (continued)

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 and subsequently renewed for a term of three years commencing from the GEM Listing, except Ms Chiao who has entered into a letter of appointment with the Company on 1 July 2021, the 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 2023 include 2 Directors (2022: 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 3.13 of the Listing Rules from each of the INEDs and considers that all the INEDs, namely Ms. Chiao, Mr. Kwong, Mr. Ling and Mr. Tso are independent and meet the independent guidelines set out in Rule 3.13 of the Listing Rules.

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 2023, 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 2023 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 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 (the "**Restricted Business**").

DIRECTORS' REPORT (continued)

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 and the Listing Documents, 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.

COMPETING INTERESTS

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 during the year ended 31 December 2023 and up to the date of this annual report.

PERMITTED INDEMNITY PROVISION

Upon the GEM 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 2023.

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 2023.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as otherwise disclosed in this Report, at no time during the year ended 31 December 2023 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 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).

DIRECTORS' REPORT (continued)

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 2023, 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 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) (Notes 2 and 3)	75% (Note 1)
	Good Hill	Beneficial owner	2 (L) (Note 3)	50%
Mr. Ho	Company	Interest in a controlled corporation/Interests held jointly with another person	300,000,000 (L) (Notes 2 and 3)	75% (Note 1)
	Good Hill	Beneficial owner	2 (L) (Note 3)	50%

Notes:

1. As at 31 December 2023, 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 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.
3. 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 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 2023, 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 ^(Note 1)
Good Hill	Beneficial owner	300,000,000 (L) ^(Notes 2 and 5)	75%
Ms. Cao Hongmei	Interest of spouse	300,000,000 (L) ^(Notes 3 and 5)	75%
Ms. Lee Kim Kum	Interest of spouse	300,000,000 (L) ^(Notes 4 and 5)	75%

Notes:

- As at 31 December 2023, 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.

DIRECTORS' REPORT (continued)

Save as disclosed above, as at the 31 December 2023, 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 2023.

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 2023. 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 21 to 38 of this report.

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 Model Code regarding securities transactions during the year ended 31 December 2023.

The Board has also adopted the Model Code to regulate all dealings by relevant employees who are likely to be in possession of unpublished inside information of the 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 Model Code by the Company's relevant employees was identified during the year ended 31 December 2023 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 2023.

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.

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 39 to 60 of this annual report.

SIGNIFICANT INVESTMENTS AND FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

During the year ended 31 December 2023, 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 2023 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

The Group has paid one-off special dividend of HK\$0.175 per the Shares, totalling HK\$70.0 million on 16 February 2024.

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

DIRECTORS' REPORT (continued)

ANNUAL GENERAL MEETING

The AGM of the Company will be held on 21 May 2024, 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 Wednesday, 15 May 2024 to Tuesday, 21 May 2024 (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 Tuesday, 14 May 2024.

AUDITOR

The consolidated financial statements for the year ended 31 December 2023 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, 28 March 2024

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 82 to 131, which comprise the consolidated statement of financial position as at 31 December 2023, 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 material accounting policy information.

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 2023, 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 notes 2.13, 4 and 5 to the consolidated financial statements.

Key Audit Matter

The Group recognised revenue and costs from construction contracts amounted to approximately HK\$168,202,000 and HK\$147,543,000, respectively for the year ended 31 December 2023.

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 require 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.

How the Matter was Addressed in our Audit

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 verified 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; 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 2023 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 SAR

28 March 2024

Lau Kwong Kei

Practising Certificate No.: P07578

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2023

	Notes	2023 HK\$'000	2022 HK\$'000
Revenue	5	168,202	192,258
Cost of services		(147,543)	(171,387)
Gross profit		20,659	20,871
Other income and other gains, net	6	4,348	4,315
Administrative expenses		(8,980)	(8,854)
Finance costs	7	(83)	(52)
Profit before income tax	8	15,944	16,280
Income tax expense	9	(2,002)	(1,805)
Profit and total comprehensive income for the year		13,942	14,475
Earnings per share attributable to equity holders of the Company			
Basic and diluted	11	HK3.49 cents	HK3.62 cents

The notes on pages 86 to 131 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2023

	Notes	2023 HK\$'000	2022 HK\$'000
ASSETS AND LIABILITIES			
Non-current asset			
Property, plant and equipment	13	6,859	9,974
Current assets			
Contract assets	16	33,615	26,720
Trade and other receivables	15	12,029	22,892
Cash and bank balances	17	114,555	147,367
		160,199	196,979
Current liabilities			
Trade and other payables	18	21,632	33,784
Lease liabilities	19	465	572
Current tax liabilities		922	1,382
		23,019	35,738
Net current assets		137,180	161,241
Total assets less current liabilities		144,039	171,215
Non-current liabilities			
Lease liabilities	19	304	1,116
Deferred tax liabilities	20	655	961
		959	2,077
Net assets		143,080	169,138
EQUITY			
Share capital	21	4,000	4,000
Reserves	22	139,080	165,138
Equity attributable to equity holders of the Company		143,080	169,138

Mr. Sieh Shing Kee
Director

Mr. Ho Ka Ki
Director

The notes on pages 86 to 131 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2023

	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 2022	4,000	50,084	1	100,578	154,663
Profit and total comprehensive income for the year	–	–	–	14,475	14,475
Balance at 31 December 2022 and 1 January 2023	4,000	50,084	1	115,053	169,138
Profit and total comprehensive income for the year	–	–	–	13,942	13,942
Final dividend for the year ended 31 December 2022 (Note 10)	–	–	–	(30,000)	(30,000)
Interim dividend for the year ended 31 December 2023 (Note 10)	–	–	–	(10,000)	(10,000)
Balance at 31 December 2023	4,000	50,084	1	88,995	143,080

* These reserve accounts comprise the consolidated reserves of HK\$139,080,000 (2022: HK\$165,138,000) in the consolidated statement of financial position.

The notes on pages 86 to 131 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2023

	Notes	2023 HK\$'000	2022 HK\$'000
Cash flows from operating activities			
Profit before income tax		15,944	16,280
Adjustments for:			
Depreciation		3,435	2,761
Gain on disposal of property, plant and equipment		(10)	(1)
Finance costs		83	52
Bank interest income		(4,338)	(928)
Operating profit before working capital changes		15,114	18,164
(Increase)/decrease in contract assets		(6,895)	23,959
Decrease/(increase) in trade and other receivables		10,863	(9,424)
(Decrease)/increase in trade and other payables		(12,152)	2,452
Cash generated from operations		6,930	35,151
Income taxes paid		(2,768)	(1,001)
<i>Net cash generated from operating activities</i>		4,162	34,150
Cash flows from investing activities			
Interest received	6	4,338	553
Purchase of property, plant and equipment		(420)	(6,089)
Proceeds from disposal of property, plant and equipment		110	4
<i>Net cash generated from/(used in) investing activities</i>		4,028	(5,532)
Cash flows from financing activities			
Payment of lease liabilities	25	(919)	(616)
Interest paid		(83)	(52)
Dividends paid	10	(40,000)	–
<i>Net cash used in financing activities</i>		(41,002)	(668)
Net (decrease)/increase in cash and cash equivalents		(32,812)	27,950
Cash and cash equivalents at the beginning of year		147,367	119,417
Cash and cash equivalents at the end of year	17	114,555	147,367

The notes on pages 86 to 131 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2023

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 Main Board of The Stock Exchange of Hong Kong Limited.

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 and Mr. Ho Ka Ki.

The consolidated financial statements were approved for issue by the board of directors on 28 March 2024.

2. SUMMARY OF MATERIAL 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 material 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 2023

2. SUMMARY OF MATERIAL 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 and losses 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 2023

2. SUMMARY OF MATERIAL 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 end of 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 2023

2. SUMMARY OF MATERIAL 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 2023

2. SUMMARY OF MATERIAL 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 and other gains, 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 2023

2. SUMMARY OF MATERIAL 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 2023

2. SUMMARY OF MATERIAL 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 2023

2. SUMMARY OF MATERIAL 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 2023

2. SUMMARY OF MATERIAL 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 2023

2. SUMMARY OF MATERIAL 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 2023

2. SUMMARY OF MATERIAL 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 2023

2. SUMMARY OF MATERIAL 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 2023

2. SUMMARY OF MATERIAL 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 and other gains, 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 2023

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.15 Employee benefits

Retirement benefits

Retirement benefits to employees are provided through defined contribution plans. In addition, the employees employed under the Hong Kong Employment Ordinance are also entitled to long service payment (“LSP”) if the eligibility criteria are met.

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 2023 and 2022, 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 2023

2. SUMMARY OF MATERIAL 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.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies the requirements in HKAS 12 to the lease liabilities and the related assets separately. The Group recognises a deferred tax asset related to the lease liabilities to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised and a deferred tax liability for all taxable temporary differences.

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 2023

2. SUMMARY OF MATERIAL 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 2023

2. SUMMARY OF MATERIAL 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 2023

3. ADOPTION OF AMENDED HKFRSs

3.1 New and amended HKFRSs that are effective for annual periods beginning on 1 January 2023

In the current year, the Group has applied for the first time the following new and 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 2023:

HKFRS 17	Insurance Contracts and related amendments
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform – Pillar Two Model Rules

The adoption of these new and amended HKFRSs had no material impact on how the results and financial position for the current and prior period have been prepared and presented.

3.2 Issued but not yet effective HKFRSs

At the date of authorisation of these consolidated financial statements, certain amended HKFRSs have been published but are not yet effective, and have not been adopted early by the Group.

Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback ¹
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 ¹
Amendments to HKAS 1	Non-current Liabilities with Covenants ¹
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements ¹
Amendments to HKAS 21	Lack of Exchangeability ²

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

² Effective for annual periods beginning on or after 1 January 2025

³ Effective date not yet determined

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2023

3. ADOPTION OF AMENDED HKFRSs (Continued)

3.3 New HKICPA guidance on the accounting implication of the MPF-LSP offsetting mechanism

In June 2022, the Hong Kong SAR Government (the “**Government**”) gazetted the Hong Kong Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the “**Amendment Ordinance**”), which will take effect on 1 May 2025 (the “**Transition Date**”). The Amendment Ordinance abolishes the use of the accrued benefits derived from employers’ mandatory MPF contributions to offset LSP in respect of an employee’s service from the Transition Date (the “**Abolition**”). In addition, the last month’s salary immediately preceding the Transition Date is used to calculate the portion of the LSP in respect of the employment period before the Transition Date.

In July 2023, the HKICPA published “Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong” (“**the Guidance**”) that provides guidance for the accounting for the offsetting mechanism and the impact arising from the abolition of the MPF-LSP offsetting mechanism.

By following the Guidance, the Group has changed its accounting policy in connection with its LSP obligations. As a result of the Abolition, these contributions are no longer considered “linked solely to the employee’s service in that period” since the mandatory employer MPF contribution after the Transition Date can still be used to offset the pre-transition LSP obligation. This change in accounting policy did not have any impact on the opening balance of equity at 1 January 2023, and the earnings per share amounts for the year ended 31 December 2022. It also did not have a material impact on the company-level statements of financial position as at 31 December 2022 and 31 December 2023.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2023

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 2023

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

Estimation of impairment of trade and other receivables and contract assets within the scope of ECL under HKFRS 9

The Group makes allowances on items subjects to ECL (including trade and other receivables 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 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 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 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.

	2023 HK\$'000	2022 HK\$'000
Provision of slope works		
– Public sector projects	146,409	170,932
– Private sector projects	21,793	21,326
	168,202	192,258

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2023

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.

	2023 HK\$'000	2022 HK\$'000
Remaining performance obligations expected to be satisfied during the year ending		
31 December 2023	–	197,170
31 December 2024	294,147	135,650
31 December 2025	97,372	47,404
31 December 2026	41,242	38,026
	432,761	418,250

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 2023

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:

	2023 HK\$'000	2022 HK\$'000
Customer A	N/A*	20,459
Customer B	33,820	34,714
Customer C	67,241	93,544
Customer D	21,029	N/A*

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

6. OTHER INCOME AND OTHER GAINS, NET

	2023 HK\$'000	2022 HK\$'000
Bank interest income	4,338	928
Gain on disposal of property, plant and equipment	10	1
Government grant (note)	—	3,386
	4,348	4,315

Note: During the year ended 31 December 2022, the Group recognised the subsidies from the Employment Support Scheme for Regular Employees and Construction Sector (Casual Employees) under Anti-epidemic Fund provided by the Government of Hong Kong Special Administrative Region as part of the relief measures on COVID-19 pandemic, the Construction Innovation and Technology Fund and allowance from Anti-epidemic Fund 6.0 to cleansing and security staff of approximately HK\$3,324,000, HK\$54,000 and HK\$8,000 respectively.

During the year ended 31 December 2023, no subsidy was received by the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2023

7. FINANCE COSTS

	2023 HK\$'000	2022 HK\$'000
Finance charges on lease liabilities	82	52
Interest expense on bank overdrafts	1	–
	83	52

8. PROFIT BEFORE INCOME TAX

	2023 HK\$'000	2022 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	58,143	57,490
– Contributions to defined contribution retirement plans	2,038	2,086
	60,181	59,576
Note: Presenting in consolidated statement of profit or loss and other comprehensive income as:		
– Cost of services	55,418	54,969
– Administrative expenses	4,763	4,607
	60,181	59,576
(b) Other items		
Depreciation, included in:		
– Cost of services		
– owned assets	2,565	2,129
– right-of-use assets	494	255
– Administrative expenses		
– owned assets	115	123
– right-of-use assets	261	254
	3,435	2,761
Auditor's remuneration	830	800
Subcontracting charges (included in "cost of services")	54,595	49,915
Short-term lease with lease term less than 12 months in respect of machinery (included in "cost of services")	360	10,915
Short-term lease with lease term less than 12 months in respect of a carpark (included in "administrative expenses")	55	60

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2023

9. INCOME TAX EXPENSE

	2023 HK\$'000	2022 HK\$'000
Provision for Hong Kong Profits Tax		
– Current tax	2,309	1,381
– Over provision in respect of prior years	(1)	(38)
	2,308	1,343
Deferred tax (note 20)	(306)	462
	2,002	1,805

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 2023 and 2022, Hong Kong Profits Tax of A-City Workshop Limited, a subsidiary of the Group, is calculated in accordance with the two-tiered profits tax rates regime. Profits 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:

	2023 HK\$'000	2022 HK\$'000
Profit before income tax	15,944	16,280
Tax at Hong Kong Profits Tax rate of 16.5% (2022: 16.5%)	2,631	2,686
Tax effect of non-taxable revenue	(718)	(712)
Tax effect of non-deductible expenses	255	43
Effect of two-tiered profits tax rates regime	(165)	(165)
Over provision in respect of prior years	(1)	(38)
Utilisation of tax losses previously not recognised	–	(9)
Income tax expense	2,002	1,805

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2023

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 2023, the Group had unused tax losses of approximately HK\$1,379,000 (2022: HK\$149,000), which are available for offset against future profits that may be carried forward indefinitely and are subject to approval from the Hong Kong Inland Revenue Department.

10. DIVIDENDS

(a) Dividends attributable to the year

	2023 HK\$'000	2022 HK\$'000
Proposed final dividend of HK7.5 cents per ordinary share for the year ended 31 December 2022	–	30,000
Interim dividend of HK2.5 cents per ordinary share for the year ended 31 December 2023	10,000	–
	10,000	30,000

(b) Dividends attributable to the previous financial year, approved and paid during the year

	2023 HK\$'000	2022 HK\$'000
Final dividend of HK7.5 cents per ordinary share for the year ended 31 December 2022	30,000	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2023

10. DIVIDENDS (Continued)

In the meeting of the board of directors held on 29 March 2023, the board proposed a final dividend of HK7.5 cents per ordinary share, totalling HK\$30,000,000 for the year ended 31 December 2022. The proposal was approved by shareholders of the Company in the annual general meeting held on 9 May 2023 and the final dividend was paid on 5 June 2023.

In the meeting of the board of directors held on 31 August 2023, the board declared an interim dividend of HK2.5 cents per ordinary share, totalling HK\$10,000,000. The interim dividend was paid on 29 September 2023.

In the meeting of the board of directors held on 19 January 2024, the board proposed a special dividend of HK17.5 cents per ordinary share, totalling HK\$70,000,000. The proposal was approved by shareholders of the Company in the extraordinary general meeting held on 2 February 2024 and the special dividend was paid on 16 February 2024.

The board of directors does not recommend the payment of final dividend for the year ended 31 December 2023.

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.

	2023	2022
Earnings for the purpose of calculating basic earnings per share (profit for the year) (HK\$'000)	13,942	14,475
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 2023 and 2022.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2023

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
Year ended 31 December 2023				
<i>Executive directors:</i>				
Mr. Sieh Shing Kee (<i>Chairman</i>) (note (i))	–	1,200	18	1,218
Mr. Ho Ka Ki (<i>Chief Executive Officer</i>) (note (ii))	–	1,200	18	1,218
<i>Independent non-executive directors:</i>				
Mr. Kwong Che Sing	168	–	–	168
Mr. Ling Siu Tsang	168	–	–	168
Mr. Tso Ping Cheong Brian	168	–	–	168
Ms. Chiao Siu Ling	150	–	–	150
	654	2,400	36	3,090
Year ended 31 December 2022				
<i>Executive directors:</i>				
Mr. Sieh Shing Kee (<i>Chairman</i>) (note (i))	–	1,200	18	1,218
Mr. Ho Ka Ki (<i>Chief Executive Officer</i>) (note (ii))	–	1,200	18	1,218
<i>Independent non-executive directors:</i>				
Mr. Kwong Che Sing	165	–	–	165
Mr. Ling Siu Tsang	165	–	–	165
Mr. Tso Ping Cheong Brian	165	–	–	165
Ms. Chiao Siu Ling	150	–	–	150
	645	2,400	36	3,081

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2023

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

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

Notes:

- (i) Mr. Sieh Shing Kee is also the Chairman of the Company and a director of the Company's subsidiaries during the years ended 31 December 2023 and 2022. The emoluments above included his services in connection with these capacities.
- (ii) Mr. Ho Ka Ki is also the Chief Executive Officer of the Company and a director of the Company's subsidiaries during the years ended 31 December 2023 and 2022. The emoluments above included his services in connection with these capacities.
- (iii) 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 2023 and 2022.
- (iv) 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 2023 and 2022.
- (v) There was no arrangement under which a director has waived or agreed to waive any emolument during the years ended 31 December 2023 and 2022.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year ended 31 December 2023 included two (2022: two) directors whose emoluments are disclosed in note 12(a). The aggregate of the emoluments in respect of the remaining three (2022: three) individuals are as follows:

	2023 HK\$'000	2022 HK\$'000
Salaries, fee and allowances	2,388	2,249
Retirement scheme contributions	67	65
	2,455	2,314

The emoluments fell within the following bands:

	2023	2022
Emolument bands:		
Nil – HK\$1,000,000	3	3

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2023

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 (note)	Total HK\$'000
At 1 January 2022						
Cost	501	66	1,344	3,936	1,911	7,758
Accumulated depreciation	(335)	(17)	(584)	(1,905)	(1,054)	(3,895)
Net book amount	166	49	760	2,031	857	3,863
Year ended 31 December 2022						
Opening net book amount	166	49	760	2,031	857	3,863
Additions	1,033	948	2,107	1,064	3,201	8,353
Disposals	-	-	-	-	(3)	(3)
Lease modification	522	-	-	-	-	522
Depreciation	(426)	(40)	(375)	(885)	(1,035)	(2,761)
Closing net book amount	1,295	957	2,492	2,210	3,020	9,974
At 31 December 2022 and 1 January 2023						
Cost	1,555	1,014	3,451	5,000	5,079	16,099
Accumulated depreciation	(260)	(57)	(959)	(2,790)	(2,059)	(6,125)
Net book amount	1,295	957	2,492	2,210	3,020	9,974
Year ended 31 December 2023						
Opening net book amount	1,295	957	2,492	2,210	3,020	9,974
Additions	-	45	168	116	91	420
Disposals	-	-	-	-	(100)	(100)
Depreciation	(556)	(204)	(628)	(782)	(1,265)	(3,435)
Closing net book amount	739	798	2,032	1,544	1,746	6,859
At 31 December 2023						
Cost	1,555	1,059	3,619	5,116	4,721	16,070
Accumulated depreciation	(816)	(261)	(1,587)	(3,572)	(2,975)	(9,211)
Net book amount	739	798	2,032	1,544	1,746	6,859

Note: The Group has obtained the right to use premises and motor vehicles through the lease agreements. The lease typically run on an initial period of 2 to 3.5 years. The Group makes fixed payments during the contract period. As at 31 December 2023, the carrying amounts of the Group's right-of-use assets in relation to the premises and motor vehicles are HK\$739,000 (2022: HK\$1,295,000) and HK\$315,000 (2022: HK\$514,000) respectively. The depreciation charge for the year ended 31 December 2023 of the Group's right-of-use assets in relation to premises and motor vehicles are HK\$556,000 (2022: HK\$426,000) and HK\$199,000 (2022: HK\$83,000) respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2023

14. PARTICULARS OF SUBSIDIARIES

Particulars of the subsidiaries at 31 December 2023 and 2022 are as follows:

Name of company	Kind of legal entity	Place of incorporation and operation	Issued and paid up capital	Equity interest attributable to the Group		Principal activities
				2023	2022	
Directly held by the Company						
Kanic International Limited	Limited liability company	The BVI	US\$11 (2022: US\$11)	100%	100%	Investment holding
Indirectly held by the Company						
A-City Workshop Limited	Limited liability company	Hong Kong	HK\$13,900,000 (2022: HK\$13,900,000)	100%	100%	Undertaking slope works in Hong Kong

None of the subsidiaries had issued any debt securities at the end of the reporting period.

15. TRADE AND OTHER RECEIVABLES

	2023 HK\$'000	2022 HK\$'000
Trade receivables (note (i))	6,495	14,968
Prepayments (note (ii))	3,866	6,344
Other receivables and utility deposits (note (iii))	1,668	1,580
	12,029	22,892

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 2023

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:

	2023 HK\$'000	2022 HK\$'000
0-30 days	62	448
31-90 days	1,141	9,544
91-365 days	5,292	4,976
	6,495	14,968

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 2023 and 2022, the Group assessed the loss allowance and the expected credit loss rate under the application of HKFRS 9 were insignificant.

(ii) Prepayments

As at 31 December 2023, prepayments mainly comprised of: (1) prepaid expenses for insurance covered in sites operation and machinery rentals expenses which amounted to HK\$3,329,000 (2022: HK\$5,635,000); and (2) prepaid professional fee which amounted to HK\$220,000 (2022: HK\$265,000).

(iii) Other receivables and utility deposits

As at 31 December 2023, other receivables mainly comprised of: (1) utility deposits which amounted to HK\$1,085,000 (2022: HK\$1,182,000) and (2) interest receivables which amounted to HK\$560,000 (2022: HK\$375,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2023

16. CONTRACT ASSETS

	2023 HK\$'000	2022 HK\$'000
Unbilled revenue	28,669	20,835
Retention receivables	4,946	5,885
	33,615	26,720

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 2023 and 2022, the Group assessed the loss allowance and the expected credit loss rate under the application of HKFRS 9 were insignificant.

Changes of contract assets during the year ended 31 December 2023 were mainly due to:

- (i) Changes in unbilled revenue as a result of number of contract works that the relevant services were completed and certified during the year;
- (ii) Changes in retention receivables as a result of a decrease of number of ongoing and completed contracts under the defect liability period during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2023

16. CONTRACT ASSETS (Continued)

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

	2023 HK\$'000	2022 HK\$'000
Transfers from contract assets recognised at the beginning of the year to trade receivables	22,348	45,620

No contract liability was recognised as at both 31 December 2023 and 2022.

17. CASH AND BANK BALANCES

	2023 HK\$'000	2022 HK\$'000
Cash at banks and in hand	8,710	10,146
Short-term bank deposits	105,845	137,221
	114,555	147,367

Cash at banks earns interest at floating rates based on daily bank deposit rates. The short-term bank deposits earn at 3.25% to 4.6% (2022: 2.6% to 5.2%) interest per annum with a maturity of three months (2022: 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2023

18. TRADE AND OTHER PAYABLES

	2023 HK\$'000	2022 HK\$'000
Trade payables (note (i))	20,066	31,967
Accruals and other payables (note (ii))	1,566	1,817
	21,632	33,784

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:

	2023 HK\$'000	2022 HK\$'000
0–30 days	14,356	25,907
31–60 days	318	5,441
61–90 days	26	–
91–365 days	–	603
Over 365 days	5,366	16
	20,066	31,967

(ii) Accruals and other payables

As at 31 December 2023, accruals and other payables mainly comprised of: (1) advance payment from customers which amounted to HK\$394,000 (2022: HK\$394,000); (2) other payable to subcontractor which amounted to HK\$340,000 (2022: HK\$340,000); and (3) accrued professional fee which amounted to HK\$830,000 (2022: HK\$1,073,000).

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 2023

19. LEASE LIABILITIES

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

	2023 HK\$'000	2022 HK\$'000
Total minimum lease payments:		
Within one year	491	643
After one year but within two years	310	1,160
	801	1,803
Less: Future finance charges on lease liabilities	(32)	(115)
Present value of lease liabilities	769	1,688
Present value of minimum lease payments:		
Within one year	465	572
After one year but within two years	304	1,116
	769	1,688
Less: Portion due within one year included under current liabilities	(465)	(572)
Portion due after one year included under non-current liabilities	304	1,116

During the year ended 31 December 2023, the total cash outflows for the leases are approximately HK\$1,416,000 (2022: HK\$11,643,000).

20. DEFERRED TAX LIABILITIES

During the years ended 31 December 2023 and 2022, 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 2023

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:

	Accelerated tax depreciation HK\$'000
As at 1 January 2022	499
Charged to profit or loss (note 9)	462
As at 31 December 2022 and 1 January 2023	961
Credited to profit or loss (note 9)	(306)
As at 31 December 2023	655

21. SHARE CAPITAL

The authorised and issued share capital of the Company for the years ended 31 December 2023 and 2022 are as follows:

Ordinary shares of HK\$0.01 each	Number of shares	HK\$'000
Authorised:		
As at 31 December 2023 and 2022	1,000,000,000	10,000
Issued and fully paid:		
As at 31 December 2023 and 2022	400,000,000	4,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2023

22. RESERVES

The amounts of the Group's reserves and the movements therein for the years ended 31 December 2023 and 2022 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 2023 and 2022 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 2023

23. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Notes	2023 HK\$'000	2022 HK\$'000
ASSETS AND LIABILITIES		
Non-current asset		
Investment in a subsidiary	26,780	26,780
Current assets		
Prepayments	220	265
Amounts due from subsidiaries (note (i))	124,192	23,113
Cash and bank balances	502	255
	124,914	23,633
Current liabilities		
Accruals	830	1,081
Net current assets	124,084	22,552
Net assets	150,864	49,332
EQUITY		
Share capital	4,000	4,000
Reserves (note (ii))	146,864	45,332
Total equity	150,864	49,332

Approved and authorised for issue by the board of directors on 28 March 2024.

Mr. Sieh Shing Kee
Director

Mr. Ho Ka Ki
Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2023

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

Notes:

- (i) 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 closed to zero (2022: close to zero) 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.
- (ii) The movements of the Company's reserves are as follows:

	Share premium HK\$'000	Capital reserve HK\$'000	Accumulated (losses)/ Retained earnings HK\$'000	Total HK\$'000
Balance as at 1 January 2022	50,084	26,780	(31,560)	45,304
Profit and total comprehensive income for the year	–	–	28	28
Balance as at 31 December 2022 and 1 January 2023	50,084	26,780	(31,532)	45,332
Profit and total comprehensive income for the year	–	–	141,532	141,532
Final dividend for the year ended 31 December 2022 (Note 10)	–	–	(30,000)	(30,000)
Interim dividend for the year ended 31 December 2023 (Note 10)	–	–	(10,000)	(10,000)
Balance as at 31 December 2023	50,084	26,780	70,000	146,864

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:

	2023 HK\$'000	2022 HK\$'000
Salaries, fee and allowances	4,118	4,044
Retirement benefit scheme contributions	72	72
	4,190	4,116

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2023

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 2022	181
Change from financing cash flows:	
Payment of lease liabilities	(616)
Interest paid	(52)
Other changes:	
Capital element upon entering of new leases	1,601
Reassessment of lease term	522
Finance charges on lease liabilities	52
At 31 December 2022	1,688
At 1 January 2023	1,688
Change from financing cash flows:	
Payment of lease liabilities	(919)
Interest paid	(82)
Other changes:	
Finance charges on lease liabilities	82
At 31 December 2023	769

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2023

26. POTENTIAL LITIGATION

As at 31 December 2023 and 2022, 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.

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:

	2023 HK\$'000	2022 HK\$'000
Financial assets		
<i>Financial assets at amortised cost</i>		
– Trade and other receivables	8,163	16,548
– Cash and bank balances	114,555	147,367
	122,718	163,915
Financial liabilities		
<i>Financial liabilities measured at amortised cost</i>		
– Trade and other payables	21,632	33,784
– Lease liabilities	769	1,688
	22,401	35,472

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2023

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

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.

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 2023, the Group has concentration of credit risk as 75.6% and 75.6% (2022: 32.8% and 97.9%) of the total trade receivables (note 15) were due from the Group's largest customer, amounting to approximately HK\$4,909,000 (2022: HK\$4,909,000) and five largest customers, amounting to approximately HK\$4,909,000 (2022: HK\$14,650,000), 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 2023

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 2023 and 2022, 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, 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 2023

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
At 31 December 2023					
Trade and other payables	21,632	–	–	21,632	21,632
Lease liabilities	491	310	–	801	769
	22,123	310	–	22,433	22,401
At 31 December 2022					
Trade and other payables	33,784	–	–	33,784	33,784
Lease liabilities	643	726	434	1,803	1,688
	34,427	726	434	35,587	35,472

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 2023

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:

	2023 HK\$'000	2022 HK\$'000
Lease liabilities	769	1,688
Less: cash and bank balances	(114,555)	(147,367)
Net debt	(113,786)	(145,679)
Total equity	143,080	169,138
Net debt to equity ratio	N/A	N/A

29. EVENT AFTER THE REPORTING PERIOD

In the meeting of the board of directors held on 19 January 2024, the board proposed a special dividend of HK17.5 cents per ordinary share, totalling HK\$70,000,000. The proposal was approved by shareholders of the Company in the extraordinary general meeting held on 2 February 2024 and the special dividend was paid on 16 February 2024.

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				
	2023 HK\$'000	2022 HK\$'000	2021 HK\$'000	2020 HK\$'000	2019 HK\$'000
CONSOLIDATED RESULTS					
Revenue	168,202	192,258	293,907	276,006	183,903
Gross profit	20,659	20,871	53,745	51,596	33,357
Profit before income tax	15,944	16,280	35,256	46,244	11,476
Income tax expense	(2,002)	(1,805)	(7,455)	(6,894)	(4,610)
Profit and total comprehensive income for the year	13,942	14,475	27,801	39,350	6,866

	As at 31 December				
	2023 HK\$'000	2022 HK\$'000	2021 HK\$'000	2020 HK\$'000	2019 HK\$'000
CONSOLIDATED ASSETS AND LIABILITIES					
Total assets	167,058	206,953	187,081	161,284	108,058
Total liabilities	(23,978)	(37,815)	(32,418)	(34,422)	(20,546)
Equity attributable to equity holders of the Company	143,080	169,138	154,663	126,862	87,512