Maxicity Holdings Limited

豐城控股有限公司

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

Stock code: 8216

Annual Report

2019

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CONTENTS

Corporate Information	2
Chairman's Statement	4
Management's Discussion and Analysis	6
Biographical Details of Directors and Senior Management	20
Corporate Governance Report	25
Environmental, Social and Governance Report	40
Directors' Report	52
Independent Auditor's Report	69
Consolidated Statement of Profit or Loss and Other Comprehensive Income	74
Consolidated Statement of Financial Position	75
Consolidated Statement of Changes in Equity	76
Consolidated Statement of Cash Flows	77
Notes to the Consolidated Financial Statements	78
Financial Summary	126

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Independent non-executive Directors

Mr. Kwong Che Sing
Mr. Ling Siu Tsang
Mr. Tso Ping Cheong Brian

AUDIT COMMITTEE

Mr. Tso Ping Cheong Brian *(Chairman)*
Mr. Kwong Che Sing
Mr. Ling Siu Tsang

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

Mr. Sieh Shing Kee *(Chairman)*
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
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AUDITOR

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

COMPLIANCE ADVISER

Grande Capital Limited
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Admiralty Centre
18 Harcourt Road
Admiralty
Hong Kong

LEGAL ADVISERS AS TO HONG KONG LAW

Loeb & Loeb LLP
21st Floor, CCB Tower
3 Connaught Road Central
Hong Kong

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Boardroom Share Registrars (HK) Limited
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
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Cayman Islands

CAYMAN ISLANDS REGISTERED OFFICE

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PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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WEBSITE

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STOCK CODE

08216

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 the first annual report of the Group for the year ended 31 December 2019 (the "**Year**"). The ordinary shares of the Company (the "**Shares**") have been successfully listed (the "**Listing**") on the GEM on 13 December 2019 (the "**Listing Date**") by way of share offer (the "**Share Offer**"), which marked a significant milestone for the Group

FINANCIAL PERFORMANCE

For the year ended 31 December 2019, the Group recorded a revenue of approximately HK$183.9 million, representing a significant increase of approximately HK$72.7 million, or 65.3% as compared with the year ended 31 December 2018 of approximately HK$111.2 million. Our gross profit margin decreased by 1.3% to approximately 18.1% for the year ended 31 December 2019 as compared with the year ended 31 December 2018 of approximately 19.4%. Profit and total comprehensive income for the year was HK$6.9 million, representing a significant decrease of approximately HK$9.2 million or 57.3% as compared with the year ended 31 December 2018 of approximately HK$16.1 million, which was mainly due to the increase in listing expenses, which is one-off in nature. Adjusted profit and total comprehensive income for the year ended 31 December 2019 (excluding listing expenses) amounted to approximately HK$23.6 million, increased by approximately HK$7.4 million, or 45.6%, as compared with the year ended 31 December 2018 for approximately HK$16.2 million. As at 31 December 2019, the Group had cash and bank balances of approximately HK$66.7 million, increased by approximately HK$54.3 million, or 436.4% as compared with those as at 31 December 2018 of approximately HK$12.4 million. The Board does not recommend the payment of any dividend for the year ended 31 December 2019 (2018: nil).

PROSPECTS/BUSINESS OUTLOOK

The estimated revenue of slope works in Hong Kong is forecasted to grow from 2019 to 2023, at a CAGR of 7.4%. Our executive Directors believe that the development of slope works industry is closely related to the construction industry as a whole, and the slope works industry is expected to benefit from the Promotion of Landslip Prevention and Mitigation Programme ("**LPMitP**"), rising housing supply, expansion of urban areas and technology advancement in slope engineering. In order to capture such growth, we strengthened our manpower by recruiting additional staff for new slope works projects and were in the process of financing the issue of performance guarantees in favour of our customers for coming projects as stated in our business objectives in the prospectus of the Company dated 30 November 2019 (the "**Prospectus**").

Our executive Directors consider that obtaining the registration as a probationary contractor on the List of Approved Specialist Contractors for Public Works maintained by the Development Bureau under the category of "Landslip preventive/remedial works to slopes/retaining walls" ("**Approved Specialist Contractor**") will significantly enhance our market position and facilitate us to expand our market share in the slope works industry in Hong Kong. After being registered as an Approved Specialist Contractor, we will be able to tender for public slope works directly from the Government of Hong Kong (the "**Government**"), which will give us exposure to more business opportunities and allow us to capture the forecasted growth in public slope works. During the year ended 31 December 2019, we submitted the application of registration on Approved Specialist Contractors. In order to satisfy the requirements of the application, we also acquired additional machinery and maintained the specific working capital as stated in our business objectives in the Prospectus.

In view of the outbreak of novel coronavirus pneumonia ("**2019-nCoV**") in Hong Kong, mainland China and elsewhere in the world (the "**Epidemic**") since January 2020, the Group has implemented measures, including frequent cleaning with disinfectant, ensuring all staffs wear face masks at work, and conducting body temperature test, etc., to protect the health and safety of the employees. We closely monitor the development of the Epidemic and use every effort on epidemic prevention and control during our daily operations. In mainland China, the outbreak of the 2019-nCoV heavily affected the operation of many industries, amongst which logistics is one of the most affected industries, and it has put pressure on our material supply since many of our local suppliers source their products from mainland China. We are communicating with our suppliers to source necessary materials to maintain our projects progress. The outbreak of the 2019-nCoV in other areas has not brought a huge impact on our operation based on the fact that we do not rely on those materials from these areas. We believe this situation will not be lasting, and thus, our supplies should return to normal when the Epidemic is under control. Our Directors believe that 2019-nCoV will not has significant impact on the Group's continuing business operations.

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
25 March 2020

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 (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 Limited ("**A- City Workshop**"), the Group's principal operating subsidiary, is registered under the Buildings Ordinance as a Registered General Building Contractor and a Registered Specialist Contractor under the sub register of "site formation works" category. A-City Workshop is also registered as specialist trade contractors scheme in Construction Industry Council for reinforcement bar fixing, concreting formwork and concreting and registered as subcontractor for earthwork and geotechnical works.

During the Year, the Group undertook 18 contracts with an aggregate contract sum of approximately HK$493.4 million in which the Group had completed 3 contracts with an aggregate contract sum of approximately HK$4.0 million. As at 31 December 2019, the Group had 15 contracts in progress with an aggregate contract sum of approximately HK$489.4 million.

FINANCIAL REVIEW

Revenue

Our revenue increased significantly from approximately HK$111.2 million for the year ended 31 December 2018 to approximately HK$183.9 million for the year ended 31 December 2019, representing a significant increase of approximately 65.3% or approximately HK$72.7 million. Our revenue significantly increased primarily due to the increase in the number of projects during the Year and an increase in our total number of projects with revenue contributed to us and an increase in our revenue derived from projects of relatively larger scale as illustrated in the tables below:

Number of projects with revenue contributions:

	2019	2018
Public sector projects	12	11
Private sector projects	6	5
Total	18	16

Revenue recognised:

	2019	2018
HK$10.0 million or above	6	4
HK$5.0 million to below HK$10.0 million	2	2
HK$1.0 million to below HK$5.0 million	5	6
Below HK$1.0 million	5	4
Total	18	16

Cost of Services

Cost of services increased significantly by approximately HK$60.9 million, or 67.9%, from approximately HK$89.7 million for the year ended 31 December 2018 to approximately HK$150.5 million for the year ended 31 December 2019. Such increase in cost of services was generally in line with the increase in revenue.

Gross Profit and Gross Profit Margin

Gross profit increased significantly by approximately HK$11.8 million, or 54.5%, from approximately HK$21.6 million for the year ended 31 December 2018 to approximately HK$33.4 million for the year ended 31 December 2019. Our gross profit margin decreased by 1.3% from approximately 19.4% for the year ended 31 December 2018 to approximately 18.1% for the year ended 31 December 2019 which remained relatively constant in both years.

Other Income, Gains and Losses

Other income, gains and losses increased by approximately HK$227,000 from an approximate loss of HK$3,000 for the year ended 31 December 2018 to an approximate gain of HK$224,000 for the year ended 31 December 2019. Such increase was mainly due to the gains on disposal of motor vehicles for the year ended 31 December 2019 as compared to the losses on disposal of motor vehicles for the year ended 31 December 2018.

Administrative Expenses

Administrative expenses increased significantly by approximately HK$2.9 million or 123.3% from approximately HK$2.4 million for the year ended 31 December 2018 to approximately HK$5.3 million for the year ended 31 December 2019. The significant increase of administrative expense was mainly contributed by the increase of our finance and administrative staffs as a result of the increased administrative works in the preparation of Listing and the general increment in salaries for the Directors and administration and finance staffs, an increase in bank charges for arranging banking facilities to support our daily operation and professional fee after listing.

Listing Expenses

Listing expenses increased significantly by approximately HK$16.6 million from approximately HK$0.1 million for the year ended 31 December 2018 to approximately HK$16.8 million for the year ended 31 December 2019. The Listing expenses was attributable to professional fee for Listing.

Finance Costs

The Group's finance costs for the year ended 31 December 2019 was approximately HK$34,000, which was mainly derived from the lease liabilities and the bank overdrafts. It was fully settled by end of the Year.

Income Tax Expenses

Income tax expenses increased significantly by approximately HK$1.6 million or 55.0% from approximately HK$3.0 million for the year ended 31 December 2018 to approximately HK$4.6 million for the year ended 31 December 2019. The significant increase in this expense is in line with the increase in profits before income tax (excluding listing expenses) as a result of the increase in our revenue and gross profit.

Profit and Total Comprehensive Income for the Year

Profit and total comprehensive income for the year ended 31 December 2019 amounted to approximately HK$6.9 million, decreased significantly by approximately HK$9.2 million or 57.3% as compared with HK$16.1 million for the year ended 31 December 2018. Such significant decrease was mainly attributable to listing expenses incurred by the Group during the year ended 31 December 2019. Adjusted profit and total comprehensive income for the year ended 31 December 2019 (excluding listing expenses) amounted to approximately HK$23.6 million as compared to the year ended 31 December 2018, increased by approximately HK$7.4 million or 45.6%.

Final Dividend

The Board has resolved not to recommend the declaration of a final dividend for the year ended 31 December 2019.

LIQUIDITY AND FINANCIAL RESOURCES

The Group maintained a sound financial position during the Year. As at 31 December 2019, the Group had cash and bank balances of approximately HK$66.7 million (as at 31 December 2018: approximately HK$12.4 million), increased by approximately HK$54.3 million, or 436.4%, which was mainly attributable to approximately HK$37.1 million raised upon the Listing.

Equity attributable to equity holders of the Company as at 31 December 2019 stood at approximately HK$87.5 million, representing an increase of approximately HK$61.0 million compared with approximately HK$26.6 million as at 31 December 2018. This change was primarily attributable to (i) the capitalisation of Listing expenses and (ii) the issue of 400,000,000 new shares issued at the price of HK$0.6 per share by the Share Offer in Hong Kong on the Listing Date.

Property, plant and equipment increased significantly by approximately HK$1.1 million or 64.0%, which was mainly attributable to the acquisition of plant and machinery and motor vehicles during the year ended 31 December 2019. To further strengthen the Group's market position, increase its market share and capture the growth in the Hong Kong slope works industry after the Listing, the Group has made additional investment in the machinery and equipment. During the year ended 31 December 2019, the Group acquired plant and equipment of approximately HK$1.3 million.

During the year ended 31 December 2019, the Group committed to the acquisition of plant and equipment and motor vehicles at approximately HK$3.0 million in order to meet the application requirement of Approved Specialist Contractor that was stated in our adjusted use of net proceeds of approximately HK$4.4 million. The Group made a deposit of approximately HK$0.7 million for such acquisition.

Gearing ratio

The Group's gearing ratio (dividing amounts due to Directors and lease liabilities by equity attributable to equity holders of the Company at period end date) decreased from 18.6% as at 31 December 2018 to 0.4% as at 31 December 2019. The decrease was mainly due to the repayment of amounts due to directors immediately before the Listing and the net proceeds from the Share Offer.

Current ratio

As at 31 December 2019, the Group had net current assets of approximately HK$84.4 million, representing a significant increase of approximately HK$59.2 million as compared to that of approximately HK$25.1 million as at 31 December 2018. As a result, current ratio increased to 5.2 times as at 31 December 2019 (as at 31 December 2018: 2.9 times).

Treasury Policy

The Group adopts a prudent financial management approach towards its treasury policy and thus maintained a healthy liquidity position throughout the reporting period. The management of the Group regularly reviews the recoverable amounts of contracts assets and trade receivables by performing ongoing credit assessments and monitoring prompt recovery and if necessary to make adequate impairment losses for irrecoverable amounts. In order to achieve better cost control and minimise the cost of funds, the Group's treasury activities are centralised and cash is generally deposited with leading licensed banks in Hong Kong and denominated in Hong Kong dollars.

As the Company was successfully listed on the GEM on the Listing Date, the Group's source of funds can be further satisfied by using a combination of cash generated from operating activities, the net proceeds from the Listing and other funds raised from the capital markets from time to time.

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	Our revenue is mainly generated from a limited number of customers.	One new customer had awarded one project to us with an aggregate estimated contract sum of HK$20.0 million.
High concentration on public sector slope works	A significant portion of our revenue was derived from the projects whose project employers are Government departments and statutory bodies.	We had made consistent effort in expanding our customer base in order to broaden the source of projects in private sector, as evidenced by the increase in number of private projects from 5 during the year ended 31 December 2018 to 6 during the year ended 31 December 2019.
Risk of cost overruns	The actual amount of project costs may exceed our initial estimated costs.	The Directors frequently monitor the progress of each project. Our pricing strategy is based on certain percentage of mark-up over our estimated cost which is reviewed by our management team.
Risk relating to subcontractors' performance	The quality of services of our subcontractors may not meet the requirements of our Group or our customers.	We regularly evaluates our subcontractors by taking into account their quality of services, qualifications, skills and technique, prevailing market price, delivery time, availability of resources in accommodating our requests and reputation. Generally, works performed by our subcontractors are inspected and monitored by our project management team based on our 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 OHSAS 18001:2007 standards, respectively.

Credit risk management	Our 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 our customers fail to collect payment from their customers, this will, in turn, adversely affect the collectability of our payments from our customers.	Our 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. We have a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis. Our finance and administration staff are responsible for conducting individual credit evaluations on our customers on a regular basis.
Liquidity risk management	There are often time lags between making payment to our suppliers (including subcontractors) and receiving payment from our customers when undertaking contractual works, resulting in possible cash flow mismatch.	Our financial controller is responsible for the overall monitoring of our current and expected liquidity requirements on a monthly basis; We only procure materials on an as-needed basis; and We closely monitor our working capital to ensure that our financial obligations can be fulfilled when due, by, amongst other things, (i) ensuring healthy cash and bank balances for payments of our short-term working capital needs; (ii) performing monthly review of our trade receivables and aging analysis, and following up closely to ensure prompt receipt of amounts due from our customers; and (iii) performing monthly review of our trade payables and aging analysis to ensure that payments to our suppliers are made on a timely basis.

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.

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, 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 STRUCTURE

As at 31 December 2019, the share capital of the Group comprised only ordinary shares. The capital structure of the Group is solely equity attributable to equity holders of the Group, in which comprises of share capital and reserves.

MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

During the year ended 31 December 2019, the Company did not have any significant acquisition and disposal of subsidiaries, associates or joint ventures except for the reorganisation transactions completed for the purpose of the Listing as set out in the section headed "History, Development and Reorganisation – Reorganisation" of the Prospectus.

SIGNIFICANT INVESTMENTS HELD

As at 31 December 2019, the Group did not have any significant investment held (as at 31 December 2018: nil).

CONTINGENT LIABILITIES

As at 31 December 2019, the Group did not have any contingent liabilities.

CAPITAL COMMITMENT

During the year ended 31 December 2019, the Group has committed to acquire approximately HK$3.0 million worth of plant and equipment and motor vehicles in order to meet the requirements for the application of Approved Specialist Contractor that was stated in our adjusted use of net proceeds of approximately HK$4.4 million. The Group has made a deposit of approximately HK$0.7 million for such acquisition. As at 31 December 2019, the outstanding capital commitment was approximately HK$2.3 million.

PERFORMANCE GUARANTEES

As at 31 December 2019, certain performance bonds totaling HK$9.0 million was issued by an insurance company in favour of the Group's customers as security for the due performance and observance of the Group's obligations under the contracts entered into between the Group and its customers.

The performance guarantees were secured by (i) corporate guarantees given by the Company; and (ii) a pledged deposit in the sum of HK$3.1 million placed by A-City Workshop with the insurance company.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed in the Prospectus, the Group did not have any other plan for material investments and capital assets.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2019, the Group had 193 employees excluding the Directors. Total staff costs excluding Directors' remuneration amounted to approximately HK$48.9 million. The remuneration packages the Group offers to its employees include salary and discretionary bonuses. The Group's remuneration policies are in line with the prevailing market practices and the staff remuneration is determined on the basis of the performance and experience of each individual employee.

USE OF PROCEEDS

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

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

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

An analysis of the planned usage of net proceeds as stated in the Prospectus and the actual utilisation of the net proceeds from the Listing Date up to 31 December 2019 are set out as below:

Business objectives and strategies as stated in the Prospectus	Planned use of net proceeds from the Listing Date to 31 December 2019 *HK$ million*	Adjusted use of net proceeds from the Listing Date to 31 December 2019 *HK$ million*	Actual use of net proceeds from the Listing Date to 31 December 2019 *HK$ million*
Strengthening our manpower by recruiting additional staff	1.0	0.8	0.8
Acquisition of additional machinery	4.7	4.4	1.0 (note 1)
Increasing our reserve for financing the issue of performance guarantees in favour of our customers	2.0	1.8	0.0 (note 2)
Maintaining the specific working capital required for being an Approved Specialist Contractor	22.0	20.4	20.4
Total	29.7	27.4	22.2 (note 3)

Notes:

1. The unutilised proceeds of approximately HK$3.4 million to acquire the additional machinery (as compared with the adjusted use of net proceeds up to 31 December 2019) was due to the fact that the relevant machineries and motor vehicles which the Group has committed to acquire were not delivered as at 31 December 2019. Approximately HK$3.0 million worth of plant and equipment and motor vehicles was committed by the Group and the Group made a deposit of approximately HK$0.7 million for such acquisition. As at 31 December 2019, the outstanding capital commitment was approximately HK$2.3 million. In addition, the remaining one motor vehicle of HK$0.1 million was committed to acquire in January 2020.

2. The unutilised proceeds of approximately HK$1.8 million to increase our reserve for financing the issue of performance guarantees in favour of our customers (as compared with the adjusted use of net proceeds up to 31 December 2019) was due to the fact that the Group was in the process to arrange such performance guarantees as at 31 December 2019. It was completed in February 2020.

3. As at 31 December 2019, the unused net proceeds was placed as deposits into licensed banks in Hong Kong.

COMPARISON BETWEEN BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

During the period between the Listing Date and 31 December 2019, the Group has utilised approximately HK$22.2 million to further strengthen its market position, increase its market share and to capture the growth in the Hong Kong slope works industry. An analysis comparing the intended business objectives as set out in the Prospectus with the Group's actual business progress for the period from the Listing Date to 31 December 2019 is set out below:

Business strategies as stated in the Prospectus	Implementation activity up to 31 December 2019 as stated in the Prospectus(note 1)	Actual business progress up to 31 December 2019(note 2)
Strengthening our manpower by recruiting additional staff	Recruit a project manager/site agent, a site engineer, a site foreman, a safety officer/supervisor, a labour officer, a crane truck operator, 11 site workers and an administrative staff.	Recruited a project manager/site agent, a site engineer, a site foreman, a safety officer/supervisor, a labour officer, a crane truck operator, 11 site workers and an administrative staff.
Acquisition of additional machinery	Acquire four drilling rigs, three grout pumps, one shotcrete machine, one pneumatic drill, one crane truck, four air compressors, two generators and five motor vehicles.	Acquired two drilling rigs, two grout pumps, one shotcrete machine, one pneumatic drill, two generators and two motor vehicles.(note 3)
Increasing our reserve for financing the issue of performance guarantees in favour of our customers	Increase our reserve for financing the issue of performance guarantees.	In the process of arranging performance guarantees.(note 4)
Registration on Approved Specialist Contractors for Public Works	Amount earmarked for satisfying the applicable working capital requirement which is used to maintain a minimum working capital of 10% of the combined annual value of uncompleted works on outstanding contracts for being an Approved Specialist Contractor.	Such amount was reserved.

Notes:

1. The business strategies as stated in the Prospectus were based on the best estimation of the future industry conditions made by the Group at the time of preparing the Prospectus. The actual use of net proceeds was applied in accordance with the actual industry conditions.

2. Since the Listing of the Company on the Listing Date, the Directors have been constantly reviewing and comparing the Group's business strategies as disclosed in the Prospectus with changing industry conditions in order to ensure the net proceeds are applied in the most effective ways and in the best interest of the Group.

3. The Group was committed the purchase of two drilling rigs, one grout pumps, one crane truck, four air compressors and two motor vehicles as at 31 December 2019. The remaining one motor vehicle was committed to acquire in January 2020.

4. The Group is in the process to arrange such performance guarantees as at 31 December 2019. It was completed in February 2020.

SIGNIFICANT EVENT AFTER THE REPORTING PERIOD

After the year ended 31 December 2019 and up to the date of this report, there was no significant event relevant to the business or financial performance of the Group that come to the attention of the Directors.

AUDIT COMMITTEE

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

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

During the period from the Listing Date to 31 December 2019, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company.

DIVIDEND

The Directors do not recommend the payment of any dividend for the Year.

PROSPECTS

The Shares of the Company were listed on the GEM on the Listing Date. Net proceeds from the Listing were approximately HK$37.1 million after deduction of the underwriting commission and relevant listing expenses. The Group utilised the fund for satisfying the requirements of working capital and machineries stated in the application of an Approved Specialist Contractors. In addition, we applied the fund for our staff recruitment on new projects.

We believe that the registration of an Approved Specialist Contractor will significantly enhance our market position and facilitate us to expand our market share in the slope works industry in Hong Kong. After being registered as an Approved Specialist Contractor, we will be able to tender for public slope works directly from the Government, which will provide more business opportunities and better position for us to capture the forecasted growth in public slope works.

In view of the outbreak of novel coronavirus pneumonia ("**2019-nCoV**") in Hong Kong, mainland China and elsewhere in the world (the "**Epidemic**") since January 2020, the Group has implemented measures, including frequent cleaning with disinfectant, ensuring all staffs wear face masks at work, and conducting body temperature test, etc., to protect the health and safety of the employees. We closely monitor the development of the Epidemic and use every effort on epidemic prevention and control during our daily operations. In mainland China, the outbreak of the 2019-nCoV heavily affected the operation of many industries, amongst which logistics is one of the most affected industries, and it has put pressure on our material supply since many of our local suppliers source their products from mainland China. We are communicating with our suppliers to source necessary materials to maintain our projects progress. The outbreak of the 2019-nCoV in other areas has not brought a huge impact on our operation based on the fact that we do not rely on those materials from these areas. We believe this situation will not be lasting, and thus, our supplies should return to normal when the Epidemic is under control. Our Directors believe that 2019-nCoV will not has significant impact on the Group's continuing business operations.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Sieh Shing Kee ("Mr. Sieh"), aged 52, 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, a member of 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. 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 (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.

Mr. Ho Ka Ki ("Mr. Ho"), aged 46, 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 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. 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.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Kwong Che Sing (“**Mr. Kwong**”), aged 58, was appointed as an independent non-executive Director on 25 November 2019. Mr. Kwong is a member of the Audit Committee, Remuneration Committee and 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.

Mr. Ling Siu Tsang (“**Mr. Ling**”), aged 64, was appointed as an independent non-executive Director on 25 November 2019. Mr. Ling is a member of both the Audit Committee and 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. In July 2015, he was accredited to act in the role of a project manager for the NEC3 Engineering and Construction Contract by the Institution of Civil Engineers and the Construction Industry Council. 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. Since November 2017, he has been 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 40, was appointed as an independent non-executive Director on 25 November 2019. Mr. Tso is the chairman of the Audit Committee.

Mr. Tso obtained a bachelor's degree of arts in accountancy from Hong Kong Polytechnic University in November 2003 and a master's degree of corporate governance from the same university in October 2013. Mr. Tso was admitted as a member and was advanced as a fellow of Association of Chartered Certified Accountants in October 2006 and October 2011, respectively. He was also admitted as a member and was advanced as a fellow of Hong Kong Institute of Certified Public Accountants in September 2008 and October 2015 respectively. Mr. Tso was admitted as a fellow of the Institute of Chartered Secretaries and Administrators in November 2015 and an associate and subsequently a fellow of the Hong Kong Institute of Chartered Secretaries in January 2014 and November 2015, respectively. From September 2003 to December 2008, Mr. Tso worked for Ernst & Young, being an international accounting firm, and last held the position of manager. From December 2008 to May 2010, Mr. Tso worked for Greenheart Group Limited (formerly known as Omnicorp Limited), being a company listed on the Main Board of the Stock Exchange (stock code: 94) as a financial controller. From May 2010 to August 2012, Mr. Tso worked for Maxdo Project Management Company Limited, as senior vice president of the investment team. Mr. Tso founded Teton CPA Company, an accounting firm, in January 2013 as the sole proprietor since then. Mr. Tso served as an independent non-executive director of GreaterChina Professional Services Limited (Stock code: 8193) from July 2014 to January 2018 and of Larry Jewelry International Limited (Stock code: 8351) from October 2014 to August 2019. He has been an independent non-executive director of Guru Online (Holdings) Limited (Stock code: 8121) since May 2014, of Newtree Group Holdings Limited (Stock code: 1323) since February 2015, of Shenglong Splendecor International Limited (Stock Code: 8481) since June 2018 and of EFT Solutions Holdings Limited (Stock Code: 8062) since September 2019.

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

Senior Management Personnel

Mr. Lam Kau Wang ("Mr. Lam"), aged 39, joined our 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 IT services. He has also been the director of such company since August 2018.

Mr. Lau Chiu Ming ("Mr. Lau"), aged 38, joined our 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 Kau Wang is also appointed as the company secretary (the "**Company Secretary**") of the Company on 19 February 2019. For details of his biography, please refer to the paragraph headed "Senior Management Personnel" in this section.

CORPORATE GOVERNANCE REPORT

The Board hereby presents this corporate governance report ("**CG Report**") in the Group's annual report for the year ended 31 December 2019.

CORPORATE GOVERNANCE PRACTICES

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

The Company has adopted the principles and code provisions as set out in the corporate governance ("**CG Code**") contained in Appendix 15 of the GEM Listing Rules as the basis of the Company's corporate governance practices.

The CG Code has been applicable to the Company with effect from the Listing Date. The Board is of the view that since the Listing Date and up to the date of this report, the Company has complied with all applicable code provisions as set out in the CG Code.

Securities Transactions by Directors

The Company has adopted a Code of Ethics and Securities Transactions (the "**Code**") on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules as its own code of conduct regarding securities transactions by Directors. Having made specific enquiry of all Directors, all Directors confirmed that they had complied with the required standard of dealings and the Code regarding securities transactions during the year ended 31 December 2019.

The Board has also adopted the 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 A.6.4 of the CG Code. No incident of non-compliance with the Code by the Company's relevant employees was noted during the year ended 31 December 2019 after making reasonable enquiry.

BOARD OF DIRECTORS

Board composition and responsibilities

The Board consists of five Directors, including two executive Directors and three independent non-executive Directors. Details of their composition by category are as follows:

Mr. Sieh Shing Kee *(Chairman)* (appointed as a Director on 30 January 2019 and re-designated as an executive Director on 19 February 2019 and appointed as the Chairman on 20 March 2019)

Mr. Ho Ka Ki *(Chief Executive Officer)* (appointed as a Director on 30 January 2019 and re-designated as an executive Director on 19 February 2019 and appointed as the chief executive officer on 20 March 2019)

Independent non-executive Directors

Mr. Kwong Che Sing *(appointed on 25 November 2019)*
Mr. Ling Siu Tsang *(appointed on 25 November 2019)*
Mr. Tso Ping Cheong Brian *(appointed on 25 November 2019)*

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

RESPONSIBILITIES OF THE BOARD

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, overall development, strategic planning, reviewing and monitoring the business performance, approving the financial statements and annual budgets, internal controls and risk management as well as supervising the management of the Group. The Board delegates to the management the authority and responsibilities of the day-to-day management and operation of the Company. Despite the foregoing delegation, the Board would review and supervise the performance of the management periodically.

The Board may 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.

Regular meetings of the Board will be held to deliberate the strategic policies of the Company including but not limited to significant acquisitions and disposals, review and approve annual budgets, review the performance of the business and approve the public release of periodic financial results. Directors are also provided, at the expense of the Company, with access to independent professional advice in carrying out their obligations when required.

Appointment and Re-election of Directors

Each of the executive Directors has entered into a service agreement with the Company for an initial fixed term of three years commencing from the Listing Date. Each of the independent non-executive Directors has respectively entered into a letter of appointment with the Company and is appointed for a fixed term of three years commencing from the Listing Date. According to article 84 of the articles of association of the Company (the "**Articles**"), at each annual general meeting (the "**AGM**"), one-third of the Directors shall retire from office by rotation provided that each Director is subject to retirement by rotation at least once every three years but is eligible for re-election at an annual general meeting in accordance with the Articles.

Article 83(3) of the Articles specifies that any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting. Any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

Accordingly, Mr. Sieh Shing Kee and Mr. Ho Ka Ki shall retire at the forthcoming AGM. The retiring Directors, all being eligible, offer themselves for re-election.

Independent non-executive Directors

During the year ended 31 December 2019, the Board comprised of five members, three of which are independent non-executive Directors, which represented more than one-third of the Board. As such, the Company has fully complied with Rules 5.05(1) and 5.05A of the GEM Listing Rules. Mr. Tso Ping Cheong Brian, our independent non-executive Director, is a certified public accountant with more than 17 years of experience in professional accounting. Accordingly, the Company has fully complied with Rule 5.05(2) of the GEM Listing Rules. For more details regarding the qualifications of Mr. Tso Ping Cheong Brian, please refer to the section headed "Biographical Details of Directors and Senior Management" of this report.

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

Continuous Professional Development of Directors

Pursuant to code provision A.6.5 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 2019, 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 GEM of the Stock Exchange, and further enhance their knowledge by reading related materials. They also from time to time received from the Company updates on laws, rules and regulations which may be relevant to their roles, duties and functions as directors of a listed company on the Stock Exchange.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Under code provision A.2.1 of the CG Code, the roles of chairman and chief executive 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 2019, Mr. Sieh Shing Kee was the chairman of the Board and Mr. Ho Ka Ki 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 A.2.1 of the CG Code.

BOARD COMMITTEES

In order to assist the Board in discharging its duties in a more efficient manner, the Board has established, with written terms of reference, three Board committees, namely the Audit Committee, remuneration committee (the "**Remuneration Committee**") and nomination committee (the "**Nomination Committee**"), to oversee particular aspects of the Company's affairs. The Board committees are provided with sufficient resources to discharge their duties. The written terms of reference for each Board committee are in compliance with the GEM Listing Rules and they are published on the websites of the Stock Exchange and the Company accordingly.

Audit Committee

Our Company established an audit committee on 25 November 2019 in compliance with Rule 5.28 to 5.33 of the GEM Listing Rules. Written terms of reference in compliance with paragraph C.3.3 of the CG Code were adopted. The primary roles of our Audit Committee include, but are not limited to, (a) making recommendations to our Board on the appointment, reappointment and removal of the external auditor, and approving the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal; (b) monitoring integrity of our financial statements and annual report, half-year report and quarterly reports and reviewing significant financial reporting judgements contained in them; (c) reviewing our financial controls, internal control and risk management systems. Our Audit Committee consists of three members, namely, Mr. Tso Ping Cheong Brian, Mr. Kwong Che Sing and Mr. Ling Siu Tsang. Mr. Tso Ping Cheong Brian is the chairman of our Audit Committee.

As the Company was listed on 13 December 2019, no meeting of Audit Committee was held during the year ended 31 December 2019.

From the Listing Date and up to the date of this annual report, one Audit Committee meeting was held on 25 March 2020. The summary of the audit committee meeting is as follows:

(a) Met with the external auditor, Grant Thornton Hong Kong Limited ("**Grant Thornton**"), and recommended the Board to re-appoint Grant Thornton as the Company's external auditor in the year ending 31 December 2020, which is subject to the approval of shareholders at the forthcoming annual general meeting;

(b) Approved remuneration and the terms of engagement of Grant Thornton;

(c) Confirmed the Group's annual results for the year ended 31 December 2019 and opined that the applicable accounting standards and requirements have been complied with and adequate disclosures have been made;

(d) Reviewed the adequacy of resources, qualifications and experience in the Company's accounting and financial reporting functions, their training programmes and budgets; and

(e) Evaluated and agreed the effectiveness of the Company's risk management and internal control systems.

According to the current terms of reference, meetings of the Audit Committee shall be held not less than twice a year and the external auditor may request a meeting if they consider that one is necessary.

Nomination Committee

Our Company established a nomination committee on 25 November 2019 in compliance with paragraph A.5.1 of the CG Code. Written terms of reference in compliance with paragraph A.5.2 of the CG Code were adopted. The primary roles of our Nomination Committee include, but are not limited to, (a) reviewing the structure, size and composition (including the skills, knowledge and experience) of our Board at least annually and making recommendations on any proposed changes to our Board to complement our corporate strategy; (b) identifying suitable individuals to be qualified as our Board members and selecting or making recommendations to our Board on the selection of individuals nominated for directorships; (c) assessing the independence of our independent non-executive Directors. and (d) making recommendations to our Board on the appointment or re-appointment of directors and succession planning for directors.

Our Nomination Committee consists of one executive Director and two independent non-executive Directors, being Mr. Sieh Shing Kee, Mr. Ling Siu Tsang and Mr. Kwong Che Sing. Mr. Sieh Shing Kee is the chairman of our Nomination Committee.

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

As the Company was listed on 13 December 2019, no meeting of the Nomination Committee was held during the year ended 31 December 2019. From the listing Date and up to the date of this annual report, one Nomination Committee meeting was held on 25 March 2020 to (i) review, among other things, the independence of the independent non-executive Directors; (ii) consider the qualifications of the retiring Directors standing for re-election at the forthcoming annual general meeting; (iii) review the structure, size and composition of the Board; and (iv) review the Board Diversity Policy adopted by the Company. In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider various factors including the 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

Our Company established a remuneration committee on 25 November 2019 in compliance with Rule 5.34 of the GEM Listing Rules. Written terms of reference in compliance with paragraph B.1.2 of the CG Code were adopted. The primary roles of our remuneration committee include, but are not limited to, (a) making recommendations to our Board on our policy and structure for the remuneration of all of our Directors and senior management personnel and on the establishment of a formal and transparent procedure for developing remuneration policy; (b) reviewing and approving our management's remuneration proposals with reference to our Board's corporate goals and objectives; and (c) making recommendations to our Board on the remuneration of individual executive Directors and senior management.

Our Remuneration Committee consists of two independent non-executive Directors and one executive Director, being Mr. Ling Siu Tsang, Mr. Sieh Shing Kee and Mr. Kwong Che Sing. Mr. Ling Siu Tsang is the chairman of our Remuneration Committee.

As the Company was listed on 13 December 2019, no Remuneration Committee meeting was held during the year 31 December 2019. From the Listing Date and up to the date of this annual report, one Remuneration Committee meeting was held on 25 March 2020 to review the remuneration of the Directors and senior management of the Group. Pursuant to code provision B.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 2019 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 2019 are set out in note 12 to the consolidated financial statements for the year ended 31 December 2019.

Corporate Governance Functions

The Board as a whole is responsible for performing the corporate governance functions set out in code provision D.3.1 of the CG Code, namely:

(i) to develop and review the Company's policies and practices on corporate governance;

(ii) to review and monitor the training and continuous professional development of Directors and senior management;

(iii) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(iv) to develop, review and monitor the code of conduct and compliance manual (including in relation to securities trading) applicable to employees and Directors; and

(v) to review the Company's compliance with the CG Code and the disclosure in the CG Report in the Company's annual reports.

During the Board meeting on 25 March 2020, the Board has reviewed the corporate governance measures of the Group and this CG Report and is of the view that the Company has fully complied with the CG Code in the manner as detailed in this CG Report.

Summary of Board Diversity Policy

In assessing the Board composition, the Nomination Committee would take into account various aspects as well as factors concerning Board diversity as set out in the Company's Board diversity policy and procedures for shareholders to propose a person for election as a the Director of the Company, 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 measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption.

Board Nomination Policy

The Company adopted a nomination policy in compliance with the CG Code with effect from the Listing Date, which establishes written guidelines to Nomination Committee to identify suitable individuals to be qualified as Board members and make recommendations to the Board on the selection of individuals nominated for directorships with reference to the formulated criteria. The Board is ultimately responsible for selection and appointment of new Directors.

The Board, through the delegation of its authority to the Nomination Committee, has used its best efforts to ensure that Directors appointed to 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.

Nomination Process

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

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 Re-election of Director at General Meeting

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

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.

Selection Criteria

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

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

Board Meetings and Attendance Records of Directors

Code provision A.1.1 of the CG Code states that the Board should meet regularly and 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 Company was listed on 13 December 2019. Therefore, the Board did not hold any regular Board meetings during the year ended 31 December 2019. The Board will schedule to have regular Board meetings at least four times during the year ending 31 December 2020. Other Board meetings will also be held if necessary.

In the Board meeting held on 25 March 2020, the Board had reviewed the Company's corporate governance policies and practices, training and continuous professional development of directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of Rules 5.48 to 5.67 of the GEM Listing Rules (the "**Securities Transactions Code**") and the Company's compliance with the CG Code and disclosure in this CG Report.

The attendance records of each of the Directors at the Board meeting, committee meetings and annual general meeting held during the Relevant Period are set out in the table below:

	Attendance/Number of Meeting				
Name of Directors	**Board Meeting**	**Audit Committee**	**Nomination Committee**	**Remuneration Committee**	**Annual General Meeting**
Mr. Sieh Shing Kee	1/1	N/A	1/1	1/1	N/A
Mr. Ho Ka Ki	1/1	N/A	N/A	N/A	N/A
Mr. Kwong Che Sing	1/1	1/1	1/1	1/1	N/A
Mr. Ling Siu Tsang	1/1	1/1	1/1	1/1	N/A
Mr. Tso Ping Cheong Brian	1/1	1/1	N/A	N/A	N/A

The forthcoming annual general meeting which will be held on 15 May 2020 is the first general meeting of the Company since the Listing Date.

Apart from the Board meeting, the Chairman also held meeting with the independent non-executive Directors without the presence of the executive Directors during the year ended 31 December 2019.

COMPANY SECRETARY

Mr. Lam Kau Wang has been the Company Secretary of the Company since 19 February 2019. He reports to the executive Directors 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 access to the advice and services from the Company Secretary to ensure that the Board procedures and all applicable laws are followed and complied with. Furthermore, the Company Secretary is responsible for facilitating communications amongst Directors as well as with management. During the Year, Mr. Lam undertook over 15 hours of professional training to update his skill and knowledge and complied with the relevant professional training requirement under Rule 5.15 of the GEM Listing Rules.

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.

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 consolidated financial statements of the Group for the year ended 31 December 2019. In preparing the consolidated financial statements for the year ended 31 December 2019, the Board has adopted appropriate and consistent accounting policies and made prudent, fair and reasonable judgments and estimates. The Directors are responsible for maintaining proper accounting records which reflect with reasonable accuracy the state of affairs, operating results, cash flows and equity movement of the Group at any time. The Directors confirm that the preparation of the financial statements of the Group is in accordance with statutory requirements and applicable accounting standards.

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

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

The reporting responsibilities of the Company's auditor, are set out in the Independent Auditor's Report on pages 69 to 73 of this report.

AUDITOR'S REMUNERATION

The fees paid or payable to Grant Thornton, for the year ended 31 December 2019 are as follows:

Services rendered	Fees paid/payable HK$'000
Annual audit services for the year ended 31 December 2019	600
Non-statutory audit services as reporting accountant in relation to the Listing	2,930

RISK MANAGEMENT AND INTERNAL CONTROL

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

(i) the identification of potential risks;

(ii) the assessment and evaluation of risks;

(iii) the development and continuous updating of mitigation measures; and

(iv) the ongoing review of internal control procedures to ensure their effectiveness in respects of the Group's financial, operational, compliance controls and risk management functions.

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

Process used to identify, evaluate and manage significant risks

The Group's risk management process involves the identification, evaluation, response, monitoring and reporting of risks. After having successfully identified the risks that may potentially affect the Group's business and operations by the management of the Company, the Board will perform risk assessment by prioritising the risks identified to determine key risks that the Group is exposed to and discuss mitigation measures. Besides, existing risk mitigation measures are subject to regular monitoring and review by the management of the Company, which will review the Group's risk management strategies, report such results and make appropriate suggestions to the Board.

RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

As a slope works contractor, the Group faces a variety of risks in the daily business operations, including credit risk, liquidity risk, interest rate risk, operational risk and legal and compliance risk. The Group recognises the importance of an effective risk management system for identifying and mitigating these risks. The Group has developed risk management and internal control systems tailored to the characteristics of the business operations with a focus on managing the risks through comprehensive due diligence on the customer, independent information review and multi-level approval process. Please refer to the section headed "Business – Risk management and internal control systems" in the Prospectus for further details of the Group's risk management and internal control systems.

The Group 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 Board acknowledges its responsibility for the risk management and internal control systems and reviewing their effectiveness. The risk management and internal control systems are designed to manage rather than eliminate the risk of failing in achieving our business objectives and strategies and can only provide a reasonable and not absolute assurance against material misstatement or loss. The management of the Group is responsible for formulating the risk management strategies and policies for the approval by the Board.

During the year ended 31 December 2019, the management conducted an internal assessment and a consolidation of relevant risks faced by the Company. There is no material change in the nature and extent of the risks faced by the Company. The Company is confident of its capability to handle such risks and the relevant measures have been implemented. The Board considered that the risk management and internal control systems were effective and adequate in all material aspects in both design and operations.

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. The Board and the Audit Committee will reconsider the need for an internal audit function from time to time.

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

Handling and Dissemination of Inside Information

With respect to procedures and internal controls for the handling and dissemination of inside information, the Company is aware of its relevant obligations under the Securities and Futures Ordinance (Chapter 571 of Laws of Hong Kong) (the "**SFO**") and the GEM 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 to the Chairman and the financial controller to decide on the need for disclosure. The Audit Committee regularly reviews and assesses the effectiveness of the information disclosure policy and procedures and proposes recommendations to the Board.

NON-COMPETITION UNDERTAKING

Each of Mr. Sieh Shing Kee, Mr. Ho Ka Ki and Good Hill Investment Limited ("**Good Hill**"), being the controlling shareholders of the Company (as defined under the GEM Listing Rules) (the "**Controlling Shareholders**"), entered into a non-competition undertaking with the Company with effect from the Listing Date (the "**Non-competition Undertaking**"). The Controlling Shareholders has confirmed compliance with the terms of the Non-competition Undertaking since the Listing Date and up to 31 December 2019. All the independent non-executive Directors are of the view that Mr. Sieh Shing Kee, Mr. Ho Ka Ki and Good Hill have been in compliance with the Non-competition Undertaking in favour of the Company.

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 GEM Listing Rules, an annual general meeting of the Company should be held each year and at the venue as determined by the Board. Each general meeting, other than an annual general meeting, is called an extraordinary general meeting ("**EGM**"). To safeguard shareholders' interests and rights, separate resolutions will be proposed for each substantially separate issue at general meetings. All resolutions put forward at general meetings will be voted on by poll pursuant to the GEM Listing Rules, and poll results will be published on the websites of the Company and GEM 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 Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the "**Companies Law**") . Subject to the provisions of the Articles, eligible Shareholders who wish to move a resolution may by means of requisition to convene an EGM following the procedures set out above.

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 enquires.

Contact Details

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

Address: Room 2302-2303, 23/F., Omega Plaza, 32-34A Dundas Street, Mongkok, 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.

COMPLIANCE OFFICER

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

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

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 quarterly, interim and annual reports, the publication and posting of notices, announcements and circulars will also be posted to the Stock Exchange's website at the same time.

CONSTITUTIONAL DOCUMENTS

Pursuant to Rule 17.102 of the GEM Listing Rules, the Company has published its memorandum of association and the Articles on the respective websites of the Stock Exchange and the Company. Since the Listing, no amendments have been made to the constitutional documents of the Company.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

INTRODUCTION

We are a slope works contractor in Hong Kong. The slope works undertaken by us generally involve landslip preventive and remedial works for improving or maintaining the stability of slopes and/or retaining walls. Our operation is principally located in Hong Kong. A-City Workshop, our principal operating subsidiary, is a registered specialist trade contractor under reinforcement bar fixing, concreting formwork and concreting and a registered subcontractor in general civil works with specialty of earthwork and geotechnical works of the Registered Specialist Trade Contractors Scheme (formerly known as the Subcontractor Registration Scheme) of the Construction Industry Council. A-City Workshop is also registered with the Building Authority as a registered general building contractor and a registered specialist contractor under the sub-register of "site formation works".

Unless otherwise specified, the Environmental, Social and Governance ("**ESG**") report covers the Group's business activities in Hong Kong. The report has been prepared in compliance with all applicable provisions set out in the ESG Reporting Guide contained in Appendix 20 to the GEM Listing Rules.

Our management system was certified to comply with the International Organisation for Standardisation ("**ISO**") 9001:2015, which reflects our commitment to quality management, and Occupational Health and Safety Management Systems Standard ("**OHSAS**") 18001:2007, which shows that we highly value the health and safety of our employees. While delivering excellent services to our clients, we are aware of the environmental impacts from our works and we strive to incorporate stringent ESG rules in our daily operation to minimise such impacts. We are certified under ISO 14001:2015 in relation to environmental management.

In the following pages, we would like to present to you in details on our efforts from 1 January 2019 to 31 December 2019 (the "**Review Year**") in fulfilling our corporate social responsibilities in terms of (I) Environmental and (II) Social aspects. The Review Year is the first financial year the Group presents the ESG report.

Stakeholders Engagement

Being transparent and honest to our stakeholders is one of the key activities to maintain sustainable development. Continuous communication with our stakeholders enables us to have a sound grasp of the potential impacts of our business strategies and make informed decisions. The table below shows a list of the Group's stakeholders and our methods to maintain communications with them:

Stakeholders Groups	Specific Stakeholders	Methods of Communications
Investors	Shareholders	Corporate website Financial reports Conference calls
Employees	Senior Management Staff Potential recruiters	Training Face-to-face meetings Interviews
Customers	Construction contractors	Customer satisfaction surveys Company hotline
Suppliers/ Subcontractors	Material suppliers/vendors/ Subcontractors	Supplier assessment Daily work review Site inspection/meetings with contractors
Government	Governments Regulators	Written or electronic correspondence

Materiality Assessment

To ensure that the issues in this report are critical and significant to both the Group and our stakeholders, we have conducted a materiality assessment of the Group's ESG agenda. By doing so, we can identify the areas to improve and devise more comprehensive, transparent and specific responses in order to enhance the quality of the report.

A. ENVIRONMENTAL

A1. Emissions

As a responsible corporation, we wish to work together with our staff and business partners to protect the environment. We take pride not only in the results we deliver to our clients but also in the steps we take to achieve environmental goals. The lists below show some general rules included in our "Environmental Policy" (the "**Policy**"), which also helped us meet the requirements of ISO14001:2015 certification:

i. The Company is committed to protect the environment. In order to minimise environmental impacts of our business activities, we shall:

- Comply with applicable legal and other requirements in the environmental aspects;
- Minimise pollution, reduce waste and prevent unnecessary consumption of resources;
- Educate, train and motivate employees to carry out tasks in an environmentally responsible manner; and
- Encourage environmental protection activities amongst suppliers, vendors and subcontractors.

ii. The Policy is communicated to all staff, suppliers, vendors, subcontractors and main contractors while we enrich and improve its content from time to time.

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

There is no case of non-compliance on applicable environmental laws and regulations for the Review Year.

Air and Greenhouse Gas (the "GHG") Emission

Our environmental management plan provides guidelines for air pollution abatement and specifies the measures that our construction teams should follow.

Since the Group's GHG emissions were mainly generated from the use of motor vehicles and constructional plants such as air compressors and generators, we focused our carbon footprint policies on regulating the use of vehicles and the use of ultra low sulphur diesel for the constructional plants.

Sewage Discharge

We did not consume significant volume of water through our business activities, and therefore our business activities did not generate material portion of discharge into water. We established procedures for water discharge at sites to prevent water pollution. We employed a service provider to collect sewage generated on site. We also conducted regular self-monitoring reviews to ensure compliance to the said ordinance. We installed recycling system in some of our sites. The system worked by collecting, filtering sedimentation and storage of discharge from drilling operation for re-usage, which can help reduce water usage and environmental impact.

These guidelines become an important part of our daily operation, and they helped keep our water consumption always under control. We review the results of these guidelines from time to time, and introduce new guidelines if more efficient solutions were found.

Waste Management

Hazardous Waste Handling Method

Despite the fact that the Group did not generate material hazardous wastes during the Review Year, we established guidelines in governing the management and disposal of hazardous wastes. In case there is any hazardous wastes produced, chemical wastes are temporarily stored in dedicated location with appropriate hazard labels. We shall engage a qualified chemical waste collector to handle such waste, which is complied with the relevant environmental regulations and rules.

Non-hazardous Waste Handling Method

The Group's wastes mainly came from construction sites and office, including non-hazardous wastes such as construction wastes, metal and paper. With the aim of minimising the environmental impacts from non-hazardous wastes generated from our business operations, the Group implemented measures in waste management and launched different reduction initiatives which are stated in A1.6.

A1.1 GHG emissions from use of vehicles:

	Unit	2019
Nitrogen oxides	gram	96,648.25
Sulphur oxides	gram	973.20
Respiratory suspended particles	gram	8,383.25

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

	Unit	2019
Scope 1		
Carbon dioxide	kg	156,410.97
Methane	kg	309.22
Nitrous oxide	kg	20,519.18
Scope 2		
Carbon dioxide	kg	20,978.45
GHG emission Intensity	kg/construction contract	11,012.10

A1.3 Hazardous wastes produced:

	Unit	2019
Hazardous waste disposal	tonnes	N/A*
Hazardous waste intensity	tonnes/construction contract	N/A*

* The operation of the Group did not generate any hazardous wastes for the Review Year.

A1.4 Non-hazardous wastes produced:

	Unit	2019
Inert construction materials	tonnes	4,794.05
Inert construction materials usage intensity	tonnes/construction contract*	684.86
Paper	tonnes	1.93
Paper usage intensity	tonnes/construction contract	0.11

* Including works that would generate inert construction materials

A1.5 Measures to mitigate GHG emissions

Since the Group's GHG emissions was mainly generated from the use of motor vehicles and constructional plants such as air compressors and generators, we focused our carbon footprint policies on regulating the use of vehicles, including:

- Coaching our drivers to minimise fuel usage;
- Closely monitoring the fuel consumption on every motor vehicle to ensure there's no waste of fuel;
- Purchasing environmentally friendly motor vehicles; and
- Regularly performing maintenance on the vehicles.
- Consuming environmental friendly diesel

During the Review Year, we acquired 4 new motor vehicles to replace the old vehicles and consumed ultra low sulphur diesel for constructional plants resulting in minimising the GHG emissions achieved.

A1.6 Waste Management

Our operation did not generate any hazardous wastes for the Review Year.

We were able to minimise the generation of non-hazardous wastes through improving design and execution, as well as working out detailed and precautious plans on the site management. Where possible, we tried to reuse much construction materials as we can, separating reusable materials, such as woods and metals, from the non-recyclable wastes.

Before construction works commenced, our site agent would survey to identify any construction activities that would potentially generate construction wastes. They would then prepare a statement to address the issues of chemical wastes generated from construction activities, involving demolition works or use of timber in temporary works construction.

We implemented the following procedures to encourage employees to reduce paper consumption:

- Used electronic media for internal communication;
- Printed only when recessary; and
- When printing is necessary, use suitable font size or shrinkage mode to minimise pages.

After implementing the above items, we used the paper efficiently and such result was achieved.

A2. Use of Resources

The Group strives to promote resource efficiency and adopts eco-friendly approaches for the use of resources, mainly including electricity and water in our daily operations. We also encourage our subcontractors to adopt similar principles.

Energy Efficiency

The Group aims to minimise environmental impacts in our operations by identifying and adopting appropriate measures in our operations. Related policies and initiatives on energy conservation were developed to show our concern on energy efficiency. All employees were notified to implement such policies and measures on resource utilisations. Regular review is conducted on our energy objectives and targets to seek continuous improvement in the Group's energy performance.

Water Consumption

Water is mainly consumed on the operations, cleaning and sanitation at construction sites. We set up procedures for water conservation measures.

The following tables show our direct energy and water consumption for the Review Year:

A2.1 Direct energy consumption in total and intensity

	Unit	2019
Electricity usage	kWh	100,443.85
Electricity usage intensity	kWh/office*	33,481.28

* including head office and construction site offices

A2.2 Water consumption in total and intensity

	Unit	2019
Water consumption	cu.m	14,743.18
Water consumption intensity	cu.m/office*	4,914.39

* including head office and construction site offices

A2.3 Energy use efficiency initiatives

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

Electricity consumption

- Switched off electronic appliances before leaving the workplace; and
- Set the office air conditioner temperature at 25 Celsius.

Water consumption

- Utilised recycled water for core drilling operations; and
- Reported any leaking faucet or pipe to the relevant authority.

Our staff's awareness on the efficient use of energy have been raised through the above measures and result achieved.

A2.4 Sourcing Water

During the Review Year, the Group did not encounter any issue in sourcing water that is fit for purpose.

A2.5 Packaging Material Used

The Group does not engage in any production or trading of goods, and thus, did not consume any packaging material for the Review Year.

A3. The Environment and Natural Resources

We spend efforts in reducing consumption of natural resources and promoting effective environmental management. We regularly assess the environmental risks of our businesses, adopt preventive measures to reduce potential risks and ensure compliance with relevant laws and regulations.

A3.1 Significant Impacts of Activities on the Environmental and Natural Resources

Realising the core businesses of the Group have potential impacts on the environment and natural resources, as an ongoing commitment to corporate social responsibility, we strive to minimise negative environmental impacts of our business operations. Due to our business nature, we recognise noise control as the potential negative environmental impacts. To mitigate the disturbance to the community and environment, we adopted the following noise pollution control on our operations:

- An on-site safety officer would conduct noise assessment to determine the noise level of the plant in use and construction in process. Depending on site circumstances, a new assessment would be made on every new work activity and, in general, we access the noise level in every 3 months;

- Silent plant or machinery, e.g. generator, air compressor, etc., would be used on site whenever practicable; and

- When we plan to operate noisy machinery, we post safety labels to clearly locate the noise protection zones and remind workers of the need for wearing hearing protectors.

B. SOCIAL

B1. Employment

Human resources policies

Our Group established relevant human resources policies to implement our people-oriented management strategies and realise the full potential of employees. Relevant human resources policies are formally documented as employee handbook, covering recruitment and promotion, compensation, dismissal, working hours and rest periods, diversity and equal opportunities, etc.. We periodically review these policies and our employment practices to ensure the continuous improvements of our human resources standards.

Compensation, Other Benefits and Welfare.

We provide competitive remuneration packages to our staff. Our regular appraisal processes allow us to review the compensation and benefits provided to each staff and make adjustments when necessary. Internal promotion is prefered over open recruitment when there is a need for the Group to expand our business. Salary increment and discretionary bonuses were granted to employees with outstanding performances.

Our dismissal policy is complied with relevant laws and regulations.

Recruitment and Promotion

We adopt a fair and equitable recruitment process in which we select our candidates based on their experience and skills. An applicant's age, gender, religion or race will not affect his/her chance to obtain an offer. This principle also applies to our staff appraisal and staff counselling processes.

Working Hours and Rest Periods

Work hours and rest periods, in compliance with applicable labour standards and regulations, are stated in our employment contracts.

Equal Opportunity, Diversity and Anti-discrimination

A diverse and skilled workforce is crucial for our business. The Group is committed to create and maintain an inclusive and collaborative workplace culture. Close working relationships were maintained through regular internal meetings between our directors and construction teams. Staff was always welcomed to discuss with their supervisors about any difficulties they encountered at work, or make suggestions on their duties. In addition, our management team kept a close eye on staff performance and provided help timely and adequately to employees in need. We comply with laws and regulations which prohibit all sorts of discrimination, including Sex Discrimination Ordinance (Chapter 480 of the Laws of Hong Kong), Race Discrimination Ordinance (Chapter 602 of the Laws of Hong Kong) and Disability Discrimination Ordinance (Chapter 487 of the Laws of Hong Kong).

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

B2. Health and Safety

The Group has established occupational health and safety standards which are certified under OHSAS 18001:2007. We follow a safety management system that covers our own employees and that of our subcontractors. Our safety officer and directors are responsible for overseeing the implementation of the health and safety management system to ensure our compliance with the relevant statutory requirements concerning occupational health and safety.

Safe Working Environment

Before commencement of construction works, we carried out adequate risk assessment so that the appropriate risk mitigation strategies and measures can be devised. Our safety officers performed site inspections on a regular basis and would rectify it promptly if they discover any breaches and unsafe conditions.

Protecting Employees from Occupational Hazards

Our project teams always ensure that the workers attend relevant trainings, including induction trainings and toolbox trainings before entering construction sites. The essential protective equipment was provided to staff individually so as to protect their health and safety.

Work injuries were reported in accordance with our internal guidelines which were set up with reference to the work injury reporting required by the Labour Department of the Government.

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

B3. Development and Training

Our staff is our most valued asset that differentiate us from peer groups in the industry. We provided ample training opportunities to help our staff excel at their professional field and gain momentum in their career path.

New employees were greeted with an induction briefing by their immediate supervisor and were provided a staff handbook to familiarise themselves with the Group's culture and their job duties.

We always welcomed our staff to develop their skills and knowledge. Training sponsorship for job related courses were provided from time to time with our Directors' approval.

B4. Labour Standards

We have zero tolerance on forced labour, child labour, or illegal immigrant labour. Our human resources department adopts stringent controls in the recruitment process to prevent any illegal practices. Meanwhile, our project management teams inspected regularly on construction sites to eliminate chances of any illegal employment practices.

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

B5. Supply Chain Management

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

Environmental and Social Responsibility of the Suppliers

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

Environmental and Social Responsibility of the Subcontractors

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

Tendering

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

B6: Services Responsibility

Achieving and maintaining high quality standards for projects are important for sustainable growth of the Group. We pledged to deliver the best construction services to every customer. Our Group complied with the quality management system certified with ISO 9001 Quality Management.

Health and Safety

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

Advertising and Labelling

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

Protecting Customers' Privacy

We respect customers' privacy and had implemented measures to protect it. Our staff was well trained to handle materials containing sensitive information of our customers. Firewall, anti-virus and anti-spam solutions were installed in our information technology infrastructure to help protect customers' information.

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

B.7 Anti-Corruption

Over the years, we stand firm by our anti-corruption policies and procurement practices as stated in our internal manuals. As a result, no suspected or actual bribery, extortion, fraud or money laundering activities occured. Acceptance of kickbacks, commissions or any form of bribery are strictly prohibited during any procurement, contract negotiations or other business dealings.

Our internal manuals also provide guidance over conflicts of interest, intellectual property rights, privacy and information confidentiality, and equal opportunities.

The gift policy in our internal manuals clearly states the required process and procedure for handling and accepting gifts.

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

B.8 Community Investment

The Group supports and encourages its employees to participate in volunteer works or charity activities to help contribute to the society. From time to time, donations were made by the Group to charity organisations. For the Review Year, the Group donated HK$4,000 to the Tung Wah Group of Hospitals to support the organisation in helping those in need in the society.

DIRECTORS' REPORT

The Directors are pleased to present their first annual report together with the audited consolidated financial statements of the Group for the year ended 31 December 2019 after the Listing on the GEM of the Stock Exchange on the Listing Date.

CORPORATE REORGANISATION

The Company was incorporated in the Cayman Islands as an exempted company with members' limited liability on 30 January 2019. The Group completed the group reorganisation (the "**Reorganisation**") on 15 March 2019 in preparation for the Listing, pursuant to which the Company became the holding company of the companies now comprising our Group. Details of the Reorganisation are set out in the section headed "History, Development and Reorganisation" in the Prospectus. The Shares were listed on the GEM of the Stock Exchange on the Listing Date by way of Share Offer.

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 2019 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 74 to 125.

The Board do not recommend the payment of any dividend for the year ended 31 December 2019 (2018: nil).

FINANCIAL SUMMARY

A summary of the results, and assets and liabilities of the Group announced in the past two years are set out on page 126 of this annual report.

BUSINESS REVIEW

Overview

A review of the business of the Group for the year ended 31 December 2019 and a discussion on the Group's future business development are provided in the "Management's Discussion and Analysis" on pages 6 to 19.

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 judgement or consult professionals before making any investment in the securities of the Company.

Important Events

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 19 of this annual report. This discussion constitutes a part of this Directors' Report.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2019, the five largest customers accounted for approximately 97.9% (2018: 98.5%) of the Group's total revenue. The five largest suppliers accounted for approximately 38.9% (2018: 32.8%) of the Group's total purchases. In addition, the largest customer accounted for approximately 34.7% (2018: 31.1%) of the Group's total revenue while the largest supplier accounted for approximately 15.1% (2018: 8.7%) 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 good relationship with its employees, and certain policies have been implemented to ensure that its employees are provided with competitive remuneration, good welfare benefits and continuous professional training. The Group also maintains good relationships with its customers and suppliers, without whom success in the Group's operation would be at risk.

DONATIONS

During the year ended 31 December 2019, the Group made a charitable and other donations of approximately HK$4,000.

DIVIDEND POLICY

The declaration and payment of future dividends will be subject to the decision of our Board having regard to various factors including our operation and financial performance profitability, business development, prospects, capital requirements and economic outlook. It is also subject to the approval of our shareholders as well as any applicable laws. The historical dividend payments may not be indicative of future dividend trends. We do 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 2019 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 2019 and 2018.

INTEREST CAPITALISED

The Group has not capitalised any interest during the year ended 31 December 2019.

SHARE CAPITAL

Details of the movements in the share capital of the Company during the year ended 31 December 2019 is set out in notes 22 to the consolidated financial statements.

RESERVES

Details of movements in reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity on page 76 and in note 24 to the consolidated financial statements, respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2019, the Company had distributable reserve of approximately HK$32.4 million, calculated under the Companies Law. 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 as the laws of Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to its existing shareholders.

EQUITY-LINKED AGREEMENTS

Save for the share option scheme as set out below, no equity-linked agreement was entered into by the Group, or existed during the year ended 31 December 2019.

SHARE OPTION SCHEME

The Company has conditionally adopted a share option scheme (the "**Share Option Scheme**") pursuant to the written resolutions of our 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 9 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 our Company, any subsidiary or any entity in which any member of our Group holds any equity interest (the "**Invested Entity**");

(ii) any non-executive director (including independent non-executive directors) of our Company, any subsidiary or any Invested Entity;

(iii) any supplier of goods or services to any member of our Group or any Invested Entity;

(iv) any customer of any member of our Group or any Invested Entity;

(v) any person or entity that provides research, development or other technological support to any member of our Group or any Invested Entity;

(vi) any shareholder of any member of our Group or any Invested Entity or any holder of any securities issued by any member of our 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 our 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 our Group;

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

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

The total number of shares which may be allotted and issued upon exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Share Option Scheme and any other share option scheme of our Group) to be granted under the Share Option Scheme and any other share option scheme of our 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 our 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 our 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 our 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 our Shareholders in general meeting with such grantee and his close associates (or his associates if such grantee is a connected person (as defined in the GEM Listing Rules)) abstaining from voting.

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

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

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

Unless otherwise determined by our 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 our Company of HK$1 by way of consideration for the grant thereof is received by our 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 our 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 since the Listing Date and up to the date of this annual report are:

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

Independent non-executive Directors
Mr. Kwong Che Sing
Mr. Ling Siu Tsang
Mr. Tso Ping Cheong Brian

In accordance with article 84 of the Articles, at each annual general meeting, 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 annual general meeting at least once every three years. Accordingly, Mr. Sieh Shing Kee and Mr. Ho Ka Ki will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

BIOGRAPHIES OF THE DIRECTORS AND SENIOR MANAGEMENT

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

DIRECTORS' SERVICE CONTRACTS AND LETTERS OF APPOINTMENT

Each of the executive Directors has entered into a service agreement with the Company on 25 November 2019 for an initial term of three years commencing from the Listing Date, 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 independent non-executive Directors has entered into a letter of appointment with the Company on 25 November 2019 for a term of three years commencing from the Listing Date, 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.

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

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

DIRECTORS' REMUNERATION

In compliance with the CG Code, the Company has established a Remuneration Committee to make recommendations to the Board on the Company's policy and structure for all the Directors' remuneration. The Directors' remuneration 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 2019 include 2 Directors (2018: 2 Director). Details of the five highest paid individuals are set out in note 12 to the consolidated financial statements.

PERMITTED INDEMNITY PROVISION

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

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

RELATED PARTY TRANSACTIONS

The Group did not incur any related party transactions during the year ended 31 December 2019 (2018: nil).

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as otherwise disclosed in this Report, at no time during the year ended 31 December 2019 and up to the date of this Report, have the Directors and the chief executive of the Company and their respective close associates (as defined in the GEM listing rules) 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' INTERESTS IN COMPETING BUSINESS

From the Listing Date to the date of this report, none of the Directors, the Controlling Shareholders and the substantial shareholders of the Company or their respective close associates (as defined under the GEM Listing Rules) 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 independent non-executive Directors 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/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 listing of the Company's shares on the GEM of The Stock Exchange of Hong Kong Limited ("**Restricted Business**").

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

(a) the Controlling Shareholders are required to, and shall procure their respective close associates (other than members of the Group) to, promptly refer, or procure the referral of, the New Opportunity to the Group, and shall promptly give written notice to the Company of any New Opportunity containing all information reasonably necessary for the Group to consider whether (i) the New Opportunity would constitute competition with the business of the Group and/or any other new business which the Group may undertake at the relevant time, and (ii) it is in the interest of the Group to pursue the New Opportunity, including but not limited to the nature of the New Opportunity and the details of the investment or acquisition costs (the "**Offer Notice**"); and

(b) the Offeror will be entitled to pursue the New Opportunity only if (i) the Offeror has received a written notice from the Company declining the New Opportunity and confirming that the New Opportunity would not constitute competition with the business of the Group, or (ii) the Offeror has not received the notice from the Company within 10 business days from the Company's receipt of the Offer Notice. If there is a material change in the terms and conditions of the New Opportunity pursued by the Offeror, the Offeror shall refer the New Opportunity as so revised to the Group in the manner as set out above.

The Company confirms that the Non-Competition Undertaking of each of Mr. Sieh Shing Kee, Mr. Ho Ka Ki and Good Hill (collectively constituting the Controlling Shareholders), details of which were set out in the Prospectus, has been fully complied and enforced since the Listing Date 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 independent non-executive Directors 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 GEM Listing Rules) is interested in any business apart from the business operated by our Group which competes or is likely to compete, directly or indirectly, with our Group's business during the year ended 31 December 2019 and up to the date of this annual report.

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTEREST IN CONTRACT OF SIGNIFICANCE

There was no transactions 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 2019, 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.

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 2019, 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 Rule 5.46 to 5.67 of the GEM Listing Rules 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

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
Mr. Sieh Shing Kee	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 Ka Ki	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 2019, 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 Shing Kee and Mr. Ho Ka Ki. As such, Mr. Sieh Shing Kee and Mr. Ho Ka Ki are deemed under the SFO to be interested in the 300,000,000 Shares collectively held through Good Hill.

3. The letter "L" denotes the person's long position in the shares.

Save as disclosed above, as at the date of this report, none of the Directors or the chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered into the register required to be kept therein; or (iii) pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules 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 2019, 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 GEM 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 our 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. Lee Kim Kum	Interest of spouse	300,000,000 (L) (Notes 3 and 5)	75%
Ms. Cao Hongmei	Interest of spouse	300,000,000 (L) (Notes 4 and 5)	75%

Notes:

1. As at 31 December 2019, 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 Shing Kee and Mr. Ho Ka Ki. As such, Mr. Sieh Shing Kee and Mr. Ho Ka Ki are deemed under the SFO to be interested in the 300,000,000 Shares collectively held through Good Hill.

3. Ms. Lee Kim Kum is the spouse of Mr. Ho Ka Ki. 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.

4. Ms. Cao Hongmei is the spouse of Mr. Sieh Shing Kee. 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.

5. The letter "L" denotes the person's long position in the shares of the Company.

Save as disclosed above, as at the 31 December 2019, 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 2019.

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 2019. Details of the principal corporate governance practices as adopted by the Company and the Company's compliance with the applicable code provisions are set out in the section headed "Corporate Governance Report" on pages 25 to 39 of this report.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a Code of Ethics and Securities Transactions (the "**Code**") on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules as its own code of conduct regarding securities transactions by Directors. Having made specific enquiry of all Directors, all Directors confirmed that they had complied with the required standard of dealings and the Code regarding securities transactions during the year ended 31 December 2019.

The Board has also adopted the 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 A.6.4 of the CG Code. No incident of non-compliance with the Code by the Company's relevant employees was noted during the year ended 31 December 2019 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, our Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of our Group during the year ended 31 December 2019.

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 GEM 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 40 to 51 of this annual report.

INTERESTS OF THE COMPLIANCE ADVISER

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

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2019, the Group had 193 employees in Hong Kong (31 December 2018: 84 employees in Hong Kong) excluding the Directors. The remuneration package the Group offered to our employees includes salary, bonuses and other cash subsidies. In general, our 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.

SIGNIFICANT INVESTMENTS AND FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

During the year ended 31 December 2019, the Group did not have any significant investment, material acquisitions nor disposals of subsidiaries and affiliated companies save for those reorganisation activities done for the purpose of Listing as set out in the paragraph headed “Reorganisation” under the section headed “History, Development and Reorganisation” in the Prospectus.

MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES OR JOINT VENTURES

Apart from the reorganisation in relation to the Listing as disclosed in the Prospectus, there were no other significant investments held, material acquisitions or disposals of subsidiaries, associates or joint ventures during the year ended 31 December 2019.

USE OF PROCEEDS

The Shares were listed on the Stock Exchange on the Listing Date. A total of 100,000,000 new shares with nominal value of HK$0.01 each of the Company were issued at HK$0.6 per share for a total of approximately HK$60.0 million. The net proceeds raised from the issue of new shares of the Company, after deduction of the professional fees, underwriting commissions and other fees payable by the Company in connection with the listing, were estimated to be HK$37.1 million.

Up to 31 December 2019, HK$22.5 million was utilised. Details are set out in Management's Discussion and Analysis on pages 6 to 19 of this annual report.

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 2019.

ANNUAL GENERAL MEETING

The AGM of the Company will be held on 15 May 2020, the notice of which shall be sent to the shareholders of the Company in accordance with the Articles, the GEM Listing Rules and other applicable laws and regulations.

CLOSURE OF THE REGISTER OF MEMBERS OF SHARES

To be eligible to attend and vote in the forthcoming annual general meeting, the register of members of the Company will be closed from Tuesday, 12 May 2020 to Friday, 15 May 2020 (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 2103B, 21/F, 148 Electric Road, North Point, Hong Kong, for registration no later than 4:00 p.m. on Monday, 11 May 2020.

EVENTS AFTER THE REPORTING PERIOD

There were no significant event affecting the Group have occurred after the reporting period.

AUDITOR

The consolidated financial statements for the year ended 31 December 2019 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, 25 March 2020

Grant Thornton
致同

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 74 to 125, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, 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 matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. 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.

KEY AUDIT MATTERS (CONTINUED)

ACCOUNTING FOR CONSTRUCTION CONTRACTS

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

The Key Audit Matter	How the matter was addressed in our audit
The Group recognised revenue and costs from construction contracts amounted to approximately HK$183,903,000 and HK$150,546,000, respectively for the year ended 31 December 2019. 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 certificate (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, direct costs and variation works which may have an impact on the accounting for construction contracts and corresponding profit margin incurred, we therefore identified such as a key audit matter.	Our audit procedures in relation to the construction contracts included the following: • Understood the basis of estimation of the budgets through discussion with the management who is responsible for the budgeting of the construction contracts, and evaluated the reasonableness of the estimated profit margins by taking into account of the profit margins of historical similar projects; • Inspected the key terms and conditions of construction contracts and verify the total contract revenue; • Assessed and checked, on a sample basis, the accuracy of the budgeted construction revenue by agreeing to contract sum or variation orders 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 material, subcontracting charges and direct labour, etc. We compared the budgeted construction costs to supporting documents including but not limited to invoices, quotations and rate of direct labour, etc.; and • Evaluated the management's assessment on the revenue recognised of the construction contracts, on a sample basis, based on the latest progress certificates issued by the customers or their agents, including the certified contract works and variation orders, 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.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises all the information included in the 2019 annual report of the Company, 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, 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 HKSAs 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.

As part of an audit in accordance with HKSAs, 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.

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

- 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, related safeguards.

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
Level 12
28 Hennessy Road
Wanchai
Hong Kong

25 March 2020

Chan Tze Kit
Practising Certificate No.: P05707

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000 (note)
Revenue	5	183,903	111,245
Cost of services		(150,546)	(89,660)
Gross profit		33,357	21,585
Other income, gains and losses	6	224	(3)
Administrative expenses		(5,302)	(2,374)
Listing expenses		(16,769)	(139)
Finance costs	7	(34)	–
Profit before income tax	8	11,476	19,069
Income tax expense	9	(4,610)	(2,975)
Profit and total comprehensive income for the year		6,866	16,094
Earnings per share attributable to equity holders of the Company			
Basic and diluted	11	HK2.25 cents	HK5.36 cents

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 3.

The notes on pages 78 to 125 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000 (note)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	13	2,692	1,641
Deposits paid for acquisition of property, plant and equipment	15	723	–
		3,415	1,641
Current assets			
Contract assets	16	21,198	17,133
Trade and other receivables	15	16,744	8,932
Cash and bank balances	17	66,701	12,434
		104,643	38,499
Current liabilities			
Trade and other payables	18	14,536	7,576
Amounts due to directors	19	–	4,931
Lease liabilities	20	329	–
Current tax liabilities		5,424	883
		20,289	13,390
Net current assets		84,354	25,109
Total assets less current liabilities		87,769	26,750
Non-current liabilities			
Deferred tax liabilities	21	257	188
Net assets		87,512	26,562
EQUITY			
Share capital	22	4,000	1
Reserves	23	83,512	26,561
Equity attributable to equity holders of the Company		87,512	26,562

Mr. Sieh Shing Kee
Director

Mr. Ho Ka Ki
Director

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 3.

The notes on pages 78 to 125 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2019

	Share capital HK$'000 (note 22)	Share premium HK$'000 (note 23)	Capital reserve HK$'000 (note 23)	Retained earnings HK$'000 (note 23)	Total HK$'000
Balance at 1 January 2018	1	–	–	20,466	20,467
Profit and total comprehensive income for the year	–	–	–	16,094	16,094
Transaction with owners:					
Final dividends declared and approved (note 10)	–	–	–	(9,999)	(9,999)
Balance at 31 December 2018 (note) and 1 January 2019	1	–	–	26,561	26,562
Profit and total comprehensive income for the year	–	–	–	6,866	6,866
Transactions with owners:					
Issuance of shares upon incorporation (note 22(i))	–*	–	–	–	–*
Effect of group reorganisation (note 22(ii))	(1)	–	1	–	–
Issue of share upon public offering and placing (note 22(iv))	1,000	53,084	–	–	54,084
Capitalisation Issue (note 22(v))	3,000	(3,000)	–	–	–
Total transactions with owners	3,999	50,084	1	–	54,084
Balance at 31 December 2019	4,000	50,084	1	33,427	87,512

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

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 3.

The notes on pages 78 to 125 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2019

	2019 HK$'000	2018 HK$'000 (note)
Cash flows from operating activities		
Profit before income tax	11,476	19,069
Adjustments for:		
Depreciation	1,137	614
(Gain)/loss on disposal of property, plant and equipment	(182)	4
Interest expense on bank overdrafts	4	–
Interest expense for lease liabilities	30	–
Interest income	(41)	–
Operating profit before working capital changes	12,424	19,687
Increase in contract assets	(4,065)	(6,129)
Increase in trade and other receivables	(9,854)	(2,197)
Increase in trade and other payables	6,960	2,019
Cash generated from operations	5,465	13,380
Income taxes paid	–	(6,164)
Net cash generated from operating activities	5,465	7,216
Cash flows from investing activities		
Advances to directors	–	(3,706)
Interest received	41	–
Purchase of property, plant and equipment	(2,073)	(306)
Proceeds from disposal of property, plant and equipment	189	50
Net cash used in investing activities	(1,843)	(3,962)
Cash flows from financing activities		
Proceeds from issuance of share capital	60,000	–
Share issuance expenses	(3,916)	(2,000)
Payment of lease liabilities	(474)	–
Interest paid	(34)	–
Repayment to the directors	(4,931)	–
Net cash generated from/(used in) financing activities	50,645	(2,000)
Net increase in cash and cash equivalents	54,267	1,254
Cash and cash equivalents at the beginning of year	12,434	11,180
Cash and cash equivalents at the end of year (note 17)	66,701	12,434

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 3.

The notes on pages 78 to 125 are an integral part of these consolidated financial statements.

1. GENERAL INFORMATION AND BASIS OF PRESENTATION

1.1 General information

Maxicity Holdings Limited (the "**Company**") was incorporated as an exempted company with limited liability in the Cayman Islands under the Companies Law of the Cayman Islands on 30 January 2019. The addresses of the Company's registered office and principal place of business are Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and Room 2302-2303, 23/F., Omega Plaza, 32-34A Dundas Street, Mongkok, Hong Kong, respectively.

The Company's shares are listed on the GEM of the Stock Exchange of Hong Kong Limited (the "**SEHK**") on 13 December 2019 (the "**Listing**").

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

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

The consolidated financial statements were approved for issue by the board of directors on 25 March 2020.

1.2 Reorganisation and basis of presentation

Pursuant to a group reorganisation (the "**Reorganisation**"), which was completed by interspersing the investment holding companies between Mr. Sieh and Mr. Ho and A-City Workshop Limited ("**A-City Workshop**") in connection with the Listing, the Company became the holding company of the companies now comprising the Group on 15 March 2019.

Details of the Reorganisation are set out in the section headed "History, Development and Reorganisation – Reorganisation" in the Company's prospectus dated 30 November 2019. The Group is under the common control of the Controlling Shareholders prior to and after the Reorganisation. The Group comprising the Company and its subsidiaries resulting from the Reorganisation is regarded as a continuing entity.

1. GENERAL INFORMATION AND BASIS OF PRESENTATION (Continued)

1.2 Reorganisation and basis of presentation (Continued)

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

These annual consolidated financial statements on pages 74 to 125 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 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 disclosure requirements of the Hong Kong Companies Ordinance ("**CO**") and include the applicable disclosure requirements of the Rules Governing the Listing of Securities on the GEM of the SEHK ("**Listing Rules**").

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

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 below.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Basis of consolidation and combination

The consolidated financial statements incorporate the financial information of the Company and all its subsidiaries made up to 31 December each year. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies.

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

The Group includes the income and expenses of a subsidiary in the consolidated financial statements from the date it gains control until the date when the Group ceases to control the subsidiary.

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

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

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

2.3 Foreign currency translation

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 over their estimated useful lives, using the straight-line method, at the following rates per annum:

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

Upon the application of HKFRS 16 "Leases" ("**HKFRS 16**"), 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. The carrying amount of the replaced part is derecognised. All other costs, such as repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

2.5 Financial instruments

Recognition and derecognition

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 Financial instruments (Continued)

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.

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 within "administrative expenses".

Subsequent measurement of financial assets

Debt investments

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

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

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

After initial recognition, these are measured at amortised cost using the effective interest method. Interest income from these financial assets is included in "other income, gains and losses" 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 Financial instruments (Continued)

Financial liabilities

Classification and measurement of financial liabilities

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

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

All interest-related charges are included within finance costs.

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

Trade and other payables and amounts due to directors

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

2.6 Impairment of financial assets and contract assets

HKFRS 9 "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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 Impairment of financial assets and contract assets (Continued)

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

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

Trade receivables and contract assets

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

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

Other financial assets measured at amortised cost

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 Impairment of financial assets and contract assets (Continued)

Other financial assets measured at amortised cost (Continued)

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

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

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

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

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

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

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

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

Detailed analysis of the ECL assessment of trade receivables, contract assets and other financial assets measured at amortised cost are set out in note 31.3.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.9 Contract assets and contract liabilities

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

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

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

2.10 Leases

Definition of a lease and the Group as a lessee

Policies applicable from 1 January 2019

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

- the contracts 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.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10 Leases (Continued)

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

Policies applicable from 1 January 2019 (Continued)

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.

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10 Leases (Continued)

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

Policies applicable before 1 January 2019

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

Classification of assets leased to the Group

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

Operating lease charges as the lessee

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

2.11 Provisions

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

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

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.13 Revenue recognition (Continued)

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

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

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

Retirement benefits

Retirement benefits to employees are provided through defined contribution plans.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.14 Employee benefits (Continued)

Retirement benefits (Continued)

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

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

Short-term employee benefits

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

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

2.15 Accounting for income taxes

Income tax comprises current tax and deferred tax.

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

Deferred tax is calculated using the liability method on temporary differences at the reporting date between the carrying amounts of assets and liabilities in the 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.15 Accounting for income taxes (Continued)

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

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

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

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

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

– income or loss excluding reversals of temporary differences; and

– reversals of existing temporary differences.

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.15 Accounting for income taxes (Continued)

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

(i) the same taxable entity; or

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

2.16 Segment reporting

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

2.17 Related parties

For the purposes of the 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.17 Related parties (Continued)

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

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

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

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

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

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

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

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

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

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

3. ADOPTION OF NEW AND AMENDED HKFRSs

New and amended HKFRSs that are effective for annual periods beginning or after 1 January 2019

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, HKFRS 16 is relevant to the Group's financial statements.

Except for HKFRS 16, none of the developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in these consolidated financial statements. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

HKFRS 16

HKFRS 16 replaces HKAS 17 "Leases" ("**HKAS 17**") along with three interpretations (HK(IFRIC) – Int 4 "Determining whether an Arrangement contains a Lease" ("**HK(IFRIC) – Int 4**"), HK(SIC) Int – 15 "Operating Leases-Incentives" and HK(SIC) Int – 27 "Evaluating the Substance of Transactions Involving the Legal Form of a Lease").

The Group has applied HKFRS 16 and the related consequential amendments to other HKFRSs on 1 January 2019 which resulted in changes in accounting policies and adjustments to the amounts recognised in the consolidated financial statements. In accordance with the transitional provisions in HKFRS 16, the Group has elected to apply HKFRS 16 using the modified retrospective approach, adopting HKFRS 16 being recognised in equity as an adjustment to the opening balance of retained earnings for the current year with the cumulative effect.

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

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

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

3. ADOPTION OF NEW AND AMENDED HKFRSs (Continued)

New and amended HKFRSs that are effective for annual periods beginning or after 1 January 2019 (Continued)

HKFRS 16 (Continued)

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

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

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

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

3. ADOPTION OF NEW AND AMENDED HKFRSs (Continued)

New and amended HKFRSs that are effective for annual periods beginning or after 1 January 2019 (Continued)

HKFRS 16 (Continued)

When measuring lease liabilities for leases that were classified as operating leases under HKAS 17, the Group discounted lease payments using its incremental borrowing rate at 1 January 2019. The incremental borrowing rate applied to lease liabilities recognised under HKFRS 16 was 5.07%.

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

	HK$'000
Operating lease commitment as at 31 December 2018 (note 25)	839
Less: discounting using incremental borrowing rate as at 1 January 2019	(36)
Lease liabilities recognised under HKFRS 16 as at 1 January 2019	803

Issued but not yet effective HKFRSs

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

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

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

The Group is in the process of making an assessment of what the impact of these developments expected to be in the period of initial application. Currently it has been considered that the adoption of them is unlikely to have a material impact on the Group's consolidated financial statements.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

Construction contracts

As explained in note 2.13, revenue recognition on a project is dependent on management's estimation of the total outcome of the construction contracts, with reference to the progress certificates issued by the customers or their appointed architects, surveyors or other representatives. The Group reviews and revises the estimates of contract revenue, contract costs and variation orders, 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, contract costs and variation work 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 and unagreed income from variations to the contract scope or claims. The impact of the changes in accounting estimates is then reflected in the ongoing results. Details of the contract assets are disclosed in note 16.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

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

The Group makes allowances on items subjects to ECL (including trade and other receivables (excluding prepayments and deposits paid for acquisition of property, plant and equipment) and contract assets) based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period as set out in note 2.6. When the actual future cash flows are different from expected, such difference will impact the carrying amount of trade and other receivables (excluding prepayment and deposits paid for acquisition of property, plant and equipment) and contract assets and credit losses in the periods in which such estimate has been changed. No ECL in respect of trade and other receivables (excluding prepayments and deposits paid for acquisition of property, plant and equipment) and contract assets was recognised during the years. Carrying amounts of trade and other receivables and contract assets are set out in notes 15 and 16, respectively.

5. REVENUE AND SEGMENT INFORMATION

5.1 Revenue

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

	2019 HK$'000	2018 HK$'000
Provision of slope works		
– Public sector projects	149,812	106,045
– Private sector projects	34,091	5,200
	183,903	111,245

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.

	2019 HK'000	2018 HK$'000
Remaining performance obligations expected to be satisfied during the year ending		
31 December 2019	–	122,825
31 December 2020	149,772	32,676
31 December 2021	9,548	–
	159,320	155,501

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. 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.

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:

	2019 HK$'000	2018 HK$'000
Customer A	N/A*	34,578
Customer B	63,842	33,770
Customer C	49,946	28,556
Customer D	45,007	N/A*

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

6. OTHER INCOME, GAINS AND LOSSES

	2019 HK$'000	2018 HK$'000
Interest income	41	–
Gain/(loss) on disposal of property, plant and equipment	182	(4)
Sundry income	1	1
	224	(3)

7. FINANCE COSTS

	2019 HK$'000	2018 HK$'000
Interest expense on bank overdrafts	4	–
Interest expense on lease liabilities	30	–
	34	–

8. PROFIT BEFORE INCOME TAX

	2019 HK$'000	2018 HK$'000
Profit before income tax is stated after charging:		
(a) Staff costs (including directors' emoluments) (note 12(a)) (note)		
– Salaries, wages and other benefits	48,442	32,767
– Contributions to defined contribution retirement plans	1,933	1,486
	50,375	34,253
Note: Presenting in consolidated statement of profit or loss and other comprehensive income as :		
– Cost of services	47,819	32,631
– Administrative expenses	2,556	1,622
	50,375	34,253
(b) Other items		
Depreciation, included in:		
Cost of services		
– owned assets	579	566
Administrative expenses		
– owned assets	51	48
– right-of-use assets	507	–
	1,137	614
Auditor's remuneration	600	–
Subcontracting charges (included in cost of services)	43,248	24,820
Machinery rental expenses (included in cost of services)	3,782	2,118
Operating lease charges in respect of leased premises	–	212
Listing expenses	16,769	139

9. INCOME TAX EXPENSE

	2019 HK$'000	2018 HK$'000
Provision for Hong Kong Profits Tax		
– Current tax	4,541	3,126
– Statutory tax concession	–	(30)
	4,541	3,096
Deferred tax (note 21)	69	(121)
	4,610	2,975

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

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

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

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

For the years ended 31 December 2019 and 2018, Hong Kong Profits Tax of A-City Workshop is calculated in accordance with the two-tiered profits tax rates regime.

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

	2019 HK$'000	2018 HK$'000
Profit before income tax	11,476	19,069
Tax at Hong Kong Profits Tax rate of 16.5%	1,894	3,147
Tax effect of non-deductible expenses	2,881	23
Effect of two-tiered profits tax rates regime	(165)	(165)
Statutory tax concession	–	(30)
Income tax expense	4,610	2,975

10. DIVIDENDS

The Company

The directors of the Company do not recommend the payment of any dividend in respect of the period from 30 January 2019 (date of incorporation of the Company) to 31 December 2019.

A-City Workshop

	2018 HK$'000
Dividends declared and paid by A-City Workshop prior to the Reorganisation	9,999

11. EARNINGS PER SHARE

	2019	2018
Earnings for the purpose of calculating basic earnings per share (profit for the year) (HK$'000)	6,866	16,094
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share (in thousand)	305,479	300,000

The weighted average number of ordinary shares for the purpose of calculating basic earnings per share during the year ended 31 December 2019 includes (i) 1 and 2,000 ordinary shares in issue upon incorporation and during the year respectively; (ii) 299,997,999 new ordinary shares issued pursuant to the capitalisation issue as detailed in note 22(v) ("**Capitalisation Issue**"), as if all these shares had been in issue throughout the year ended 31 December 2019, and (iii) 5,479,452 shares, representing the weighted average of 100,000,000 new ordinary shares issued pursuant to the public offering and placing as detailed in note 22(iv) ("**Share Offer**").

The weighted average number of ordinary shares for the purpose of calculating basic earnings per share during the year ended 31 December 2018 are retrospectively adjusted based on the Reorganisation and taking into account the effect arising from the completion of Capitalisation Issue.

There were no dilutive potential ordinary shares during the years ended 31 December 2019 and 2018 and therefore, diluted earnings per share equals to basic earnings per share.

12. DIRECTORS' AND CHIEF EXECUTIVES' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUAL

(a) Directors' and chief executives' emoluments

Directors' and chief executive's emoluments, disclosed pursuant to the GEM 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 contribution HK$'000	Total HK$'000
Year ended 31 December 2019				
Executive directors:				
Mr. Sieh (Chairman) (note (i))	–	720	18	738
Mr. Ho (Chief executive officer) (note (ii))	–	720	18	738
Independent non-executive directors:				
Mr. Kwong Che Sing (note (iii))	–	8	–	8
Mr. Ling Siu Tsang (note (iii))	–	8	–	8
Mr. Tso Ping Cheong Brian (note (iii))	–	8	–	8
	–	1,464	36	1,500
Year ended 31 December 2018				
Executive directors:				
Mr. Sieh (note (i))	–	696	18	714
Mr. Ho (note (ii))	–	696	18	714
	–	1,392	36	1,428

Notes:

(i) Mr. Sieh was a director of the Company's subsidiary during the years ended 31 December 2019 and 2018 and was appointed as a director of the Company on 30 January 2019. He was redesignated as an executive director of the Company in February 2019 and appointed as the chairman of the board of directors of the Company in March 2019.

(ii) Mr. Ho was a director of the Company's subsidiary during the years ended 31 December 2019 and 2018 and was appointed as a director of the Company on 30 January 2019. He was redesignated as an executive director of the Company in February 2019 and appointed as chief executive officer of the Company in March 2019.

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

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

Notes: (Continued)

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

(iv) The emoluments shown above were for the services in connection with the management of the affairs of the Group during the years ended 31 December 2019 and 2018.

(v) No emoluments were paid by the Group to a director as an inducement to join or upon joining the Group or as compensation for loss of office as a director or management of any members of the Group during the years ended 31 December 2019 and 2018.

(vi) There was no arrangement under which a director has waived or agreed to waive any emolument during the years ended 31 December 2019 and 2018.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year ended 31 December 2019 included two (2018: two) directors whose emoluments are disclosed in note 12(a). The aggregate of the emoluments in respect of the remaining three (2018: three) individuals are as follows:

	2019 HK$'000	2018 HK$'000
Salaries, fee and allowances	1,920	1,579
Retirement scheme contributions	54	50
	1,974	1,629

The emoluments fell within the following bands:

	2019	2018
Emolument bands:		
HK$Nil – HK$1,000,000	3	3

13. PROPERTY, PLANT AND EQUIPMENT

	Building (note) HK$'000	Leasehold improvements HK$'000	Furniture and fixtures HK$'000	Plant and machinery HK$'000	Motor vehicles HK$'000	Total HK$'000
At 1 January 2018						
Cost	–	–	1,463	1,030	600	3,093
Accumulated depreciation	–	–	(614)	(95)	(381)	(1,090)
Net book amount	–	–	849	935	219	2,003
Year ended 31 December 2018						
Opening net book amount	–	–	849	935	219	2,003
Additions	–	95	24	–	187	306
Disposals	–	–	–	–	(54)	(54)
Depreciation	–	(6)	(260)	(206)	(142)	(614)
Closing net book amount	–	89	613	729	210	1,641
At 31 December 2018 and 1 January 2019						
Cost	–	95	1,487	1,030	672	3,284
Accumulated depreciation	–	(6)	(874)	(301)	(462)	(1,643)
Net book amount as at 31 December 2018	–	89	613	729	210	1,641
Impact on initial application of HKFRS 16 (note 3)	845	–	–	–	–	845
Net book amount as at 1 January 2019, restated	845	89	613	729	210	2,486
Year ended 31 December 2019						
Opening net book amount as at 1 January 2019, restated	845	89	613	729	210	2,486
Additions	–	–	306	376	668	1,350
Disposals	–	–	–	–	(7)	(7)
Depreciation	(507)	(19)	(288)	(206)	(117)	(1,137)
Closing net book amount	338	70	631	899	754	2,692
At 31 December 2019						
Cost	845	95	1,793	1,406	981	5,120
Accumulated depreciation	(507)	(25)	(1,162)	(507)	(227)	(2,428)
Net book amount	338	70	631	899	754	2,692

13. PROPERTY, PLANT AND EQUIPMENT (Continued)

Note:

The Group has obtained the right to use a premises through the tenancy agreement. The lease typically run on an initial period of 2 years. The Group makes fixed payments during the contract period. As at 31 December 2019, the carrying amounts of the Group's right-of-use assets in relation to the building carried at cost are HK$338,000.

14. PARTICULARS OF SUBSIDIARIES

Particulars of the subsidiaries at 31 December 2019 and 2018 are as follows:

Name of company	Place of incorporation and operation	Issued and paid up capital	Equity interest attributable to the Group 2019	Equity interest attributable to the Group 2018	Principal activities
Directly held					
Kanic International Limited ("**Kanic International**")	The BVI	US$11	100%	Nil*	Investment holdings
Indirectly held					
A-City Workshop	Hong Kong	HK$1,000	100%	100%	Undertaking slope works in Hong Kong

* Kanic International is newly incorporated on 5 March 2019.

15. TRADE AND OTHER RECEIVABLES

	2019 HK$'000	2018 HK$'000
Trade receivables (note (a))	10,569	3,975
Other receivables	1	2
Prepayments (note (b))	1,988	4,108
Utility and other deposits	4,909	847
	17,467	8,932
Less: non-current portion		
Deposits paid for acquisition of property, plant and equipment	(723)	–
Current portion	16,744	8,932

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.

15. TRADE AND OTHER RECEIVABLES (Continued)

(a) Trade receivables

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

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

	2019 HK$'000	2018 HK$'000
0-30 days	10,569	3,856
91-365 days	–	119
	10,569	3,975

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 2019 and 2018, the ECL rates are close to be zero and therefore no provision has been made during the years ended 31 December 2019 and 2018.

(b) Prepayments

As at 31 December 2019, prepayments mainly comprised of: (i) prepaid listing expenses amounted to HK$nil (2018: HK$1,861,000) and (ii) prepaid expenses for insurance covered in sites operation and machinery rentals expenses amounted to HK$1,607,000 (2018: HK$2,193,000).

16. CONTRACT ASSETS

	2019 HK$'000	2018 HK$'000
Unbilled revenue	17,847	15,927
Retention receivables	3,351	1,206
	21,198	17,133

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

Changes of contract assets during the year ended 31 December 2019 were mainly due to:

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

(2) Changes in number of contract works that the relevant services were completed but yet been certified at the end of each reporting period.

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

	2019 HK$'000	2018 HK$'000
Transfers from contract assets recognised at the beginning of the year to trade receivables	15,779	10,605

No contract liability was noted during the years ended 31 December 2019 and 2018.

17. CASH AND BANK BALANCES

	2019 HK$'000	2018 HK$'000
Cash at banks and in hand	21,701	12,434
Short-term bank deposits	45,000	–
	66,701	12,434

Cash at banks earns interest at floating rates based on daily bank deposit rates. The short-term bank deposits earn at 0.5% to 2.77% interest per annum with a maturity of one month.

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

18. TRADE AND OTHER PAYABLES

	2019 HK$'000	2018 HK$'000
Trade payables (note (a))	12,286	7,226
Accruals and other payables	2,250	350
	14,536	7,576

18. TRADE AND OTHER PAYABLES (Continued)

(a) Trade payables

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

	2019 HK$'000	2018 HK$'000
0-30 days	11,185	7,192
31-60 days	999	–
61-90 days	–	7
91-365 days	102	27
	12,286	7,226

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.

19. AMOUNTS DUE TO DIRECTORS

Particulars of amounts due to directors are as follows:

	At 31 December		Maximum amount outstanding during the year ended 31 December	
	2019 HK$'000	2018 HK$'000	2019 HK$'000	2018 HK$'000
Mr. Ho	–	(2,247)	N/A	2,905
Mr. Sieh	–	(2,684)	N/A	2,316
	–	(4,931)		

The amounts due to directors are non-trade in nature. The amounts due are unsecured, non-interest bearing and repayable on demand. The fair values approximate their carrying amounts at each of the reporting dates.

20. LEASE LIABILITIES

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

	As at 31 December 2019	
	Present value of the minimum lease payments HK$'000	Total minimum lease payments HK$'000
Within 1 year	329	335
Less: total future interest expenses		(6)
Present value of lease liabilities		329

During the year ended 31 December 2019, the total cash outflows for the leases are approximately HK$504,000.

21. DEFERRED TAXATION

During the years ended 31 December 2019 and 2018, 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.

The movement in deferred tax liabilities during the year 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 2018	309
Credited to profit or loss (note 9)	(121)
As at 31 December 2018 and 1 January 2019	188
Charged to profit or loss (note 9)	69
As at 31 December 2019	**257**

22. SHARE CAPITAL

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

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

	Number of shares	HK$'000
Authorised:		
Ordinary shares of HK$0.01 each upon incorporation	38,000,000	380
Increase in authorised share capital (note (iii))	962,000,000	9,620
As at 31 December 2019	1,000,000,000	10,000
Issued and fully paid:		
Upon incorporation (note (i))	1	–*
Issuance of shares upon the Reorganisation (note (ii))	2,000	–*
Issue of share upon public offering and placing (note (iv))	100,000,000	1,000
Capitalisation issue of shares (note (v))	299,997,999	3,000
As at 31 December 2019	400,000,000	4,000

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

Notes:

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

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

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

22. SHARE CAPITAL (Continued)

Notes: (Continued)

(iv) On 12 December 2019, the Company issued a total of 100,000,000 ordinary shares of HK$0.01 each a price of HK$0.6 per share in relation to the public offering and placing of the Company's shares. Of the gross total proceeds of HK$60,000,000, HK$1,000,000 representing the par value was credited to the Company's share capital, and HK$59,000,000 before reduction of the share issuance expenses of HK$5,916,000, was credited to the share premium account.

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

23. RESERVES

The amounts of the Group's reserves and the movements therein for the years ended 31 December 2019 and 2018 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 Law of the Cayman Islands, the share premium account of the Company may be applied for payment of distributions or dividends to the shareholders provided that immediately following the date on which the distribution or dividend is proposed to be paid, the Company is able to pay its debts as they fall due in the ordinary course of business.

Capital reserve

The capital reserve of the Group as at 31 December 2019 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.

24. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Note	2019 HK$'000
ASSETS AND LIABILITIES		
Non-current asset		
Investment in a subsidiary		26,780
Current assets		
Prepayments		381
Amounts due from subsidiaries		30,103
Cash and bank balances		7,658
		38,142
Current liability		
Accruals		1,769
Net current assets		36,373
Net assets/Total asset less current liabilities		63,153
EQUITY		
Share capital	22	4,000
Reserves (note)		59,153
Total equity		63,153

Mr. Sieh Shing Kee
Director

Mr. Ho Ka Ki
Director

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

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

	Share premium HK$'000	Capital reserve* HK$'000	Accumulated losses HK$'000	Total HK$'000
Transactions with owners:				
Issuance of shares upon the Reorganisation (note 22(ii))	–	26,780	–	26,780
Issue of share upon public offering and placing (note 22(iv))	53,084	–	–	53,084
Capitalisation Issue (note 22(v))	(3,000)	–	–	(3,000)
Loss and total comprehensive expense for the period	–	–	(17,711)	(17,711)
Balance as at 31 December 2019	50,084	26,780	(17,711)	59,153

* Capital reserve of the Company represents the difference between the total equity of Kanic International over the nominal value of the Company's shares issued under the Reorganisation as described in note 22(ii).

25. LEASE COMMITMENTS

As lessee

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

	2019 HK$'000	2018 HK$'000
Within one year	–	503
In the second to fifth years	–	336
	–	839

25. LEASE COMMITMENTS (Continued)

The Group is the lessee in respect of premises under operating leases. The leases typically run for an initial period of two years. The leases do not include contingent rentals. The Group has initially applied HKFRS 16 using the modified retrospective approach. Under this approach, the Group adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to these leases (see note 3). From 1 January 2019 onwards, future lease payments are recognised as lease liabilities in the consolidated statement of financial position in accordance with the policies set out in note 2.10, and the details regarding the Group's future lease payments are disclosed in note 20.

26. CAPITAL COMMITMENT

	2019 HK$'000	2018 HK$'000
Contracted but not provided for property, plant and equipment	2,275	–

27. RELATED PARTY TRANSACTIONS

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

(a) Balances with related parties

Details of the balances with related parties are disclosed in note 19.

(b) 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:

	2019 HK$'000	2018 HK$'000
Salaries, fee and allowances	2,821	1,392
Retirement benefit scheme contributions	72	36
	2,893	1,428

28. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	Lease liabilities HK$'000
At 31 December 2018	–
Impact on initial application of HKFRS 16 (note 3)	803
At 1 January 2019	803
Change from financing cash flows:	
Payment of lease liabilities	(474)
Interest paid	(30)
Other change:	
Interest expense for lease liabilities	30
At 31 December 2019	329

29. POTENTIAL LITIGATION

As at 31 December 2019 and 2018, 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.

30. PERFORMANCE GUARANTEES

As at 31 December 2019, certain performance bonds totaling HK$9,000,000 was issued by an insurance company in favour of the Group's customers as security for the due performance and observance of the Group's obligations under the contracts entered into between the Group and its customers.

The performance guarantees were secured by (i) corporate guarantees given by the Company; and (ii) a pledged deposit in the sum of HK$3,100,000 (as included in utility and other deposits in note 15) placed by A-City Workshop with the insurance company.

31. 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.

31.1 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:

	2019 HK$'000	2018 HK$'000
Financial assets		
Financial assets at amortised cost		
– Trade and other receivables	14,756	4,824
– Cash and bank balances	66,701	12,434
	81,457	17,258
Financial liabilities		
Financial liabilities measured at amortised cost		
– Trade and other payables	14,536	7,576
– Lease liabilities	329	–
– Amounts due to directors	–	4,931
	14,865	12,507

31.2 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.

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

31.3 Credit risk

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

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

As at 31 December 2019, the Group has concentration of credit risk as 88% and 100% (2018: 57% and 100%) of the total trade receivables (note 15) were due from the Group's largest customers, amounting to approximately HK$9,339,000 (2018: HK$2,247,000), and five largest customers, amounting approximately HK$10,569,000 (2018: HK$3,975,000), 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 forwarding-looking information. Internal credit rating, actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations, actual or expected significant changes in the operating results of the borrower and significant changes in the expected performance and behavior of the borrower including changes in the payment status of borrowers in the Group and changes in the operating results of the borrower are indicators to be incorporated.

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

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

31.3 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.

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

(ii) Other financial assets at amortised cost

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 make 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 recognised is 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.

31.4 Liquidity risk

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

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

31.4 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.

	On demand or within 1 year HK$'000	Total contractual undiscounted cash flows HK$'000	Carrying amount HK$'000
As at 31 December 2019			
Trade and other payables	14,536	14,536	14,536
Lease liabilities	335	335	329
	14,871	14,871	14,865
As at 31 December 2018			
Trade and other payables	7,576	7,576	7,576
Amounts due to directors	4,931	4,931	4,931
	12,507	12,507	12,507

31.5 Fair value measurement

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

32. CAPITAL MANAGEMENT

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

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

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

	2019 HK$'000	2018 HK$'000
Borrowings	329	–
Less: cash and bank balances	(66,701)	(12,434)
Net cash	(66,372)	(12,434)
Total equity	87,512	26,562
Net debt to equity ratio	N/A	N/A

FINANCIAL SUMMARY

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

	For the year ended 31 December		
	2019	2018	2017
	HKD'000	HKD'000	HKD'000
CONSOLIDATED RESULTS			
Revenue	**183,903**	111,245	94,323
Gross profit	**33,357**	21,585	18,863
Profit before inome tax	**11,476**	19,069	16,642
Income tax expense	**4,610**	(2,975)	(2,717)
Profit and total comprehensive income for the year	**6,866**	16,094	13,925

	As at 31 December		
	2019	2018	2017
	HKD'000	HKD'000	HKD'000
CONSOLIDATED ASSETS AND LIABILITIES			
Total assets	**108,058**	40,140	30,284
Total liabilities	**(20,546)**	(13,578)	(9,817)
Equity attributable to equity holders of the Company	**87,512**	26,562	20,467

Note:

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