



Maxicity Holdings Limited 豐城控股有限公司

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

Stock code: 8216

INTERIM REPORT

2020

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*This report, for which the directors (the “**Directors**”) of Maxicity Holdings Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”, “**we**”, “**us**”, “**our**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of The Stock Exchange (the “**GEM Listing Rules**”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquires, confirm that, to the best of their knowledge and belief, the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.*

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Independent non-executive Directors

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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COMPLIANCE ADVISER

Grande Capital Limited
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Admiralty
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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
Room 2103B, 21/F
148 Electric Road
North Point
Hong Kong

CORPORATE INFORMATION

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited
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Cayman Islands

CAYMAN ISLANDS REGISTERED OFFICE

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Grand Cayman, KY1-1111
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PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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WEBSITE

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STOCK CODE

08216

FINANCIAL HIGHLIGHTS

Our revenue increased from approximately HK\$95.7 million for the six months ended 30 June 2019 to approximately HK\$120.8 million for the six months ended 30 June 2020, representing an increase of approximately HK\$25.2 million or 26.3%.

Our profit and total comprehensive income increased significantly from approximately HK\$5.0 million for the six months ended 30 June 2019 to approximately HK\$14.7 million for the six months ended 30 June 2020, representing a significant increase of approximately HK\$9.7 million or 194.6%.

However, adjusted profit and total comprehensive income for the six months ended 30 June 2020 amounted to approximately HK\$14.7 million, which is increased by HK\$1.1 million or 7.9% as compared with HK\$13.6 million for the six months ended 30 June 2019 (excluding listing expenses).

Basic and diluted earnings per share amounted to approximately HK3.7 cents for six months ended 30 June 2020 (six months ended 30 June 2019: HK1.7 cents).

The board of Directors does not recommend the declaration of any interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: Nil).

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

For the six months ended 30 June 2020

The board of Directors (the "Board") of the Company is pleased to announce the unaudited condensed consolidated financial results of the Group for the six months ended 30 June 2020 (the "Reporting Period"), together with the respective unaudited comparative figures for the corresponding period in 2019, as follows:

	Notes	Three months ended 30 June		Six months ended 30 June	
		2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Revenue	3	59,781	52,858	120,844	95,656
Cost of services		(48,594)	(42,609)	(98,228)	(77,276)
Gross profit		11,187	10,249	22,616	18,380
Other income, gains and losses		152	97	340	97
Administrative expenses		(2,690)	(1,157)	(5,174)	(2,292)
Listing expenses		–	(4,346)	–	(8,631)
Interest expense on lease liabilities		(2)	(8)	(6)	(18)
Profit before income tax	4	8,647	4,835	17,776	7,536
Income tax expense	5	(1,780)	(1,457)	(3,070)	(2,544)
Profit and total comprehensive income for the period attributable to equity holders of the Company		6,867	3,378	14,706	4,992
Earnings per share attributable to equity holders of the Company					
Basic and diluted	6	HK 1.7 cents	HK 1.1 cents	HK 3.7 cents	HK 1.7 cents

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

		As at 30 June 2020 <i>HK\$'000</i> (Unaudited)	As at December 2019 <i>HK\$'000</i> (Audited)
	<i>Notes</i>		
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	8	3,957	2,692
Deposits paid for acquisition of property, plant and equipment	9	1,163	723
		5,120	3,415
Current assets			
Contract assets	10	32,103	21,198
Trade and other receivables	9	20,096	16,744
Cash and bank balances		58,106	66,701
		110,305	104,643
Current liabilities			
Trade and other payables	11	8,994	14,536
Lease liabilities		83	329
Current tax liabilities		3,703	5,424
		12,780	20,289
Net current assets		97,525	84,354
Total assets less current liabilities		102,645	87,769
Non-current liabilities			
Deferred tax liabilities		427	257
Net assets		102,218	87,512
EQUITY			
Share capital	12	4,000	4,000
Reserves		98,218	83,512
Equity attributable to equity holders of the Company		102,218	87,512

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Retained earnings <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2019 (Audited)	1	–	–	26,561	26,562
Profit and total comprehensive income for the period	–	–	–	4,992	4,992
Issuance of shares upon incorporation <i>(note 12(a))</i>	–*	–	–	–	–
Effect of group reorganisation <i>(note 12(b))</i>	(1)	–	1	–	–
Total transactions with owners	(1)	–	1	–	–
At 30 June 2019 (Unaudited)	–	–	1	31,553	31,554
At 1 January 2020 (Audited)	4,000	50,084	1	33,427	87,512
Profit and total comprehensive income for the period	–	–	–	14,706	14,706
At 30 June 2020 (Unaudited)	4,000	50,084	1	48,133	102,218

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

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020

	Six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Cash flows from operating activities		
Profit before income tax	17,776	7,536
Adjustments for:		
Depreciation	778	560
(Gain)/loss on disposal of property, plant and equipment	–	(97)
Interest expense for lease liabilities	6	18
Interest income	(260)	–
Operating profit before working capital changes	18,300	8,017
Increase in contract assets	(10,905)	(14,366)
Increase in trade and other receivables	(3,792)	(4,385)
(Decrease)/increase in trade and other payables	(5,542)	9,171
Cash used in from operations	(1,939)	(1,563)
Income taxes paid	(4,621)	–
Net cash used in operating activities	(6,560)	(1,563)
Cash flows from investing activities		
Purchase of property, plant and equipment	(2,043)	(316)
Proceeds from disposal of property, plant and equipment	–	98
Increase in pledged deposits	–	(5,000)
Interest received	260	–
Net cash used in investing activities	(1,783)	(5,218)
Cash flows from financing activities		
Payment of lease liabilities	(252)	(252)
Repayment to the directors	–	(3,588)
Net cash used in financing activities	(252)	(3,840)
Net increase in cash and cash equivalents	(8,595)	(10,621)
Cash and cash equivalents at the beginning of period	66,701	12,434
Cash and cash equivalents at the end of period	58,106	1,813

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

1. GENERAL INFORMATION

Maxicity Holdings Limited 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 (the "**Shares**") have been 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 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 interim financial report of the Group for the six months ended 30 June 2020 (the "**Interim Financial Report**") are unaudited, but have been reviewed by the audit committee of the Company. The unaudited condensed consolidated interim financial statements were approved and authorised for issue by the Directors on 4 August 2020.

2. BASIS OF PREPARATION

2.1 General

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

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

This Interim Financial Report contains the unaudited condensed consolidated interim financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2019 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with HKFRSs.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

The financial information relating to the financial year ended 31 December 2019 that is included in the Interim Financial Report as comparative information does not constitute the Company's statutory annual consolidated financial statements for that financial year but is derived from those financial statements.

The Company's auditor has reported on those financial statements. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under section 406(2), 407(2) or (3) of the Companies Ordinance.

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

2.2 ADOPTION OF NEW OR AMENDED HKFRSs

New and amended HKFRSs that are effective for annual periods beginning or after 1 January 2020

The Interim Financial Report has been prepared in accordance with the accounting policies adopted in the Group's annual financial statements for the year ended 31 December 2019, except for the adoption of the following new and amended Hong Kong Financial Reporting Standards ("HKFRSs") effective as of 1 January 2020. The Group has not early adopted any other standards, interpretation or amendment that has been issued but is not yet effective.

Amendments to HKFRS 3	Definition of Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform
Amendments to HKAS 1 and HKAS 8	Definition of Material

The adoption of the New and Amended HKFRSs had no material impact on how the results and financial position for the current and prior periods have been prepared and presented.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

Issued but not yet effective HKFRSs

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

HKFRS 17	Insurance Contracts ²
Amendments to HKFRS 3	Reference to the Conceptual Framework ⁵
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
Amendments to HKFRS 16	Covid-19-Related Rent Concessions ¹
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use ³
Amendments to HKAS 37	Onerous Contracts–Cost of Fulfilling a Contract ³
Amendments to HKFRSs	Annual Improvements to HKFRS Standards 2018-2020 ³

¹ Effective for annual periods beginning on or after 1 June 2020

² Effective for annual periods beginning on or after 1 January 2021

³ Effective for annual periods beginning on or after 1 January 2022

⁴ Effective date not yet determined

⁵ Effective for business combinations for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2022

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

2.3 Reorganisation

Pursuant to a group reorganisation (the “**Reorganisation**”), which was completed by interspersing the investment holding companies among Mr. Sieh Shing Kee (“**Mr. Sieh**”), Mr. Ho Ka Ki (“**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 “**Prospectus**”).

The Group is under the common control of Mr. Sieh, Mr. Ho and Good Hill (collectively, 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.

The unaudited condensed consolidated interim financial statements have been prepared to present the results of the companies now comprising the Group, as if the group structure upon the completion of the Reorganisation had been in existence throughout the six months ended 30 June 2019 or since their respective dates of incorporation, where there is a shorter period.

3. REVENUE

Revenue represents income arising on the provision of slope works to external customers. The Group’s revenue is recognised over time.

	Three months ended 30 June		Six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Provision of slope works				
Public sector projects	56,715	38,073	111,425	73,738
Private sector projects	3,066	14,785	9,419	21,918
	59,781	52,858	120,844	95,656

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

4. PROFIT BEFORE TAXATION

	Three months ended 30 June		Six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Profit before income tax is stated after charging:				
(a) Staff costs (including directors' emoluments)				
– Directors' emoluments	721	357	1,443	714
– Salaries, wages and other benefits	13,838	12,819	29,108	21,490
– Contributions to defined contribution retirement plans	564	500	1,122	840
	15,123	13,676	31,673	23,044
Note: Presenting in consolidated statement of profit or loss and other comprehensive income as:				
– Cost of services	14,057	13,054	29,239	21,804
– Administrative expenses	1,066	622	2,434	1,240
	15,123	13,676	31,673	23,044
(b) Other items				
Depreciations, included in				
Cost of service				
– owned assets	330	146	498	281
Administrative expenses				
– owned assets	14	13	27	25
– right-of-use assets	126	127	253	253
	470	286	778	559
Auditor's remuneration	150	150	300	300

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

5. INCOME TAX EXPENSES

	Three months ended 30 June		Six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Provision for Hong Kong Profits Tax				
Current tax	1,600	1,531	2,900	2,518
Deferred tax	180	(74)	170	26
	1,780	1,457	3,070	2,544

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 six months ended 30 June 2020 and 2019, Hong Kong Profits Tax of one of our subsidiaries is calculated in accordance with the two-tiered profits tax rates regime.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

6. EARNINGS PER SHARE

	Three months ended 30 June		Six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Earnings for the purpose of calculating basic earnings per share (profit for the period) (HK\$'000)	6,867	3,378	14,706	4,992
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share (in thousand)	400,000	300,000	400,000	300,000

There were no dilutive potential ordinary shares during the six months ended 30 June 2020 and 2019 and therefore, diluted earnings per share equals to basic earnings per share.

7. DIVIDEND

The directors of the Company do not recommend the payment of any dividend in respect of the period for the six months ended 30 June 2020 (six months ended 30 June 2019: Nil).

8. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2020, the Group acquired items of property, plant and equipment of approximately HK\$2.0 million (six months ended 30 June 2019: HK\$0.3 million).

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

9. TRADE AND OTHER RECEIVABLES

	At 30 June 2020 HK\$'000 (Unaudited)	At 31 December 2019 HK\$'000 (Audited)
Trade receivables (note (a))	10,933	10,569
Other receivables	1	1
Prepayments (note (b))	4,696	1,988
Utility and other deposits	5,629	4,909
	21,259	17,467
Less: non-current portion		
Deposits paid for acquisition of property, plant and equipment	(1,163)	(723)
Current portion	20,096	16,744

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.

(a) Trade receivables

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

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

	At 30 June 2020 HK\$'000 (Unaudited)	At 31 December 2019 HK\$'000 (Audited)
0-30 days	10,933	10,569

The Group applies the simplified approach to provide for ECLs prescribed by HKFRS 9 which permits the use of lifetime ECL provision for all trade receivables. As at 30 June 2020 and 31 December 2019, the ECL rates are close to be zero and therefore no provision has been made during the six months ended 30 June 2020 and the year ended 31 December 2019.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

(b) Prepayments

As at 30 June 2020, prepayments mainly comprised of prepaid expenses for direct materials, insurance covered in sites operation and machinery rentals expenses amounted to HK\$4,619,000 (31 December 2019: HK\$1,607,000).

10. CONTRACT ASSETS

	At 30 June 2020 HK\$'000 (Unaudited)	At 31 December 2019 HK\$'000 (Audited)
Unbilled revenue	27,981	17,847
Retention receivables	4,122	3,351
	32,103	21,198

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 30 June 2020 and 31 December 2019, the ECL rates are close to be zero and therefore no provision has been made during the six months ended 30 June 2020 and the year ended 31 December 2019.

Changes of contract assets during the six months ended 30 June 2020 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.

During the six months ended 30 June 2020 and the year ended 31 December 2019, the Group does not generate any contract liability.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

11. TRADE AND OTHER PAYABLES

	At 30 June 2020 HK\$'000 (Unaudited)	At 31 December 2019 HK\$'000 (Audited)
Trade payables (note (a))	8,117	12,286
Accruals and other payables	877	2,250
	8,994	14,536

(a) Trade payables

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

	At 30 June 2020 HK\$'000 (Unaudited)	At 31 December 2019 HK\$'000 (Audited)
0-30 days	8,028	11,185
31-60 days	–	999
61-90 days	–	–
91-365 days	89	102
	8,117	12,286

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

12. SHARE CAPITAL

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 30 June 2020 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 (c))	962,000,000	9,620
As at 31 December 2019 (audited) and 30 June 2020 (unaudited)	1,000,000,000	10,000
Issued and fully paid:		
Upon incorporation (note (a))	1	—*
Issuance of shares upon the Reorganisation (note (b))	2,000	—*
Issue of share upon public offering and placing (note (d))	100,000,000	1,000
Capitalisation issue of shares (note (e))	299,997,999	3,000
As at 31 December 2019 (audited) and 30 June 2020 (unaudited)	400,000,000	4,000

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

Notes:

- 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.
- 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 Limited ("**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.
- 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.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

- (d) 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.
- (e) 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 ("**Capitalisation Issue**"). 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.

13. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the unaudited condensed consolidated interim financial statements, the Group had no transactions with related party during the six months ended 30 June 2020 and 2019, respectively.

Compensation of key management personnel

Compensation of key management personnel represents the remuneration of the directors of the Company during the period, which is disclosed in note 4 to the unaudited condensed consolidated interim financial statements.

14. CAPITAL COMMITMENT

	At 30 June 2020 HK\$'000 (Unaudited)	At 31 December 2019 HK\$'000 (Audited)
Contracted but not provided for property, plant and equipment	–	2,275

15. CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 30 June 2020 and 31 December 2019, respectively.

16. APPROVAL OF INTERIM FINANCIAL STATEMENTS

The unaudited condensed consolidated interim financial statements for the three months and six months ended 30 June 2020 were both approved and authorised for issue by the Board on 4 August 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, 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. On 18 June 2020, A-City Workshop was approved and was registered as a probationary contractor on the List of Approved Specialist Contractors for Public Works maintained by the Development Bureau under the category of "Landslip preventive/remedial works to slopes/retaining walls" ("**Approved Specialist Contractors**").

PROSPECTS

The Shares were listed on the GEM on 13 December 2019 (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 Approved Specialist Contractors. Such application was completed and A-City Workshop was approved and was registered as Approved Specialist Contractors on 18 June 2020. 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 of Hong Kong, 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 (the "**Epidemic**") in Hong Kong since January 2020, the Group has implemented measures, including frequent cleaning with disinfectant, ensuring all staffs wearing 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 operation. We believe this situation will not be lasting when the Epidemic is under control. Our Directors believe that Epidemic will not have significant impact on the Group's continuing business operations.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

Our revenue increased from approximately HK\$95.7 million for the six months ended 30 June 2019 to approximately HK\$120.8 million for the six months ended 30 June 2020, representing an increase of approximately HK\$25.2 million or 26.3%. Our revenue increased primarily due to the increase in total number of projects. Among these projects, the number of projects that generated revenue from HK\$5.0 million to HK\$10.0 million and below HK\$1.0 million has been increased as illustrated in the tables below:

Number of projects with revenue contributions:

	Six months ended 30 June	
	2020	2019
Public sector projects	14	11
Private sector projects	7	5
Total	21	16

Revenue recognised:

	Six months ended 30 June	
	2020	2019
HK\$10.0 million or above	3	4
HK\$5.0 million to below HK\$10.0 million	3	1
HK\$1.0 million to below HK\$5.0 million	4	6
Below HK\$1.0 million	11	5
Total	21	16

Cost of Services

Cost of services increased by approximately HK\$21.0 million, or 27.1%, from approximately HK\$77.3 million for the six months ended 30 June 2019 to approximately HK\$98.2 million for the six months ended 30 June 2020. Such increase in cost of services was generally in line with the increase in revenue.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Gross Profit and Gross Profit Margin

Gross profit increased by approximately HK\$4.2 million, or 23.0%, from approximately HK\$18.4 million for the six months ended 30 June 2019 to approximately HK\$22.6 million for the six months ended 30 June 2020. Our gross profit margin remained broadly stable at approximately 19.2% for the six months ended 30 June 2019 and approximately 18.7% for the six months ended 30 June 2020.

Other Income, Gains and Losses

Other income, gains and losses increased slightly by approximately HK\$0.2 million. Such slight increase was mainly due to the increase in bank interest income mainly generated from the amount reserved in the bank for satisfying the applicable working capital requirement for being an Approved Specialist Contractor.

Administrative Expenses

Administrative expenses increased significantly by approximately HK\$2.9 million or 125.7% from approximately HK\$2.3 million for the six months ended 30 June 2019 to approximately HK\$5.2 million for the six months ended 30 June 2020. The significant increase of administrative expense was mainly contributed by the general increment in salaries for the Directors, administration and finance staffs and professional fee after Listing.

Listing Expenses

Listing expenses decreased significantly by approximately HK\$8.6 million or 100% from approximately HK\$8.6 million for the six months ended 30 June 2019 to nil for the six months ended 30 June 2020.

Finance Costs

The Group's finance costs for the six months ended 30 June 2020 was approximately HK\$6,000, which was mainly derived from lease liabilities.

Income Tax Expenses

Income tax expenses increased by approximately HK\$0.5 million or 20.7% from approximately HK\$2.5 million for the six months ended 30 June 2019 to approximately HK\$3.1 million for the six months ended 30 June 2020. The 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Profit and Total Comprehensive Income for the Period

Profit and total comprehensive income increase significantly from approximately HK\$5.0 million for the six months ended 30 June 2019 to approximately HK\$14.7 million for the six months ended 30 June 2020, representing a significant increase of approximately HK\$9.7 million or 194.6%. Such significant increase was mainly attributable to the significant decrease in listing expenses incurred by the Group as compared to the six months ended 30 June 2019. However, adjusted profit and total comprehensive income for the six months ended 30 June 2020 is increased by HK\$1.1 million or 7.9% as compared with HK\$13.6 million for the six months ended 30 June 2019 (excluding listing expenses) which was contributed by the increase in revenue for the six months ended 30 June 2020.

LIQUIDITY AND CAPITAL RESOURCES

Financial Resources and Liquidity

As at 30 June 2020, the Group recorded net current assets of approximately HK\$97.5 million. The Group had cash and bank balances of approximately HK\$58.1 million. The Group's financial resources were funded mainly by its shareholders' funds. As at 30 June 2020, the Group's current assets amounted to approximately HK\$110.3 million and the Group's current liabilities amounted to approximately HK\$12.8 million.

Current ratio was approximately 8.6 as at 30 June 2020. Current ratio is calculated based on total current assets at the end of the period divided by total current liabilities at the end of the period.

Gearing ratio was approximately 0.1% as at 30 June 2020 which was calculated based on the total borrowing at the end of the period divided by total equity at the end of the period.

CAPITAL STRUCTURE

For the six months ended 30 June 2020, the capital structure of the Group consisted of equity attributable to the owners of the Company of approximately HK\$102.2 million. The share capital of the Group only consists of ordinary shares. The Shares were listed on the GEM of the Stock Exchange on the Listing Date. There has been no change in the capital structure of the Group since then.

FOREIGN CURRENCY EXPOSURE RISKS

The Group operates mainly in Hong Kong and is not exposed to any foreign exchange risks throughout the six months ended 30 June 2020.

MANAGEMENT'S DISCUSSION AND ANALYSIS

TREASURY POLICIES

The Group has adopted a prudent financial management approach towards its treasury policies and thus maintained a healthy liquidity position throughout the six months ended 30 June 2020. The Group strives to reduce exposure to credit risk by performing ongoing credit assessments and evaluations of the financial status of its customers. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time.

MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES OR JOINT VENTURES

The Group did not have any significant investments, material acquisitions nor disposals of subsidiaries during the six months ended 30 June 2020.

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 adjusted the difference of approximately HK\$2.9 million accordingly to each business strategies in the same proportion as the original funds applied as shown in the Prospectus. The adjusted net proceeds is shown as below:

	Estimated net proceeds <i>HK\$ million</i>	Actual net proceeds <i>HK\$ million</i>
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

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 30 June 2020 are set out as below:

Period	Strengthening our manpower by recruiting additional staff <i>HK\$ million</i>	Acquisition of additional machinery <i>HK\$ million</i>	Increasing our reserve for financing the issue of performance guarantees in favour of our customers <i>HK\$ million</i>	Maintaining the specific working capital required for being an Approved Specialist Contractor <i>HK\$ million</i>	Total <i>HK\$ million</i>
Planned use of net proceeds					
From Listing Date to 31 December 2019	1.0	4.7	2.0	22.0	29.7
From 1 January 2020 to 31 March 2020	1.5	-	-	-	1.5
From 1 April 2020 to 30 June 2020	1.5	-	-	-	1.5
Total	4.0	4.7	2.0	22.0	32.7
Adjusted use of net proceeds					
From Listing Date to 31 December 2019	0.8	4.4	1.8	20.4	27.4
From 1 January 2020 to 31 March 2020	1.4	-	-	-	1.4
From 1 April 2020 to 30 June 2020	1.4	-	-	-	1.4
Total	3.6	4.4	1.8	20.4	30.2
Actual use of net proceeds					
From Listing Date to 31 December 2019	0.8	4.4	1.8	20.4	27.4
From 1 January 2020 to 31 March 2020	1.4	-	-	-	1.4
From 1 April 2020 to 30 June 2020	1.4	-	-	-	1.4
Total	3.6	4.4	1.8	20.4	30.2

MANAGEMENT'S DISCUSSION AND ANALYSIS

COMPARISON BETWEEN BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

During the period between the Listing Date and 30 June 2020, the Group has utilised approximately HK\$30.2 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 30 June 2020 is set out below:

Business strategies as stated in the Prospectus	Implementation activity up to 30 June 2020 as stated in the Prospectus	Actual business progress up to 30 June 2020
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 four drilling rigs, three grout pumps, one shotcrete machine, one pneumatic drill, one crane truck, four air compressor, two generators and five motor vehicles. ^(note 1)
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.	It was completed in February 2020.
Registration on Approved Specialist Contractors for Public Works	Amount earmarked for satisfying the applicable working capital requirement which is used to maintain a minimum working capital of 10% of the combined annual value of uncompleted works on outstanding contracts for being an Approved Specialist Contractor.	Such amount was reserved.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Note:

1. The Group committed to purchase one air compressor and two motor vehicles. These air compressor and motor vehicles will arrive before end of this year.

Save as disclosed above, the Group will apply the net proceeds in the manners consistent with the proposed applications set out in the section headed "Future Plans and Use of Proceeds" in the Prospectus. The implementation plans for business strategies and the use of net proceeds as stated in the Prospectus were based on the best estimation and assumption of future market conditions made by the Group at the time of preparing the Prospectus. The Group implemented its business strategies and applied the Net Proceeds based on the actual developments of the Group's business and industry, as well as market conditions.

ENVIRONMENT POLICIES AND PERFORMANCE

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

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

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

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

OTHER INFORMATION

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

As at 30 June 2020, the interests or short positions of each of the Directors and the chief executive of the Company in the shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO") which (a) would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which such Directors and chief executives of the Company were taken or deemed to have under such provisions of the SFO); or (b) would be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) would be required, pursuant to 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

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

Notes:

- As at 30 June 2020, the Company's issued ordinary share capital was HK\$4.0 million divided into 400,000,000 shares of HK\$0.01 each.
- These 300,000,000 Shares are held by Good Hill, which in turn is directly owned in equal share by each of Mr. Sieh and Mr. Ho. As such, Mr. Sieh and Mr. Ho are deemed under the SFO to be interested in the 300,000,000 Shares collectively held through Good Hill.
- The letter "L" denotes the person's long position in the shares.

OTHER INFORMATION

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 30 June 2020, 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.

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

Notes:

1. As at 30 June 2020, the Company's issued ordinary share capital was HK\$4.0 million divided into 400,000,000 shares of HK\$0.01 each.
2. These 300,000,000 Shares are held by Good Hill, which in turn is directly owned in equal share by each of Mr. Sieh and Mr. Ho. As such, Mr. Sieh and Mr. Ho are deemed under the SFO to be interested in the 300,000,000 Shares collectively held through Good Hill.

OTHER INFORMATION

3. Ms. Cao Hongmei is the spouse of Mr. Sieh. As such, she is deemed to be interested in the shares of the Company in which Mr. Sieh is interested under Part XV of the SFO.
4. Ms. Lee Kim Kum is the spouse of Mr. Ho. As such, she is deemed to be interested in the shares of the Company in which Mr. Ho 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 30 June 2020, 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.

CHANGES IN THE DIRECTORS' INFORMATION

Changes in the information of the Directors since the date of the Company's annual report 2019 are as follow:

- (1) Mr. Sieh's residential address has been changed to Flat A, 55/F, Tower 6, Manhattan Hill, No. 1 Po Lun Street, Kowloon with effect from 20 June 2020.
- (2) Mr. Kwong Che Sing's residential address has been changed to Flat D, 4/F., Block 1, Lai King Disciplined Services Qt., 18 Lai Chi Ling Road, Kwai Chung, New Territories with effect from 18 June 2020.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's shares during the six months ended 30 June 2020.

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 report).

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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;

OTHER INFORMATION

- (b) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five Business Days immediately preceding the offer date; and
- (c) the nominal value of the Share.

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

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 enquiries of all Directors, all Directors confirmed that they had complied with the required standard of dealings and the Code regarding securities transactions during the six months ended 30 June 2020.

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 from the Listing Date and up to the date of this 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 30 June 2020, 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.

OTHER INFORMATION

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 principles and code provisions as set out in the corporate governance (the “CG Code”) were adopted. 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 and he 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.

This report and the unaudited condensed consolidated interim financial statements have been reviewed by the audit committee of the Company and opined that the applicable accounting standard and requirements have been complied with and adequate disclosures have been made.

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2020 (for the six months ended 30 June 2019: nil).

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 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.

EVENTS AFTER THE END OF REPORTING PERIOD

There are no significant events affecting the Group after 30 June 2020 up to the date of this report.

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

Hong Kong, 4 August 2020