

Maxicity Holdings Limited

豐城控股有限公司

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

Stock code: 8216

2021

INTERIM REPORT

CHARACTERISTICS OF THE GEM (THE “GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

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Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

COMPANY SECRETARY

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

COMPLIANCE OFFICER

Mr. Ho Ka Ki

AUTHORISED REPRESENTATIVES

Mr. Ho Ka Ki
Mr. Lam Kau Wang

PRINCIPAL BANKER

Hang Seng Bank Limited
83 Des Voeux Road Central
Hong Kong

AUDITOR

Grant Thornton Hong Kong Limited
Certified Public Accountants
Level 12
28 Hennessy Road
Wanchai
Hong Kong

COMPLIANCE ADVISER

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

LEGAL ADVISERS AS TO HONG KONG LAW

Loeb & Loeb LLP
2206 – 19 Jardine House
1 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
Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

CAYMAN ISLANDS REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

WEBSITE

www.maxicity.com.hk

STOCK CODE

08216

FINANCIAL HIGHLIGHTS

Our revenue increased from approximately HK\$120.8 million for the six months ended 30 June 2020 to approximately HK\$154.8 million for the six months ended 30 June 2021, representing an increase of approximately HK\$33.9 million or 28.1%.

Our profit and total comprehensive income increased significantly from approximately HK\$14.7 million for the six months ended 30 June 2020 to approximately HK\$15.8 million for the six months ended 30 June 2021, representing an increase of approximately HK\$1.1 million or 7.3%.

Our adjusted profit and total comprehensive income attributable to equity holders of the Company for the six months ended 30 June 2021 amounted to approximately HK\$20.1 million (excluding transfer of listing and related expenses and government grants received from Employment Support Scheme for Construction Sector (Casual Employees) and regular employees under Anti-epidemic Fund launched by the Government of Hong Kong Special Administrative Region (the “**Employment Support Scheme**”)), which increased by HK\$5.5 million or 37.7% as compared with HK\$14.6 million for the six months ended 30 June 2020.

Basic and diluted earnings per share amounted to approximately HK3.9 cents for six months ended 30 June 2021 (six months ended 30 June 2020: HK3.7 cents).

The board of Directors does not recommend the declaration of any interim dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: Nil).

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

For the six months ended 30 June 2021

The board of Directors (the “**Board**”) of the Company is pleased to announce the unaudited condensed consolidated financial results of the Group for the three months ended and six months ended 30 June 2021 (the “**Reporting Period**”), together with the respective unaudited comparative figures for the corresponding period in 2020, as follows:

	Notes	Three months ended 30 June		Six months ended 30 June	
		2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Revenue	3	81,517	59,781	154,791	120,844
Cost of services		(66,160)	(48,594)	(125,996)	(98,228)
Gross profit		15,357	11,187	28,795	22,616
Other income, gains and losses	4	673	152	1,493	340
Administrative expenses		(2,520)	(2,690)	(4,928)	(5,174)
Transfer of listing and related expenses		(904)	–	(5,657)	–
Interest expense on lease liabilities		(5)	(2)	(10)	(6)
Profit before income tax	5	12,601	8,647	19,693	17,776
Income tax expense	6	(2,220)	(1,780)	(3,908)	(3,070)
Profit and total comprehensive income for the period attributable to equity holders of the Company		10,381	6,867	15,785	14,706
Earnings per share attributable to equity holders of the Company					
Basic and diluted	7	HK2.6 cents	HK 1.7 cents	HK3.9 cents	HK 3.7 cents

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

	Notes	As at 30 June 2021 HK\$'000 (Unaudited)	As at December 2020 HK\$'000 (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	9	4,262	4,948
Current assets			
Contract assets	11	46,252	50,494
Trade and other receivables	10	16,983	22,311
Cash and bank balances		96,097	83,531
		159,332	156,336
Current liabilities			
Trade and other payables	12	14,108	31,362
Lease liabilities		266	260
Current tax liabilities		6,135	2,160
		20,509	33,782
Net current assets		138,823	122,554
Total assets less current liabilities		143,085	127,502
Non-current liabilities			
Lease liabilities		46	181
Deferred tax liabilities		392	459
		438	640
Net assets		142,647	126,862
EQUITY			
Share capital	13	4,000	4,000
Reserves		138,647	122,862
Equity attributable to equity holders of the Company		142,647	126,862

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021

	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 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
At 1 January 2021 (Audited)	4,000	50,084	1	72,777	126,862
Profit and total comprehensive income for the period	–	–	–	15,785	15,785
At 30 June 2021 (Unaudited)	4,000	50,084	1	88,562	142,647

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2021

	Six months ended 30 June	
	2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Unaudited)
Cash flows from operating activities		
Profit before income tax	19,693	17,776
Adjustments for:		
Depreciation	921	778
Gain on disposal of property, plant and equipment	(114)	–
Interest expense for lease liabilities	10	6
Interest income	(50)	(260)
Operating profit before working capital changes	20,460	18,300
Decrease/(Increase) in contract assets	4,242	(10,905)
Decrease/(Increase) in trade and other receivables	5,328	(3,792)
Decrease in trade and other payables	(17,254)	(5,542)
Cash generated from/(used in) from operations	12,776	(1,939)
Income taxes paid	–	(4,621)
Net cash generated from/(used in) operating activities	12,776	(6,560)
Cash flows from investing activities		
Purchase of property, plant and equipment	(329)	(2,043)
Proceeds from disposal of property, plant and equipment	208	–
Interest received	50	260
<i>Net cash used in investing activities</i>	(71)	(1,783)
Net cash used in financing activities		
Payment of lease liabilities	(139)	(252)
Net increase/(decrease) in cash and cash equivalents	12,566	(8,595)
Cash and cash equivalents at the beginning of period	83,531	66,701
Cash and cash equivalents at the end of period	96,097	58,106

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

1. GENERAL INFORMATION

Maxicity Holdings Limited was incorporated as an exempted company with limited liability in the Cayman Islands under the Companies Act of the Cayman Islands on 30 January 2019. The addresses of the Company's registered office and principal place of business are Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. With effect from 2 September 2020, the address of principal place of business of the Company has been changed to Unit 1A, 6/F, Harbour Crystal Centre, 100 Granville Road, Tsim Sha Tsui, Hong Kong from Room 2302-2303, 23/F., Omega Plaza, 32-34A Dundas Street, Mongkok, Hong Kong.

The Company's shares (the "**Shares**") are listed on the GEM of the Stock Exchange 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 ultimate controlling shareholders of the Group are Mr. Sieh Shing Kee ("**Mr. Sieh**") and Mr. Ho Ka Ki ("**Mr. Ho**") (collectively, the "**Controlling Shareholders**").

The interim financial report of the Group for the six months ended 30 June 2021 (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 13 August 2021.

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 2020 annual financial statements. The unaudited condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with HKFRSs.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

2. BASIS OF PREPARATION (CONTINUED)

2.1 General (Continued)

The financial information relating to the financial year ended 31 December 2020 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 2021

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 2020, except for the adoption of the following new and amended Hong Kong Financial Reporting Standards ("HKFRSs") effective as of 1 January 2021. The Group has not early adopted any other standards, interpretation or amendment that has been issued but is not yet effective.

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

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

2. BASIS OF PREPARATION (CONTINUED)

2.2 Adoption of New or Amended HKFRSs (Continued)

Issued but not yet effective HKFRSs

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

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

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

² Effective for annual periods beginning on or after 1 January 2023

³ Effective date not yet determined

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

⁵ Effective for annual periods beginning on or after 1 April 2021

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 2021

3. REVENUE

The Group's principal activities are disclosed in note 1 to the Unaudited Condensed Consolidated Financial Statements. 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	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Provision of slope works				
Public sector projects	80,556	56,715	139,178	111,425
Private sector projects	961	3,066	15,613	9,419
	81,517	59,781	154,791	120,844

4. OTHER INCOME, GAINS AND LOSSES

	Three months ended 30 June		Six months ended 30 June	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Bank interest income	12	72	50	260
Gain on disposal of property, plant and equipment	114	–	114	–
Government grant (note)	539	79	1,321	79
Sundry income	8	1	8	1
	673	152	1,493	340

Note:

During the six months ended 30 June 2021, the Group recognised the subsidies of approximately HK\$1.3 million (six months ended 30 June 2020: HK\$79,000) provided by the Government of Hong Kong Special Administrative Region as part of the relief measures on COVID-19 pandemic.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

5. PROFIT BEFORE TAXATION

	Three months ended 30 June		Six months ended 30 June	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Profit before income tax is stated after charging:				
(a) Staff costs (including directors' emoluments) (note)				
– Directors' emoluments	721	721	1,443	1,443
– Salaries, wages and other benefits	18,605	13,838	35,435	29,108
– Contributions to defined contribution retirement plans	802	564	1,484	1,122
	20,128	15,123	38,362	31,673
Note: Presenting in consolidated statement of profit or loss and other comprehensive income as:				
– Cost of services	19,061	14,057	36,180	29,239
– Administrative expenses	1,067	1,066	2,182	2,434
	20,128	15,123	38,362	31,673
(b) Other items				
Depreciations, included in				
Cost of service				
– owned assets	392	293	780	498
Administrative expenses				
– owned assets	8	14	16	27
– right-of-use assets	62	126	125	253
	462	433	921	778
Auditor's remuneration	225	150	375	300

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

6. INCOME TAX EXPENSE

	Three months ended 30 June		Six months ended 30 June	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Provision for Hong Kong Profits Tax				
Current tax	2,297	1,600	3,975	2,900
Deferred tax	(77)	180	(67)	170
	2,220	1,780	3,908	3,070

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

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

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

For the six months ended 30 June 2021 and 2020, Hong Kong Profits Tax of A-City Workshop Limited ("A-City Workshop"), a subsidiary of the Group, is calculated in accordance with the two-tiered profits tax rates regime. Profit tax of other group entities continue to be taxed at the flat rate of 16.5%.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

7. EARNINGS PER SHARE

	Three months ended 30 June		Six months ended 30 June	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Earnings for the purpose of calculating basic earnings per share (profit for the period) (HK\$'000)	10,381	6,867	15,785	14,706
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share (in thousand)	400,000	400,000	400,000	400,000

There were no dilutive potential ordinary shares during the six months ended 30 June 2021 and 2020 and therefore, diluted earnings per share equals to basic earnings per share.

8. 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 2021 (six months ended 30 June 2020: Nil).

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2021, the Group acquired items of property, plant and equipment of approximately HK\$0.3 million (six months ended 30 June 2020: HK\$2.0 million).

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

10. TRADE AND OTHER RECEIVABLES

	At 30 June 2021 HK\$'000 (Unaudited)	At 31 December 2020 HK\$'000 (Audited)
Trade receivables (note (a))	12,800	18,713
Prepayments (note (b))	3,239	2,788
Deposits	944	810
	16,983	22,311

Notes:

(a) Trade receivables

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

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

	At 30 June 2021 HK\$'000 (Unaudited)	At 31 December 2020 HK\$'000 (Audited)
0-30 days	–	12,496
31-90 days	12,800	6,217
	12,800	18,713

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

10. TRADE AND OTHER RECEIVABLES (CONTINUED)

(a) Trade receivables (Continued)

The Group applies the simplified approach to provide for ECLs prescribed by HKFRS 9 which permits the use of lifetime ECL provision for all trade receivables. As at 30 June 2021 and 31 December 2020, the ECL rates are close to be zero and therefore no provision has been made during the six months ended 30 June 2021 and the year ended 31 December 2020.

(b) Prepayments

As at 30 June 2021, prepayments mainly comprised of prepaid expenses for insurance covered in sites operation and machinery rentals expenses amounted to approximately HK\$3.2 million (31 December 2020: approximately HK\$1.7 million).

11. CONTRACT ASSETS

	At 30 June 2021 HK\$'000 (Unaudited)	At 31 December 2020 HK\$'000 (Audited)
Unbilled revenue	30,596	38,573
Retention receivables	15,656	11,921
	46,252	50,494

Contract assets represent the Group's right to considerations from customers for the provision of undertaking slope work, which arise when: (i) the Group completed the relevant services under such contracts but yet certified by architects, surveyors or other representatives; and (ii) the customers withhold certain certified amounts payable to the Group as retention money to secure the due performance of the contracts after the expiry of the defect liability period of construction projects. Any amount previously recognised as a contract asset is reclassified to trade receivables at the point at which it becomes unconditional and is invoiced to the customer. As at 30 June 2021 and 31 December 2020, the ECL rates are close to be zero and therefore no provision has been made during the six months ended 30 June 2021 and the year ended 31 December 2020.

Changes of contract assets during the six months ended 30 June 2021 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.
- (3) Performance bonds amounting to HK\$13.0 million paid to its customer to secure the due performance of construction projects and are recognized as retention receivables during the six months ended 30 June 2021.

During the six months ended 30 June 2021 and the year ended 31 December 2020, the Group does not generate any contract liability.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

12. TRADE AND OTHER PAYABLES

	At 30 June 2021 HK\$'000 (Unaudited)	At 31 December 2020 HK\$'000 (Audited)
Trade payables (note (a))	11,413	28,324
Accruals and other payables	2,695	2,300
Deferred government grant	–	738
	14,108	31,362

Notes:

(a) Trade payables

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

	At 30 June 2021 HK\$'000 (Unaudited)	At 31 December 2020 HK\$'000 (Audited)
0-30 days	9,662	28,233
31-60 days	1,148	–
61-90 days	–	–
91-365 days	512	91
Over 365 days	91	–
	11,413	28,324

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 2021

13. SHARE CAPITAL

	Number of shares	HK\$'000
Authorised:		
As at 31 December 2020 (audited) and 30 June 2021 (unaudited)	1,000,000,000	10,000
Issued and fully paid:		
As at 31 December 2020 (audited) and 30 June 2021 (unaudited)	400,000,000	4,000

14. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the unaudited condensed consolidated interim financial statements, the Group had the following related party transaction during the six months ended 30 June 2021 and 2020, respectively.

Key management personnel remuneration

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

	At 30 June 2021 HK\$'000 (Unaudited)	At 30 June 2020 HK\$'000 (Unaudited)
Salaries, fee and allowances	1,944	2,346
Retirement benefit scheme contributions	36	36
	1,980	2,382

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

15. CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 30 June 2021 and 31 December 2020, respectively.

16. APPROVAL OF INTERIM FINANCIAL STATEMENTS

The unaudited condensed consolidated interim financial statements for the three months and six months ended 30 June 2021 were both approved and authorised for issue by the Board on 13 August 2021.

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 soft works 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 a Registered Specialist Trade Contractors for reinforcement bar fixing, concreting form work and concreting and registered as a Registered Subcontractor for earth work and geotechnical works under Registered Specialist Trade Contractor Scheme in Construction Industry Council. 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. In addition, we applied the fund for our staff recruitment on new projects.

We believe that such registration will significantly enhance our market position and facilitate us to expand our market share in the slope works industry in Hong Kong. Our right to tender public slope works directly from the Government can provide more business opportunities and better position for us to capture the forecasted growth in public slope works.

In view of the outbreak of the Epidemic in Hong Kong 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 will continue to closely monitor the development of the Epidemic and use every effort on epidemic prevention and control during our daily operations. 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\$120.8 million for the six months ended 30 June 2020 to approximately HK\$154.8 million for the six months ended 30 June 2021, representing an increase of approximately HK\$33.9 million or 28.1%. Our revenue increased primarily due to the increase in total number of projects with revenue contributed to our Group during the six months ended 30 June 2021 and an increase in our revenue derived from the relatively larger scale projects (i.e., projects with revenue recognised HK\$10.0 million or above).

Number of projects with revenue contributions:

	Six months ended 30 June	
	2021	2020
Public sector projects	17	14
Private sector projects	10	7
Total	27	21

Revenue recognised:

	Six months ended 30 June	
	2021	2020
HK\$10.0 million or above	5	4
HK\$5.0 million to below HK\$10.0 million	4	4
HK\$1.0 million to below HK\$5.0 million	6	4
Below HK\$1.0 million	12	9
Total	27	21

Cost of Services

Cost of services increased by approximately HK\$27.8 million, or 28.3%, from approximately HK\$98.2 million for the six months ended 30 June 2020 to approximately HK\$126.0 million for the six months ended 30 June 2021. 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\$6.2 million, or 27.3%, from approximately HK\$22.6 million for the six months ended 30 June 2020 to approximately HK\$28.8 million for the six months ended 30 June 2021. Our gross profit margin remained broadly stable at approximately 18.7% for the six months ended 30 June 2020 and approximately 18.6% for the six months ended 30 June 2021.

Other Income, Gains and Losses

Other income, gains and losses increased by approximately HK\$1.2 million. Such significant increase was mainly due to the government grant received by the Group in relation to the Employment Support Scheme during the six months ended 30 June 2021.

Administrative Expenses

Administrative expenses decreased by approximately HK\$0.2 million or 4.8% from approximately HK\$5.2 million for the six months ended 30 June 2020 to approximately HK\$4.9 million for the six months ended 30 June 2021. The decrease in administrative expense was mainly contributed by the decrease in staff bonus.

Transfer of Listing and Related Expenses

Transfer of listing and related expenses increased significantly by approximately HK\$5.7 million during the six months ended 30 June 2021, which was attributable to the proposed transfer of listing of the Company's shares from GEM to Main Board of the Stock Exchange during the six months ended 30 June 2021.

Finance Costs

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

Income Tax Expenses

Income tax expenses increased by approximately HK\$0.8 million or 27.3% from approximately HK\$3.1 million for the six months ended 30 June 2020 to approximately HK\$3.9 million for the six months ended 30 June 2021. 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 increased significantly from approximately HK\$14.7 million for the six months ended 30 June 2020 to approximately HK\$15.8 million for the six months ended 30 June 2021, representing an increase of approximately HK\$1.1 million or 7.3%. Such increase was mainly attributable to the increase in our revenue and gross profit for the six months ended 30 June 2021 as mentioned above as compared to the six months ended 30 June 2020. Our adjusted profit and total comprehensive income attributable to equity holders of the Company (excluding transfer of listing and related expenses and the government grants received from Employment Support Scheme) for the six months ended 30 June 2021 amounted to approximately HK\$20.1 million, which increased by approximately HK\$5.5 million or 37.7% as compared with HK\$14.6 million for the six months ended 30 June 2020.

LIQUIDITY AND CAPITAL RESOURCES

Financial Resources and Liquidity

As at 30 June 2021, the Group recorded net current assets of approximately HK\$138.8 million. The Group had cash and bank balances of approximately HK\$96.1 million. The Group's financial resources were funded mainly by its equity capital, cash generated from its operations and proceeds of the GEM share offer. As at 30 June 2021, the Group's current assets amounted to approximately HK\$159.3 million and the Group's current liabilities amounted to approximately HK\$20.5 million.

Current ratio was approximately 7.8 times as at 30 June 2021. 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 0.2% as at 30 June 2021 which was calculated based on the total interest bearing liability at the end of the period divided by total equity at the end of the period.

CAPITAL STRUCTURE

For the six months ended 30 June 2021, the capital structure of the Group consisted of equity attributable to the owners of the Company of approximately HK\$142.6 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 2021.

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 2021. 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 2021.

USE OF PROCEEDS

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

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 2021 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 30 June 2021	11.3	4.7	2.0	22.0	40.0
Adjusted use of net proceeds From Listing Date to 30 June 2021	10.5	4.4	1.8	20.4	37.1
Actual use of net proceeds From Listing Date to 30 June 2021	10.5	4.4	1.8	20.4	37.1

MANAGEMENT'S DISCUSSION AND ANALYSIS

COMPARISON BETWEEN BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

During the period between the Listing Date and 30 June 2021, the Group has utilised approximately HK\$37.1 million to further strengthen its market position, to 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 2021 is set out below:

Business strategies as stated in the Prospectus	Implementation activity up to 30 June 2021 as stated in the Prospectus	Actual business progress up to 30 June 2021
Strengthening our manpower by recruiting additional staff	Recruit and salaries payment for a project manager/site agent, a site engineer, two site foremen, a safety officer/supervisor, a labour officer, a crane truck operator, site foreman, 25 site workers and 2 administrative staff.	Recruited and paid salaries for a project manager/site agent, a site engineer, two site foremen, a safety officer/supervisor, a labour officer, a crane truck operator, a site foreman, 25 site workers and 2 administrative staff.
Acquisition of additional machinery	Acquire four drilling rigs, three grout pumps, one shotcrete machine, one pneumatic drill, one crane truck, four air compressors, two generators and five motor vehicles.	Acquired four drilling rigs, three grout pumps, one shotcrete machine, one pneumatic drill, one crane truck, four air compressor, two generators and five motor vehicles.
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

ENVIRONMENTAL POLICIES AND PERFORMANCE

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

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

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

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

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 2021, the interests or short positions of each of the Directors and the chief executive of the Company in the shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the 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 and its associated corporation

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

Notes:

- As at 30 June 2021, the Company’s issued ordinary share capital was HK\$4.0 million divided into 400,000,000 shares of HK\$0.01 each.
- These 300,000,000 Shares are held by Good Hill, which in turn are directly owned in equal share by each of Mr. Sieh and Mr. Ho. As such, Mr. Sieh and Mr. Ho are deemed under the SFO to be interested in the 300,000,000 Shares collectively held through Good Hill.
- 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 2021, so far as it is known to the Directors, the following persons (not being a Director or chief executive of the Company) had or were deemed to have interests in shares or underlying shares of the Company which (i) were recorded in the register required to be kept by the Company under Section 336 of the SFO, or (ii) which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO and the 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 2021, the Company's issued ordinary share capital was HK\$4.0 million divided into 400,000,000 shares of HK\$0.01 each.
2. These 300,000,000 Shares are held by Good Hill, which in turn are directly owned in equal share by each of Mr. Sieh and Mr. Ho. As such, Mr. Sieh and Mr. Ho are deemed under the SFO to be interested in the 300,000,000 Shares collectively held through Good Hill.

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3. Ms. Cao Hongmei is the spouse of Mr. Sieh. As such, she is deemed to be interested in the shares of the Company in which Mr. Sieh Shing Kee is interested under Part XV of the SFO.
4. Ms. Lee Kim Kum is the spouse of Mr. Ho. As such, she is deemed to be interested in the shares of the Company in which Mr. Ho Ka Ki is interested under Part XV of the SFO.
5. The letter “L” denotes the person’s long position in the shares of the Company.

Save as disclosed above, as at 30 June 2021, the Directors have not been notified by any person who had interests or short positions in the Shares or underlying Shares or debentures of the Company as recorded in the register required to be kept pursuant to Section 336 of the SFO, or which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s shares during the six months ended 30 June 2021.

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.

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.

OTHER INFORMATION

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 the Securities Transactions Code (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 2021.

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 to the date of this report.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2021, the Group had 232 employees (31 December 2020: 224 employees) excluding the Directors.

Total staff costs excluding Directors' remuneration amounted to approximately HK\$36.9 million for the six months ended 30 June 2021 (30 June 2020: approximately HK\$30.2 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.

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 2021, as informed by the Compliance Adviser, save for the compliance adviser's agreement entered into between the Company and the Compliance Adviser dated 25 March 2019 and the financial adviser agreement in respect of proposed transfer of listing dated 8 December 2020, neither the Compliance Adviser nor any of its directors, employees or close associates (as defined under the GEM Listing Rules) had any interests in the Group which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

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 four members, namely, Mr. Tso Ping Cheong Brian, Ms. Chiao Siu Ling, Mr. Kwong Che Sing and Mr. Ling Siu Tsang. Mr. Tso Ping Cheong Brian is the chairman of 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 2021 (for the six months ended 30 June 2020: 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 2021 up to the date of this report.

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

Hong Kong, 13 August 2021