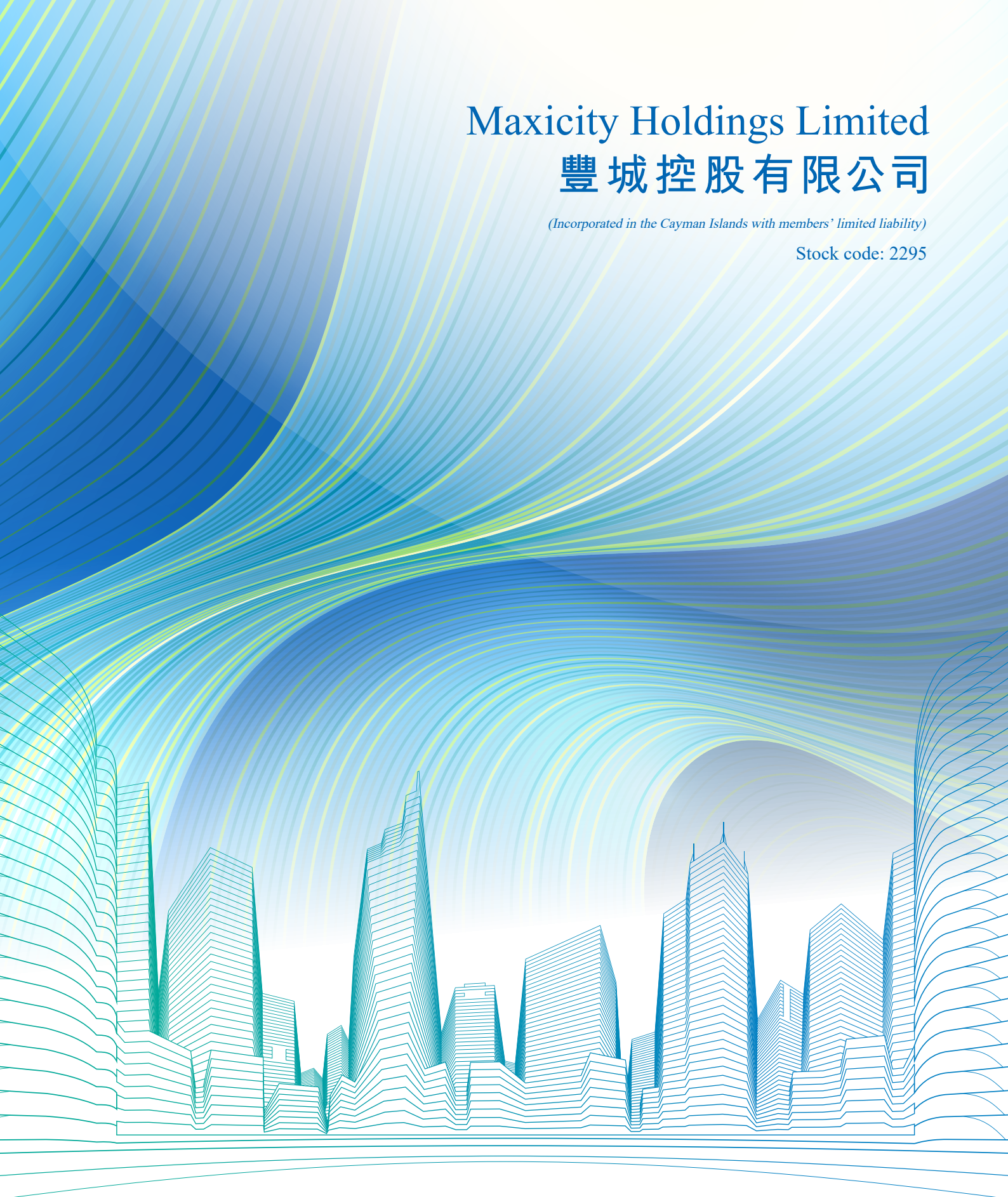


Maxicity Holdings Limited 豐城控股有限公司

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

Stock code: 2295



2024 ANNUAL REPORT

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Independent non-executive Directors

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

COMPANY SECRETARY

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

COMPLIANCE OFFICER

Mr. Ho Ka Ki

AUTHORISED REPRESENTATIVES

Mr. Ho Ka Ki
Mr. Lam Kau Wang

PRINCIPAL BANKER

Hang Seng Bank Limited
83 Des Voeux Road Central
Hong Kong

AUDITOR

Grant Thornton Hong Kong Limited
Registered Public Interest Entity Auditor
Certified Public Accountants
11th Floor
Lee Garden Two
28 Yun Ping Road
Causeway Bay
Hong Kong

COMPLIANCE ADVISER

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

LEGAL ADVISERS AS TO HONG KONG LAW

David Fong & Co., Solicitors
Unit A, 12/F
China Overseas Building
139 Hennessy Road
Wanchai
Hong Kong

CORPORATE INFORMATION (continued)

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Boardroom Share Registrars (HK) Limited
Room 2103B, 21/F
148 Electric Road
North Point
Hong Kong

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

CAYMAN ISLANDS REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 302, 3/F, Tower 1
Magnet Place
77–81 Container Port Road
Kwai Fong
Hong Kong

WEBSITE

www.maxicity.com.hk

STOCK CODE

02295

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board (the **"Board"**) of directors (the **"Directors"**) of Maxicity Holdings Limited (the **"Company"**), and together with its subsidiaries, the **"Group"**, **"we"**, **"us"**, **"our"**), I am pleased to present our annual report of the Group for the year ended 31 December 2024 (the **"Year"**).

FINANCIAL PERFORMANCE

For the year ended 31 December 2024, the Group recorded a revenue of approximately HK\$205.8 million, representing an increase of approximately HK\$37.6 million, or 22.3% as compared with the year ended 31 December 2023 of approximately HK\$168.2 million. Profit and total comprehensive income attributable to the equity holders of the Company for the year was HK\$8.7 million, representing a decrease of approximately HK\$5.2 million or 37.3% as compared with the year ended 31 December 2023 of approximately HK\$13.9 million. As at 31 December 2024, the Group had cash and bank balances of approximately HK\$63.4 million, which was decreased by approximately HK\$51.1 million, or 44.7% as compared with those as at 31 December 2023 of approximately HK\$114.6 million.

PROSPECTS/BUSINESS OUTLOOK

In 2024, the Civil Engineering and Development Department (the **"CEDD"**) continued the Landslip Prevention and Mitigation Programme (the **"LPMitP"**) to upgrade government manmade slopes, mitigate landslide hazards and conduct safety screenings. Under the LPMitP, 114 man-made slopes were upgraded in the nine months ended 30 September 2024. As put forward in the Hong Kong 2025–2026 Budget by the government of Hong Kong (the **"Government"**), the Government estimated that the expenditure for landslip prevention and mitigation will reach HK\$1.3 billion in 2025. In the Chief Executive's 2024 Policy Address announced in October 2024, the Chief Executive announced a series of policy measures to enhance land supply, including that the Government will (i) streamline land development procedures and reduce construction costs; (ii) facilitate development and application of construction technologies; (iii) conduct environmental impact assessment for Kau Yi Chau Artificial Islands for reclamation works; and (iv) expedite urban development including Tsuen Wan and Sham Shui Po and allow increase in plot ratio for redevelopment projects.

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

CHAIRMAN'S STATEMENT (continued)

The Group experienced a challenging year in 2024. Hong Kong is also affected by the geopolitical tensions and the tariff war initiated by the Trump administration, resulting in significant uncertainties in the economic prospect of Hong Kong. According to the Government, a deficit of HK\$67 billion is expected for the year ending 31 March 2026 and the fiscal reserve with decrease to HK\$580.3 billion as at 31 March 2026. According to the 2025–2026 Budget, the Government will reduce recurrent government expenditure by 2% in 2025–2026. Despite the expected continuous reduction in government expenditure, the expenditure for landslip prevention and mitigation is expected to increase from HK\$1.0 billion to HK\$1.3 billion in 2025. The Group believes that the demand of slope works shall not be significantly affected and there are still plenty of opportunities for the Group to develop. Considering the uncertainties in labour and material costs, which are affected by the macroeconomic of Hong Kong and the global market, the Directors have adopted a more conservative approach in tendering new projects. The Directors remain cautious on the Group's business outlook in 2025.

NOTE OF APPRECIATION

On behalf of the Board, I would like to take this opportunity to express my sincere gratitude to our shareholders, customers, subcontractors, suppliers and business partners for their continuous support, and to our management and staff members for their diligence, dedication and contribution to the growth of the Group.

Sieh Shing Kee

Chairman

25 March 2025

MANAGEMENT'S DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

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

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

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

During the year ended 31 December 2024, the Group undertook 20 contracts with an aggregate contract sum of approximately HK\$806.1 million in which the Group had completed 3 contracts with an aggregate contract sum of approximately HK\$47.1 million. As at 31 December 2024, the Group had 17 contracts in progress with an aggregate contract sum of approximately HK\$759.0 million. In additions, 3 projects which were previously considered as practically completed also contributed revenue in this year.

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

FINANCIAL REVIEW

Revenue

The Group's revenue increased from approximately HK\$168.2 million for the year ended 31 December 2023 to approximately HK\$205.8 million for the year ended 31 December 2024, representing an increase of approximately 22.3% or approximately HK\$37.6 million. The Group's revenue increased primarily due to the increase in the Group's revenue derived from relatively larger scale projects. They are illustrated in the tables below:

Number of projects with revenue contributions:

	2024	2023
Public sector projects	14	16
Private sector projects	9	31
Total	23	47

	2024	2023
Revenue recognised:		
HK\$10.0 million or above	6	5
HK\$5.0 million to below HK\$10.0 million	4	1
HK\$1.0 million to below HK\$5.0 million	4	8
Below HK\$1.0 million	9	33
Total	23	47

Cost of Services

Cost of services increased by approximately HK\$40.5 million, or 27.5%, from approximately HK\$147.5 million for the year ended 31 December 2023 to approximately HK\$188.1 million for the year ended 31 December 2024. Such increase in cost of services was mainly driven by the increase in revenue and increase in subcontracting charges.

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Gross Profit and Gross Profit Margin

Gross profit decreased by approximately HK\$3.0 million, or 14.4%, from approximately HK\$20.7 million for the year ended 31 December 2023 to approximately HK\$17.7 million for the year ended 31 December 2024. Gross profit margin decreased from approximately 12.3% for the year ended 31 December 2023 to approximately 8.6% for the year ended 31 December 2024. For the year ended 31 December 2024, a number of the Group's projects were in the final stage, which generally are more labour intensive and require more manpower. Due to shortage of labour, the Group engaged a greater number of subcontractors to perform the site works, resulting an increase of subcontracting charges. The subcontracting charges for the year ended 31 December 2024 increased by approximately 63.0%, as compared to the year ended 31 December 2023.

Furthermore, a number of new projects have commenced towards the end of the year 2024. Generally the Group is required to deploy additional resources as upfront cost for newly commenced projects, resulting a decrease in the Group's overall profit margin.

Other Income and Other (Losses)/Gains, net

Other income and other (losses)/gains, net decreased by approximately HK\$2.9 million or 67.5%, from approximately HK\$4.3 million for the year ended 31 December 2023 to approximately HK\$1.4 million for the year ended 31 December 2024. The decrease in other income and other (losses)/gain, net was primarily attributable to the decrease in bank interest income by approximately HK\$2.9 million.

Administrative Expenses

Administrative expenses remained broadly stable at approximately HK\$9.0 million for both years ended 31 December 2024 and 2023.

Finance Costs

The finance costs increased by approximately HK\$19,000 or 22.9% from approximately HK\$83,000 for the year ended 31 December 2023 to approximately HK\$102,000 for the year ended 31 December 2024. The increase in finance costs was mainly attributable to the increase in net expense on Long Service Payment (the "LSP") obligation.

Income Tax Expenses

The Group's income tax expenses decreased from approximately HK\$2.0 million for the year ended 31 December 2023 to approximately HK\$1.3 million for the year ended 31 December 2024, representing a decrease of approximately HK\$0.7 million or 35.1%. Such decrease was primarily driven by the decrease in profit before income tax.

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Profit and Total Comprehensive Income for the Year

Profit and total comprehensive income for the year ended 31 December 2024 amounted to approximately HK\$8.7 million, decreased by approximately HK\$5.2 million or 37.3%, as compared with HK\$13.9 million for the year ended 31 December 2023. Such decrease was mainly attributable to the decrease in gross profit for the year ended 31 December 2024 as mentioned above as compared to the year ended 31 December 2023.

Capital Commitments and Contingent Liabilities

As at 31 December 2024, the Group had no material capital commitments nor contingent liabilities.

Pledge of Assets

As at 31 December 2024, the Group did not have any pledge of assets.

LIQUIDITY AND FINANCIAL RESOURCES

Treasury Policy

The Group has adopted a prudent financial management approach towards its treasury policy. The Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities, and other commitments can meet its funding requirements all the time.

The Group maintained a sound financial position during the year ended 31 December 2024. As at 31 December 2024, the Group had cash and bank balances of approximately HK\$63.4 million (as at 31 December 2023: approximately HK\$114.6 million), decreased by approximately HK\$51.2 million, or 44.7%, which was mainly attributable to dividend paid of approximately HK\$70.0 million during the year. The cash and bank balances were denominated in Hong Kong Dollars.

Dividend

The Group has distributed one-off special dividend of HK\$0.175 per ordinary share (the "Shares"), totalling HK\$70.0 million on 16 February 2024.

The Board does not recommend the payment of final dividend for the year ended 31 December 2024.

Bank Borrowings

As at 31 December 2024 and 2023, the Group had no outstanding bank borrowings.

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Gearing ratio

The Group's gearing ratio (dividing lease liabilities by equity attributable to equity holders of the Company at year end date) increased from approximately 0.5% as at 31 December 2023 to approximately 1.4% as at 31 December 2024. The increase was mainly due to the decrease in equity attributable to equity holders of the Company as at 31 December 2024, as compared with 31 December 2023.

Current ratio

As at 31 December 2024, the Group had net current assets of approximately HK\$74.9 million, representing a decrease of approximately HK\$62.3 million as compared to that of approximately HK\$137.2 million as at 31 December 2023. The Group's current ratio decreased from approximately 7.0 times as at 31 December 2023 to approximately 3.6 times as at 31 December 2024.

PRINCIPAL RISKS AND UNCERTAINTIES

There are certain risks and uncertainties involved in the Group's current operations, some of which are beyond the Group's control. The following table shows the principal risks and uncertainties of the Group and how the Group mitigates those risks.

Principal Risks Identified	Description of the Principal Risks Identified	Mitigation of Risks
Limited number of customers	The Group's revenue is mainly generated from a limited number of customers.	5 projects have been contributed by four new customers with an aggregate estimated contract sum of HK\$287.7 million.
Risk relating to subcontractors' performance	The quality of services of the Group's subcontractors may not meet the requirements of the Group or our customers.	The Group regularly evaluates its subcontractors by taking into account their quality of services, qualifications, skills and technique, prevailing market price, delivery time, availability of resources in accommodating the Group's requests and reputation. Generally, works performed by the subcontractors are inspected and monitored by the Group's project management team based on the quality management system, environmental management system and occupational health and safety management system which are in conformity with the requirements of ISO 9001:2015, ISO 14001:2015 and ISO 45001:2018, respectively.
Risk of cost overruns	The actual amount of project costs may exceed the Group's initial estimated costs.	The Directors frequently monitor the progress of each project. The Group's pricing strategy is based on certain percentage of mark-up over its estimated cost which is reviewed by its management team.

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Principal Risks Identified	Description of the Principal Risks Identified	Mitigation of Risks
Credit risk management	The Group's customers may adopt a "pay when paid" policy with us and they have the right to pay us after collection of payments from their customers. In the event the Group's customers fail to collect payment from their customers, this will, in turn, adversely affect the collectability of the payments from the customers.	The Group's credit risk is primarily attributable to trade and other receivables, contract assets and cash and bank balances as set out in notes 15, 16 and 17 to the consolidated financial statements. The Group has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis. The Group's finance and administration staff are responsible for conducting individual credit evaluations on its customers on a regular basis.
Liquidity risk management	There are often time lags between making payment to the Group's suppliers (including subcontractors) and receiving payment from its customers when undertaking contractual works, resulting in possible cash flow mismatch.	<p>The Group's financial controller is responsible for the overall monitoring of its current and expected liquidity requirements on a monthly basis;</p> <p>The Group only procures materials on an as-needed basis; and</p> <p>The Group closely monitors its working capital to ensure that the financial obligations can be fulfilled when due, by, amongst other things, (i) ensuring healthy cash and bank balances for payments of the short-term working capital needs; (ii) performing monthly review of the Group's trade receivables and aging analysis, and following up closely to ensure prompt receipt of amounts due from the customers; and (iii) performing monthly review of the Group's trade payables and aging analysis to ensure that payments to the suppliers are made on a timely basis.</p>

A detailed discussion of the risk factors is set out in the section headed "Risk Factors" and "Risk Management and Internal Control Systems" of the prospectus of the Company dated 30 November 2019 (the "**Prospectus**") and the same section of the listing documents of the Company dated 31 December 2021 (the "**Listing Documents**").

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2024, the Group had 150 employees (2023: 119 employees) excluding the Directors. Total staff costs excluding Directors' remuneration amounted to approximately HK\$57.1 million for the year ended 31 December 2024 (2023: HK\$57.1 million). The remuneration packages the Group offers to its employees include salary and discretionary bonuses. The Group's remuneration policies are in line with the prevailing market practices and the staff remuneration is determined on the basis of the performance and experience of each individual employee. The remuneration of the Directors is decided by the Board upon the recommendation from the remuneration committee of the Company having regard to the Group's operating results, individual performance and comparable market statistics.

FOREIGN CURRENCY FLUCTUATION

The Group's revenue and major expenses are mainly denominated in Hong Kong dollars. The Group's operating transactions such as revenue, direct costs, expenses, monetary assets and liabilities are denominated in Hong Kong dollars. As such, the Group currently has no foreign currency hedging policy and when needed, the management will monitor the foreign exchange exposure by closely monitoring the movements of foreign currency rates. The Group will consider hedging significant foreign currency exposure should the need arises.

CAPITAL EXPENDITURE

During the year ended 31 December 2024, the Group invested approximately HK\$5.8 million on the acquisition of property, plant and equipment. Capital expenditure was principally funded by internal resources.

CAPITAL STRUCTURE

As at 31 December 2024, the Company's issued capital was HK\$4,000,000 and the number of its issued ordinary shares was 400,000,000 of HK\$0.01 each. As at the date of this report, the capital structure of the Company comprised mainly issued share capital and reserves.

SIGNIFICANT INVESTMENT HELD

During the year ended 31 December 2024 and 2023, the Group did not hold any significant investments.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

During the year ended 31 December 2024 and up to the date of this report, the Group did not have any material acquisitions nor disposals of subsidiaries, associates and joint ventures.

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

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

SIGNIFICANT EVENT AFTER THE REPORTING PERIOD

There was no other significant events relevant to the business or financial performance of the Group that come to the attention of the Directors.

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

During the year ended 31 December 2024, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company (including sale of treasury shares of the Company).

AUDIT COMMITTEE

The audit committee of the Company (the **"Audit Committee"**) has reviewed the annual results of the Group for the year ended 31 December 2024 and opined that the applicable accounting standards and requirements have been complied with and adequate disclosures have been made.

PROSPECTS/BUSINESS OUTLOOK

In 2024, the Civil Engineering and Development Department (the **"CEDD"**) continued the Landslip Prevention and Mitigation Programme (the **"LPMitP"**) to upgrade government manmade slopes, mitigate landslide hazards and conduct safety screenings. Under the LPMitP, 114 man-made slopes were upgraded in the nine months ended 30 September 2024. As put forward in the Hong Kong 2025–2026 Budget by the government of Hong Kong (the **"Government"**), the Government estimated that the expenditure for landslip prevention and mitigation will reach HK\$1.3 billion in 2025. In the Chief Executive's 2024 Policy Address announced in October 2024, the Chief Executive announced a series of policy measures to enhance land supply, including that the Government will (i) streamline land development procedures and reduce construction costs; (ii) facilitate development and application of construction technologies; (iii) conduct environmental impact assessment for Kau Yi Chau Artificial Islands for reclamation works; and (iv) expedite urban development including Tsuen Wan and Sham Shui Po and allow increase in plot ratio for redevelopment projects.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

The Group experienced a challenging year in 2024. Hong Kong is also affected by the geopolitical tensions and the tariff war initiated by the Trump administration, resulting in significant uncertainties in the economic prospect of Hong Kong. According to the Government, a deficit of HK\$67 billion is expected for the year ending 31 March 2026 and the fiscal reserve with decrease to HK\$580.3 billion as at 31 March 2026. According to the 2025–2026 Budget, the Government will reduce recurrent government expenditure by 2% in 2025–2026. Despite the expected continuous reduction in government expenditure, the expenditure for landslip prevention and mitigation is expected to increase from HK\$1.0 billion to HK\$1.3 billion in 2025. The Group believes that the demand of slope works shall not be significantly affected and there are still plenty of opportunities for the Group to develop. Considering the uncertainties in labour and material costs, which are affected by the macroeconomic of Hong Kong and the global market, the Directors have adopted a more conservative approach in tendering new projects. The Directors remain cautious on the Group's business outlook in 2025.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Sieh Shing Kee ("Mr. Sieh"), aged 57, was appointed as a Director in January 2019 and was designated as an executive Director in February 2019 and appointed as the chairman of the Board in March 2019. Mr. Sieh is also the chairman of the nomination committee of the Company (the "**Nomination Committee**"), a member of the remuneration committee of the Company (the "**Remuneration Committee**") and a director of both Kanic International Limited and A-City Workshop, which both of them are the subsidiaries of the Group. He is responsible for the overall management, strategic planning and the day-to-day business operation of the Group. For Mr. Sieh's interest in the Shares within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the "**SFO**"), please refer to the section headed "Directors' Report" in this annual report. Mr. Sieh has over 20 years working experience in construction industry.

Since joining the Group in December 2016, Mr. Sieh has been a key driver of the Group's business strategies and achievements to date and will continue to oversee the management of the business operations of the Group. Prior to joining the Group, Mr. Sieh worked for China Civil Engineering Construction Corporation from December 2000 to February 2001 as structural engineer. From March 2001 to March 2004, Mr. Sieh worked for Carrier Construction Limited as a site agent. From March 2007 to April 2013, Mr. Sieh worked for Shing Chun Engineering Limited, as a director. From June 2011 to August 2016, Mr. Sieh worked for Tai Kam Construction Engineering Company Limited, the main operating subsidiary of Tai Kam Holdings Limited listed on the GEM of the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (the "**GEM**") (stock code: 8321), as a site agent.

Mr. Sieh obtained a bachelor's degree of science in engineering from the University of Hong Kong in November 1991. Mr. Sieh was registered as a Registered Professional Engineer under the Engineers Registration Board and was admitted as a member of the Institution of Structural Engineers in October 2000 and a member of the Hong Kong Institution of Engineers in March 2001.

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

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (continued)

Mr. Ho Ka Ki (“Mr. Ho”), aged 51, was appointed as a Director in January 2019 and was designated as an executive Director in February 2019 and appointed as the chief executive officer of the Group in March 2019. Mr. Ho is also the compliance officer and a director of both Kanic International Limited and A-City Workshop, which both of them are the subsidiaries of the Group. He is responsible for the overall management, strategic planning and the day-to-day business operation of the Group. For Mr. Ho’s interest in the Shares within the meaning of Part XV of the SFO, please refer to the section headed “Directors’ Report” in this annual report. Mr. Ho has over 20 years working experience in construction industry.

Since re-joining the Group in September 2016, Mr. Ho has been a key driver of the Group’s business strategies and achievements to date and will continue to oversee the management of the business operations of the Group. Prior to re-joining the Group, Mr. Ho worked for Zen Pacific Civil Contractors Ltd from July 1996 to October 2000 as engineer as his last position. Mr. Ho was employed under HK ACE Joint Venture of Hong Kong Construction (Holdings) Ltd., AMEC International Construction Ltd., China Railway Construction Corporation and China Everbright Holdings Co. Ltd. from November 2000 to August 2002 as senior engineer as his last position. From September 2002 to April 2004, Mr Ho worked for Ngo Kee Construction Co., Ltd, as an engineer. From November 2011 to August 2016, Mr. Ho worked for Tai Kam Construction Engineering Company Limited, the main operating subsidiary of Tai Kam Holdings Limited, listed on the GEM of The Stock Exchange (stock code: 8321), as a site agent as his last position.

Mr. Ho obtained a bachelor’s degree of engineering in civil and structural engineering from the Hong Kong University of Science and Technology in November 1996. Mr. Ho was admitted as a member of the Hong Kong Institution of Engineers in March 2002. He was registered as a Registered Professional Engineer under the Engineers Registration Board in July 2003. He also obtained a diploma in occupational health and safety through a part-time face-to-face learning programme from Li Ka Shing Institute of Professional and Continuing Education of the Open University of Hong Kong in September 2002.

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

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (continued)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Chiao Siu Ling (“Ms. Chiao”), aged 52, was appointed as an independent non-executive Director of the Group on 1 July 2021. She is a member of the Audit Committee, the Remuneration Committee and the Nomination Committee. She obtained a bachelor of arts degree from the University of Hong Kong in November 1995, a bachelor of laws degree from the University of London in August 2002 and a Postgraduate Certificate in Laws from the University of Hong Kong in June 2003. She was admitted as a solicitor of the High Court of Hong Kong in November 2005. From September 1996 to September 2002, Ms. Chiao worked for Taikoo Shing (Management) Limited, being a property management company, first as a community relations officer and was later promoted to a senior community relations officer responsible for community relation services including organizing functions for the residents and providing charity services to the community. She has worked for LCP Solicitors & Notaries since September 2003, first as a trainee solicitor and currently as an assistant solicitor specialising in conveyancing transactions, commercial transactions and contracts, probate, and family, civil and criminal litigations. She was appointed as China-Appointed Attesting Officer and Civil Celebrant of Marriages, Hong Kong since April 2023 and August 2023, respectively.

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

Mr. Kwong Che Sing (“Mr. Kwong”), aged 63, was appointed as an independent non-executive Director of the Group on 25 November 2019. Mr. Kwong is a member of the Audit Committee, the Remuneration Committee and the Nomination Committee. Mr. Kwong obtained a certificate in land surveying from Hong Kong Polytechnic (currently known as Hong Kong Polytechnic University) in November 1985. Mr. Kwong was elected as a professional member of the Royal Institution of Chartered Surveyors in December 2001 and an associate of the Hong Kong Institute of Surveyors in February 2002. He was registered as an authorised land surveyor under the Land Survey Ordinance (Chapter 473 of the Laws of Hong Kong) in February 2003. Since October 1984, Mr. Kwong had worked for the Lands Department as a senior survey officer. From July 1997 to April 2002, he worked for Helicon Ma Surveying Limited, being a local surveying service provider, as a land surveyor. In August 1997 and November 2000, Mr. Kwong founded G&T Surveying Services Company Limited and Geoffrey Kwong Land Surveyor Limited as one of the founder members.

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

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (continued)

Mr. Ling Siu Tsang (“Mr. Ling”), aged 69, was appointed as an independent non-executive Director of the Group on 25 November 2019. Mr. Ling is a member of both the Audit Committee and the Nomination Committee and the chairman of the Remuneration Committee. Mr. Ling obtained a bachelor’s degree of science in civil engineering from the University of Calgary in Canada in June 1978 and a master’s of business administration from the University of East Asia Macau in Macau in October 1986. Mr. Ling was admitted as a member of the Hong Kong Institute of Engineers in August 2010. He was registered as a Registered Professional Engineer under the Engineers Registration Board in October 2017. Since April 2018, Mr. Ling has also been appointed by Hong Kong Accreditation Service of the Innovation and Technology Commission as an assessor. From July 1983 to May 1986, Mr. Ling worked for the Engineering Development Department, as a geotechnical engineer. From June 1986 to June 1990, he worked for the Civil Engineering Services Department, as a geotechnical engineer. From December 1995 to April 2016, he worked for the then Civil Engineering Department and the CEDD, as chief geotechnical engineer as his last position held. From November 2017 to November 2020, he was re-engaged by the Geotechnical Engineering Office of the CEDD as a contract technical manager. Mr. Ling is now providing Cat 1/T5 geotechnical services to various consultants on an ad hoc basis.

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

Mr. Tso Ping Cheong Brian (“Mr. Tso”), aged 45, was appointed as an independent non-executive Director of the Group on 25 November 2019. Mr. Tso is the chairman of the Audit Committee.

Mr. Tso obtained a bachelor’s degree of arts in accountancy from Hong Kong Polytechnic University in November 2003 and a master’s degree of corporate governance from the same university in October 2013. Mr. Tso was admitted as a member and was advanced as a fellow of Association of Chartered Certified Accountants in October 2006 and October 2011, respectively. He was also admitted as a member and was advanced as a fellow of Hong Kong Institute of Certified Public Accountants in September 2008 and October 2015 respectively. Mr. Tso was admitted as a fellow of the Institute of Chartered Secretaries and Administrators in November 2015 and an associate and subsequently a fellow of the Hong Kong Institute of Chartered Secretaries in January 2014 and November 2015, respectively. From September 2003 to December 2008, Mr. Tso worked for Ernst & Young, being an international accounting firm, and last held the position of manager. From December 2008 to May 2010, Mr. Tso worked for Greenheart Group Limited (formerly known as Omnicorp Limited), being a company listed on the Main Board of the Stock Exchange (the “**Main Board**”) (stock code: 94) as a financial controller. From May 2010 to August 2012, Mr. Tso worked for Maxdo Project Management Company Limited, as senior vice president of the investment team. Mr. Tso founded Teton CPA Company, an accounting firm, in January 2013 as the sole proprietor since then. He has been an independent non-executive director of Huasheng International Holding Limited (Stock code: 1323) since February 2015 and of Shenglong Splendecor International Limited (Stock Code: 8481) since June 2018. He was an independent non-executive director of Guoen Holdings Limited (formerly known as Guru Online (Holdings) Limited) (Stock code: 8121) from May 2014 to May 2023 and of EFT Solutions Holdings Limited (Stock code: 8062) from September 2019 to January 2024.

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

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (continued)

SENIOR MANAGEMENT PERSONNEL

Mr. Lam Kau Wang (“Mr. Lam”), aged 44, joined the Group as a financial controller of A-City Workshop since January 2019 and is mainly responsible for overall financial administration and corporate governance matters. Mr. Lam obtained a bachelor’s degree of arts in accountancy from the Hong Kong Polytechnic University in November 2003. Mr. Lam was admitted as a fellow of the Association of Chartered Certified Accountants in August 2012 and a certified public accountant of the Hong Kong Institute of Certified Public Accountants in September 2010. From December 2004 to August 2010, Mr. Lam worked for Deloitte Touche Tohmatsu, as senior accountant as his last position. From August 2010 to July 2012, Mr. Lam worked for Maxdo Group Limited, as vice president. From July 2012 to August 2016, Mr. Lam worked for Edipresse Media Asia Limited, as financial controller as his last position. From August 2016 to December 2018, Mr. Lam worked for Victory Kind Container Service Ltd, as the financial controller. In November 2017, Mr. Lam founded Booket Digital Media Development Company Limited as one of the founder members for the purpose of providing information technology services. He has also been the director of such company since August 2018.

Mr. Lau Chiu Ming (“Mr. Lau”), aged 43, joined the Group as a site agent since September 2017 and has been project manager since December 2018. Mr. Lau is mainly responsible for the project planning, supervision and administration of the construction activities of the projects. Mr. Lau obtained a bachelor’s degree of civil engineering from the University of Wales Swansea, the United Kingdom, in July 2006 and a master’s degree of science in computer modelling and finite elements in engineering mechanics from the same university in March 2008. Mr. Lau worked for China Harbour Engineering Co Ltd, a subsidiary of China Communications Construction Company Limited (stock code: 1800), being a transportation infrastructure group and listed on the Main Board of the Stock Exchange, from November 2009 to March 2010, as graduate engineer. From March 2010 to September 2017, Mr. Lau worked for AECOM Asia Company Limited, a subsidiary of AECOM (stock code: ACM), being an international engineering firm and listed on the New York Stock Exchange, as the assistant resident engineer (geotechnical) as his last position.

COMPANY SECRETARY

Mr. Lam is the company secretary (the **“Company Secretary”**) of the Company. For details of his biography, please refer to the paragraph headed “Senior Management Personnel” in this section.

CORPORATE GOVERNANCE REPORT

The Board hereby presents this corporate governance report (the “**CG Report**”) in the Group’s annual report for the year ended 31 December 2024.

CORPORATE GOVERNANCE PRACTICES

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

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

The CG Code has been applicable to the Group with effect from 13 December 2019 when the shares were listed on the GEM (the “**GEM Listing**”). The Board is of the view that for the year ended 31 December 2024 and up to the date of this report, the Group has complied with all applicable code provisions as set out in the CG Code.

Securities Transactions by Directors

The Group has adopted a Code of Ethics and Securities Transactions on terms no less exacting than the required standard of dealings set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix C3 to the Listing Rules as a code of conduct of the Group for Directors’ securities transactions. Having made specific enquiries with the Directors, all of the Directors have confirmed that they have complied with the requirements of the Model Code during the year ended 31 December 2024.

The Board has also adopted the Model Code to regulate all dealings by relevant employees who are likely to be in possession of unpublished inside information of the Group in respect of securities in the Group as referred to in code provision C.1.3 of the CG Code. No incident of non-compliance with the Model Code by the Group’s relevant employees was identified during the year ended 31 December 2024 after making reasonable enquiry.

CORPORATE GOVERNANCE REPORT (continued)

BOARD OF DIRECTORS

Board Composition and Responsibilities

Executive Directors (the “ED(s)”)

Mr. Sieh Shing Kee (*Chairman*)

Mr. Ho Ka Ki (*Chief Executive Officer*)

Independent non-executive Directors (the “INED(s)”)

Ms. Chiao Siu Ling

Mr. Kwong Che Sing

Mr. Ling Siu Tsang

Mr. Tso Ping Cheong Brian

During the year ended 31 December 2024, the Board comprised of six members, four of which are INEDs, which represented more than one-third of the Board in accordance with Rules 3.10(1) and 3.10A of the Listing Rules. In compliance with Rule 3.10(2) of the Listing Rules, one of the Group’s independent non-executive Directors, Mr. Tso, is a certified public accountant with more than 21 years of experience. For more details regarding the qualifications of Mr. Tso, please refer to the section headed “Biographical Details of Directors and Senior Management” of this report.

Details of background and qualifications of all Directors are set out in the section headed “Biographical Details of Directors and Senior Management” from pages 15 to 19 of this report. There is no relationship, including financial, business, family or other material/relevant relationship(s) among members of the Board.

Responsibilities of the Board

Group Culture and Strategy

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

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

CORPORATE GOVERNANCE REPORT (continued)

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

Management and Operations

The Board oversees the overall management and administration of the business and operations of the Group. The Board is primarily responsible for, among other things:

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

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

Corporate Governance

The Board is also responsible for performing the corporate governance functions set out in code provision A.2.1 of the CG Code, namely:

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

CORPORATE GOVERNANCE REPORT (continued)

- (d) Developing, reviewing and monitoring the code of conduct and compliance manual (including in relation to securities trading) applicable to all employees and Directors; and
- (e) Reviewing the Company's compliance with the CG Code and the disclosure in the CG Report in the Company's annual reports.

The Board has held six Board meetings during the year ended 31 December 2024 and up to the date of this report. Other Board meetings will also be held if necessary.

In the Board meeting held on 25 March 2025, the Board had reviewed the followings:

- (a) the Company's corporate governance policies and practices;
- (b) training and continuous professional development of directors and senior management; and
- (c) the Company's policies and practices on compliance with legal and regulatory requirements, the Model Code and the Company's compliance with the CG Code and disclosure in this CG Report.

During the Board meeting on 25 March 2025, the Board has reviewed the corporate governance measures of the Group and this CG Report and is of the view that the Group has fully complied with the CG Code in the manner as detailed in this CG Report.

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

Chairman and Chief Executive Officer

Under code provision C.2.1 of the CG Code, the roles of chairman and chief executive officer should not be performed by the same individual. The Directors recognise the importance of good corporate governance in management and internal procedures so as to achieve effective accountability. During the year ended 31 December 2024, Mr. Sieh was the chairman of the Board and Mr. Ho was the chief executive officer. The chairman provides leadership for the Board and the chief executive officer is responsible for day-to-day management of business. Their respective responsibilities are clearly established and set out in writing. Accordingly, the Group has fully complied with code provision C.2.1 of the CG Code.

Board Committees

The Board can delegate any of its powers, authorities and discretions to committees, consisting of such Director(s) and other person(s) as the Board thinks fit, and they may, from time to time, revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes. Any committee so formed shall, in the exercise of the powers, authorities and discretions so delegated, conform to applicable laws and regulations, including the CG Code, and any regulations which may be imposed on it by the Board.

CORPORATE GOVERNANCE REPORT (continued)

The Board has established, with written terms of reference, three Board committees, namely the Audit Committee, the Remuneration Committee and the Nomination Committee, to oversee particular aspects of the Company's affairs. The Board committees are provided with sufficient resources to discharge their duties, upon reasonable request, are able to seek independent professional advice in appropriate circumstances at the Group's expense. The written terms of reference for each Board committee are in compliance with the Listing Rules and they are published on the websites of the Stock Exchange and the Group accordingly.

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

Audit Committee

According to Rules 3.21 to 3.24 of the Listing Rules, the Group established the Audit Committee. The relevant written terms of reference were adopted in compliance with paragraph D.3.3 of the CG Code. The primary roles of the Audit Committee include at least:

- (a) Making recommendations to the Board on the appointment, reappointment and removal of the external auditor, approving the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal;
- (b) Reviewing and monitoring the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;
- (c) Discussing with the auditor the nature and scope of the audit and reporting obligations before the audit commences;
- (d) Developing and implementing policy on engaging an external auditor to supply non-audit services;
- (e) Monitoring integrity of the financial statements, annual report and interim report and reviewing significant financial reporting judgements contained in them;
- (f) Overseeing the Company's financial reporting system, risk management and internal control systems;
- (g) Reviewing the Group's financial and accounting policies and practices; and
- (h) Reviewing arrangements for employees to use in confidence to raise concerns about possible improprieties in financial reporting, internal control or other matters and proper arrangements for fair and independent investigation of these matters and for appropriate follow-up action.

The Audit Committee consists of four INEDs, namely, Mr. Tso, Ms. Chiao, Mr. Kwong and Mr. Ling. Mr. Tso is the chairman of the Audit Committee.

CORPORATE GOVERNANCE REPORT (continued)

During the year ended 31 December 2024 and up to the date of this annual report, four Audit Committee meetings were held. The summary of these audit committee meetings is as follows:

- (a) Met with the external auditor, Grant Thornton Hong Kong Limited (“**Grant Thornton**”) for the nature and scope of the audit and reporting obligations before the audit commences and after the completion of audits, and recommended the Board to re-appoint Grant Thornton as the Company’s external auditor in the year ending 31 December 2025, which is subject to the approval of shareholders at the forthcoming annual general meeting of the Group (the “**AGM**”);
- (b) Approved remuneration and the terms of engagement of Grant Thornton;
- (c) Reviewed the independence and objectivity of Grant Thornton;
- (d) Reviewed the Group’s interim and annual results during the year ended 31 December 2024 and opined that the applicable accounting standards and requirements have been complied with and adequate disclosures have been made;
- (e) Reviewed the adequacy of resources, qualifications and experience in the Company’s accounting and financial reporting functions, their training programmes and budgets; and
- (f) Evaluated and agreed the effectiveness of the Company’s financial reporting system, risk management and internal control systems.

According to the current terms of reference, the Audit Committee held two meetings with the external auditor during the year ended 31 December 2024.

Nomination Committee

The Group established the Nomination Committee in compliance with Rule 3.27A of the Listing Rules. The relevant written terms of reference were adopted in compliance with paragraph B.3.1 of the CG Code. The primary roles of the Nomination Committee include, but are not limited to,

- (a) Reviewing the structure, the size and the composition (including the skills, knowledge and experience) of the Board at least annually and making recommendations on any proposed changes to the Board to complement the corporate strategy;
- (b) Identifying suitable individuals to be qualified as the members of the Board and making recommendations to the Board on the selection of individuals nominated for directorships;
- (c) Assessing the independence of INEDs; and
- (d) Making recommendations to the Board on the appointment or re-appointment of directors and succession planning for directors.

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

CORPORATE GOVERNANCE REPORT (continued)

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

During the year ended 31 December 2024 and up to the date of this annual report, two Nomination Committee meetings were held. The summary of these nomination committee meetings is as follows:

- (a) Reviewed, among other things, the independence of the INEDs;
- (b) Considered the qualifications of the retiring Directors standing for re-election at the forthcoming annual general meeting;
- (c) Reviewed the structure, size and composition of the Board; and
- (d) Reviewed the board diversity policy. In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider various factors including candidate's character, qualifications, experience, independence and other relevant criteria necessary to complement the corporate strategy and achieve board diversity, where appropriate, before making recommendation to the Board.

Having reviewed the composition of the Board, the Nomination Committee considered that there is an appropriate balance of board diversity.

Remuneration Committee

The Group established the Remuneration Committee in compliance with Rule 3.25 of the Listing Rules. The relevant written terms of reference were adopted in compliance with paragraph E.1.2 of the CG Code. The primary roles of the remuneration committee include, but are not limited to,

- (a) Making recommendations to the Board on the Group's policy and structure for the remuneration of all of the Directors and senior management personnel and on the establishment of a formal and transparent procedure for developing remuneration policy;
- (b) Reviewing and approving the management's remuneration proposals with reference to the Board's corporate goals and objectives; and
- (c) Making recommendations to the Board on the remuneration of individual directors and senior management.

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

CORPORATE GOVERNANCE REPORT (continued)

During the year 31 December 2024 and up to the date of this annual report, three Remuneration Committee meetings were held. On the meeting held on 25 March 2025, the Remuneration Committee has reviewed and approved the remuneration of each of Director and senior management. Pursuant to code provision E.1.5 of the CG Code, details of the remuneration of the senior management (other than Directors) by band for the year ended 31 December 2024 is as follows:

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

Details of the remuneration of each Director for the year ended 31 December 2024 are set out in note 12 to the consolidated financial statements for the year ended 31 December 2024.

Board Meetings and Attendance Records of Directors

Code provision C.5.1 of the CG Code states that the Board should meet regularly and the Board meetings should be held at least four times each year at approximately quarterly intervals with active participation of a majority of Directors, either in person or through other electronic means of communication.

The attendance records of each of the Directors at the Board meeting, committee meetings, AGM and extraordinary general meeting (the “EGM”) held during the year ended 31 December 2024 and up to the date of this report are set out in the table below:

Name of Directors	Board Meeting	Attendance/Number of Meeting			AGM	EGM
		Audit Committee	Nomination Committee	Remuneration Committee		
Mr. Sieh	6/6	N/A	2/2	3/3	1/1	1/1
Mr. Ho	6/6	N/A	N/A	N/A	1/1	1/1
Ms. Chiao	6/6	4/4	2/2	3/3	1/1	1/1
Mr. Kwong	6/6	4/4	2/2	3/3	1/1	1/1
Mr. Ling	6/6	4/4	2/2	3/3	1/1	1/1
Mr. Tso	5/6	4/4	N/A	N/A	1/1	1/1

The forthcoming AGM will be held on 28 May 2025.

Apart from the Board meeting, the Chairman also held meeting with the INEDs without the presence of the executive Directors during the year ended 31 December 2024.

CORPORATE GOVERNANCE REPORT (continued)

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Each of the EDs has entered into a service agreement with the Company on 25 November 2019 for an initial term of three years commencing from the GEM Listing, which shall continue thereafter unless and until terminated by not less than three months' notice in writing served by either party on the other.

Each of the INEDs has entered into a letter of appointment with the Company on 25 November 2019 and subsequently renewed for a term of three years commencing from the GEM Listing, except Ms Chiao who has entered into a letter of appointment with the Company on 1 July 2021 (the "**Appointment Date**") and subsequently renewed for a term of three years commencing from the same Appointment Date, which all of them shall continue thereafter unless and until terminated by not less than three months' notice in writing served by either party on the other.

According to article 84 of the articles of association of the Company (the "**Articles**"), at each AGM, one-third of the Directors shall retire from office by rotation provided that each Director is subject to retirement by rotation at least one in every three years but is eligible for re-election at an AGM in accordance with the Articles.

Independent Views of INEDs

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

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

CORPORATE GOVERNANCE REPORT (continued)

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

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

Board Nomination Policy

Article 83(3) of the Articles specifies that any Director appointed by the Board to fill a casual vacancy, or an addition to the existing Board, shall hold office until the new AGM of members after his appointment and should then be eligible for re-election at such meeting.

When considering any eligible candidates, the Group adopted a nomination policy in compliance with the CG Code which is effective from the GEM Listing.

The Board, through the delegation of its authority to the Nomination Committee, has used its best efforts to ensure that the Board has a balance of skills, experience and diversity of perspectives that are required to support the execution of the Company's business strategy.

The Board is ultimately responsible for the selection and appointment of new Directors.

Nomination Process

The Nomination Committee is responsible for applying selection criteria consistently and fairly during the nomination process and confirming the same mentality to the Board when making its recommendation on each appointment.

Selection Criteria

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

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

CORPORATE GOVERNANCE REPORT (continued)

- (f) the level of independence from the Group and potential or actual conflicts of interest of the candidate; and
- (g) other relevant factors considered on a case-by-case basis.

Summary of Board Diversity Policy

In assessing the Board composition, the Nomination Committee from time to time takes into account the Company's board diversity policy which lists out the guidelines including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge, ethnicity and length of service etc. The Nomination Committee would discuss and agree on those measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption.

(a) Gender Diversity

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

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

(b) Knowledge Diversity

The Board has a balanced mix of experiences, including business management, business development, industry knowledge, corporate governance and compliance, legal, finance, auditing and accounting experiences. The education background of the Directors ranges from accountancy, legal and business administration to land surveying and engineering, from education institutions in Hong Kong, Macau to the United Kingdom and Canada.

(c) Age Diversity

The ages of the Directors in the Board range from 45 years old to 69 years old.

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

CORPORATE GOVERNANCE REPORT (continued)

Procedures for Appointment of New Director

Subject to the provisions in the Articles, if the Board recognises the need to appoint a new Director, the Nomination Committee shall identify candidates in accordance with the selection criteria set out in the nomination policy, evaluate the candidates and recommend to the Board accordingly before the Board decides on the appointment based upon its recommendation.

Procedures for Nomination by Shareholders

The Company's website (www.maxicity.com.hk) sets out the procedures for shareholders to propose a person for election as a Director. The proposed candidate shall go through the same review and recommendation procedures by the Nomination Committee.

Procedures for Re-election of Director at General Meeting

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

Accordingly, Mr. Tso and Ms. Chiao shall retire at the forthcoming AGM. The retiring Directors, all being eligible, offer themselves for re-election.

DIRECTORS' AND AUDITOR'S RESPONSIBILITY IN PREPARING THE FINANCIAL STATEMENTS

The Directors are responsible for the preparation of the financial statements in accordance with the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Companies Ordinance (Chapter 622 of Laws of Hong Kong), which give a true and fair view of the state of affairs, profit or loss and cash flow of the Group on a going concern basis.

The Directors acknowledge their responsibility for the preparation of the consolidated financial statements of the Group for the year ended 31 December 2024. In preparing the consolidated financial statements for the year ended 31 December 2024, the Board has adopted appropriate and consistent accounting policies and made prudent, fair and reasonable judgments and estimates. The Directors are responsible for maintaining proper accounting records which reflect with reasonable accuracy the state of affairs, operating results, cash flows and equity movement of the Group at any time. The Directors confirm that the preparation of the financial statements of the Group is in accordance with statutory requirements and applicable accounting standards.

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

CORPORATE GOVERNANCE REPORT (continued)

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

The reporting responsibilities of the Company's auditor, are set out in the Independent Auditor's Report on pages 79 to 83 of this report.

AUDITOR'S REMUNERATION

The fees paid or payable to Grant Thornton, for the year ended 31 December 2024 are as follows:

Services rendered	Fees paid/payable HK\$'000
Annual audit services for the year ended 31 December 2024	830
Non-audit services for the year ended 31 December 2024	–

RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

The Board acknowledges its responsibility for the effectiveness of the Group's risk management and internal control systems in order to maintain sustainable development as well as safeguard the Group's assets and the shareholders' interests. The main features of the risk management and internal control systems of the Group include:

- (a) the identification of potential risks;
- (b) the assessment and evaluation of risks;
- (c) the development and continuous updating of mitigation measures; and
- (d) the ongoing review of internal control procedures to ensure their effectiveness in respects of the Group's financial, operational, compliance controls and risk management functions.

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

CORPORATE GOVERNANCE REPORT (continued)

Process used to identify, evaluate and manage significant risks

The Group faces a variety of risks in the daily business operations, including credit risk, the ESG-related risk, interest rate risk, liquidity risk, operational risk and legal and compliance risk. Please refer to the section headed “Business – Risk management and internal control systems” in the Prospectus and the Listing Documents for further details of the Group’s risk management and internal control systems.

The Group’s risk management and internal control system features the following processes to identify, evaluate and manage significant risks, and review the effectiveness of the risk management and internal control systems, as well as resolve material internal control defects:

- Members of the Board/Audit Committee discuss with the external independent auditor key issues in relation to internal controls, audit findings and risk management;
- The Board/Audit Committee oversees the financial reporting system and internal control procedures; in this process, management is principally responsible for the preparation of Group financial statements including the selection of suitable accounting policies;
- The external independent auditor is responsible for auditing and attesting to Group financial statements and report to the management of the Group from time to time on any weakness in controls which come to their attention;
- The Board/Audit Committee oversees the respective work of management and external auditors to ensure the management has discharged its duty in respect of having an effective internal control procedures.

During the year ended 31 December 2024, the management conducted an annual internal assessment and a consolidation of relevant risks faced by the Group. There is no material change in the nature and extent of the risks faced by the Group.

The Group does not have an internal audit function and is of the view that there is no immediate need to set up an internal audit function within the Group in light of the size, nature and complexity of the Group’s business. However, the Group engaged an external consulting firm to review the internal control of the Group. The consulting firm provided advices for improvement regarding issues identified in the review. The Company’s management took follow-up measures regarding the implementation and arranged subsequent review works.

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

The Group continues to monitor and review the operation and performance of the risk management and internal control systems, and to improve the systems from time to time to adapt to the changes in market conditions and regulatory environment. The Group will consider the need for an internal audit function from time to time.

CORPORATE GOVERNANCE REPORT (continued)

Handling and Dissemination of Inside Information

With respect to procedures and internal controls for the handling and dissemination of inside information, the Group is aware of its relevant obligations under the SFO (Chapter 571 of Laws of Hong Kong) and the Listing Rules. The Group adopts and implements an information disclosure policy and procedures in order to protect inside information from unauthorised and inaccurate disclosures.

The Group has strictly prohibited unauthorised use of confidential or inside information. Any inside information and any information which may potentially constitute inside information is promptly identified, assessed and escalated by the Chairman and the financial controller for any disclosure requirements. The Audit Committee regularly reviews and assesses the effectiveness of the information disclosure policy and procedures and proposes recommendations to the Board for any improvements.

DIRECTORS' REMUNERATION POLICY

The Directors' remuneration policies are in line with the prevailing market practices and their remuneration is determined on the basis of their performance, qualifications and experiences.

CONTINUOUS PROFESSIONAL DEVELOPMENT OF DIRECTORS

Pursuant to code provision C.1.4 of the CG Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. During the year ended 31 December 2024, all Directors participated in continuous professional development by attending a training session in respect of the roles and responsibilities of directors of a company listed on the Main Board, and further enhance their knowledge by reading related materials. They also from time to time received from the Group updates on laws, rules and regulations which may be relevant to their roles, duties and functions as directors of a listed company on the Stock Exchange.

COMPANY SECRETARY

Mr. Lam is the Company Secretary of the Company. He reports to the EDs and is responsible for advising the Board on corporate governance matters and ensuring that the Board policy and procedures, and the applicable laws, rules and regulations are followed. All Directors have taken the advice from the Company Secretary to ensure that the Board procedures and all applicable laws are followed and complied with. Furthermore, the Company Secretary is responsible for facilitating communications amongst Directors as well as with management. During the year ended 31 December 2024, Mr. Lam undertook over 15 hours of professional training to update his skill and knowledge and complied with the relevant professional training requirement under Rule 3.29 of the Listing Rules.

Biographical details of the Company Secretary of the Company is set out in the section headed "Biographical Details of the Directors and Senior Management" of this annual report.

CORPORATE GOVERNANCE REPORT (continued)

NON-COMPETITION UNDERTAKING

Each of Mr. Sieh, Mr. Ho and Good Hill Investment Limited (“**Good Hill**”), being the controlling shareholders of the Company (as defined under the Listing Rules) (the “**Controlling Shareholders**”), entered into a non-competition undertaking with the Company with effect from the GEM Listing (the “**Non-competition Undertaking**”). The Controlling Shareholders has confirmed compliance with the terms of the Non-competition Undertaking since the GEM Listing and up to 31 December 2024. All the INEDs are of the view that Mr. Sieh, Mr. Ho and Good Hill have been in compliance with the Non-competition Undertaking in favour of the Company.

WHISTLEBLOWING POLICY

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

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

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

ANTI-CORRUPTION POLICY

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

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

DIVIDEND POLICY

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

CORPORATE GOVERNANCE REPORT (continued)

SHAREHOLDERS' RIGHTS

The general meetings of the Company provide a forum for the shareholders to exchange views directly with the Board. Subject to provisions of the applicable laws in the Cayman Islands and the Listing Rules, an AGM of the Company should be held each year and at the venue as determined by the Board. Each general meeting, other than an AGM, is called EGM. To safeguard shareholders' interests and rights, separate resolutions will be proposed for each substantially separate issue at general meetings. All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules, and poll results will be published on the websites of the Main Board and the Company after each general meeting.

Rights to Convene EGMs and Procedures by Shareholders

Pursuant to article 58 of the Articles, the Board may, whenever it thinks fit, convene an EGM. Any one or more shareholders, at the date of deposit of the requisition, holding not less than one-tenth of the paid up capital of the Company and having the right of voting at general meetings of the Company shall have the right, by written requisition to the Board or the company secretary, to require an EGM to be called by the Board for the transactions of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. The requisition must be deposited at the registered office or the head office of the Company.

If within 21 days of such deposit, the Board fails to proceed to convene such EGM, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to requisitionist(s) by the Company.

Rights to Put Forward Proposals at General Meetings

The Board is not aware of any provisions allowing shareholders to propose new resolutions at the general meetings under the Articles and the Companies Act, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the "**Companies Act**"). Subject to the provisions of the Articles, eligible Shareholders who wish to move a resolution may by means of requisition to convene the EGM following the procedures set out above.

Putting Forward Enquiries to the Board

To put forward any enquiries to the Board, shareholders may send written enquiries to the Company with sufficient contact details. The Company will not normally deal with verbal or anonymous enquiries.

CORPORATE GOVERNANCE REPORT (continued)

Contact Details

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

Address: Room 302, 3/F, Tower 1, Magnet Place, 77–81 Container Port Road, Kwai Fong, Hong Kong

Attention: Board of Directors

Tel: +852 3598 2926

Fax: +852 3598 2925

Email: info@maxicity.com.hk

For the avoidance of doubt, shareholder(s) must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full names, contact details and identifications in order to give effect thereto. Shareholders' information may be disclosed as required by law.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company has established a shareholders communication policy to set out the Company's procedures in providing the shareholders and investment community with ready, equal and timely access to balanced and understandable information about the Company.

The Company maintains a website at www.maxicity.com.hk as a communication platform with the shareholders and potential investors, where the latest business development, financial information and other relevant information of the Company are available for public access. The information on the Company's website is updated on a regular basis in order to maintain a high level of transparency. Information released by the Company, including but not limited to, the publication of interim and annual reports, the publication and posting of notices, announcements and circulars will also be posted to the Stock Exchange's website at the same time.

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

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

COMPLIANCE OFFICER

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

INTRODUCTION

Maxicity Holdings Limited (the “**Company**”) and its subsidiaries (collectively, the “**Group**”) are committed to sustainability and responsible Environmental, Social, and Governance (“**ESG**”) management. This ESG Report (the “**ESG Report**”) outlines the Group’s initiatives and performance in ESG matters for the fiscal year ended 31 December 2024 (the “**Reporting Year**” or “**Year 2024**”). Prepared based on the best available information and the Company’s knowledge, the report reflects our dedication to integrating sustainable practices into our business strategy. Recognising the importance of ESG principles for long-term success, the Group continuously strives to manage its environmental and social responsibilities effectively and responsibly. Through proactive measures, we seek to minimise our environmental footprint, enhance corporate governance, and contribute positively to the communities in which we operate.

BOARD STATEMENT

The Board of Directors (the “**Board**”) remains its commitment to sustainable operations, recognising the importance of environmental stewardship, community engagement, and stakeholder value creation. This commitment serves as the foundation for integrating ESG considerations into the Group’s overall business strategy and policy setting.

The Group ensures proper segregation of duties in ESG management. The Board holds ultimate responsibility for establishing ESG goals, formulating sustainability strategies, identifying risks and opportunities, reviewing performance, and approving ESG policies, frameworks, and reports. ESG considerations are embedded across all levels of the organisation to promote accountability and effective decision-making. To provide clear direction, the Board formulates internal policies and practices that address key areas such as environmental protection, resource efficiency, human capital development, service quality, business ethics, and workplace safety. These policies are continuously reviewed and refined to align with evolving market trends and regulatory requirements.

In ESG management, the Board and operational departments have distinct yet interconnected responsibilities to ensure effective governance, implementation, and continuous improvement of ESG initiatives. Operational responsibilities are delegated to business operation teams and supporting departments, which are responsible for executing ESG strategies and initiatives based on the Board’s directives. They also gather ESG-related data, track progress, and report key findings to the Board, as well as manage energy efficiency, waste reduction, emissions control, and resource conservation programs.

Regular meetings are held between the Board, business operation teams, and supporting departments to review performance, refine strategies, and enhance execution processes. These teams are also required to report all challenges, progress, and outcomes regularly, enabling the Board to make informed decisions and adjustments as needed.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (continued)

OBJECTIVES OF THE REPORT

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

REPORTING SCOPE AND STANDARDS

The ESG Report has been prepared in accordance with the ESG Reporting Guide outlined in Appendix C2 of the Listing Rules (the “**ESG Reporting Guide**”), ensuring compliance with regulatory requirements and industry best practices. The reporting scope covers the Group’s construction sites in Hong Kong, its head office, and, for social aspects, the overall business operations, with evaluations conducted in proportion to the revenue generated during the Reporting Year. Key performance indicators (KPIs) are disclosed based on the ESG Guide’s framework. The Group follows the principles of materiality, quantification, and consistency to ensure transparency, accuracy, and comparability in ESG disclosures.

Reporting principles	Descriptions
Materiality	Stakeholders engagement and materiality assessment were conducted to identify the material ESG issues that most relevant and material to our business operations and stakeholders.
Quantitative	KPIs disclosed in a measurable manner with sufficient description and explanation on those changes.
Consistency	Information presented in this ESG Report are prepared using consistent methodologies throughout the Reporting Year.

STAKEHOLDERS ENGAGEMENT

The Group is committed to fostering strong and transparent relationships with its stakeholders, recognising their integral role in our long-term success. Our efforts in stakeholders’ engagement involve proactive communication and collaboration with a diverse range of stakeholders. Their feedback is then used to inform our ESG strategies and decision-making processes, ensuring that we address key issues and create value for all parties involved. By actively engaging stakeholders, we can identify opportunities for improvement, align our strategies with their values, and enhance our corporate reputation. This approach ensures that our sustainability efforts remain relevant and responsive to the broader community, regulatory requirements, and market trends, ultimately contributing to long-term business success and stability.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (continued)

Stakeholders Groups	Specific Stakeholders	Expectations and Concerns	Communication Channel
Investors	Shareholders	Corporate governance Business compliance Investment return	Corporate website Financial reports Conference calls
Employees	Senior Management Staff Potential recruiters	Career development Safe working environment Staff compensation and welfare	Training Face-to-face meetings Regular performance reviews and interviews
Customers	Construction contractors	High-quality services Project quality	Customers satisfaction surveys Company hotline
Suppliers/ subcontractors	Material suppliers/ vendors/ subcontractors	Sustainable relationship	Suppliers assessment Daily work review Sites inspection/meetings with contractors
Government	Governments Regulators	Compliance with relevant laws and regulations	Written or electronic correspondence

MATERIALITY ASSESSMENT

The Group is dedicated to performing comprehensive materiality assessments to pinpoint and prioritise the ESG issues most pertinent to our business and stakeholders. This approach ensures that we concentrate on the areas with the most significant influence on our long-term sustainability and value creation. During the assessment, we began by cataloging each aspect from the ESG Reporting Guide, followed by an in-depth evaluation of all identified issues based on their importance to our operations and stakeholder expectations. As a result, we identified 15 key ESG issues, which are detailed below. This process underscores our commitment to tackling the most pressing ESG concerns and aligning our strategies with both business objectives and societal expectations. We consistently monitor and engage with stakeholders to remain adaptable to changes, enabling us to refine our strategies and meet their evolving needs.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (continued)

ESG aspects		Number	ESG issues
A. Environmental	Aspect A1: Emission	1	Greenhouse gas emissions
		2	Hazardous and non-hazardous wastes
	Aspect A2: Use of Resource	3	Energy saving
		4	Water consumption
	Aspect A3: The Environment and Natural Resources	5	Significant impacts of activities on environment and natural resources
	Aspect A4: Climate Change	6	Physical and transition risks
B. Social	Aspect B1: Employment	7	Employee policy
	Aspect B2: Health and Safety	8	Safe working environment and protecting employees from occupational hazards
	Aspect B3: Development and Training	9	Staff training
	Aspect B4: Labour Standards	10	Prohibition of child labour and forced labour
	Aspect B5: Supply Chain Management	11	Tendering suppliers and subcontractors based on their awareness of environmental and social responsibility
	Aspect B6: Services Responsibility	12	Health and Safety
		13	Protecting Customers' Privacy
	Aspect B7: Anti-corruption	14	Anti-corruption
	Aspect B8: Community Investment	15	Community investment

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (continued)

A. ENVIRONMENTAL

The Company is committed to environmental sustainability and has established comprehensive environmental policies to minimise its ecological impact. These policies serve as a framework to responsible operations, ensuring adherence to environmental regulations and industry best practices. To strengthen our commitment, we have obtained ISO 14001:2015 certification for our Environmental Management System, demonstrating our alignment with internationally recognised standards. Through continuous monitoring, assessment, and improvement, we strive to integrate sustainability into our daily operations, reducing environmental risks and promoting long-term ecological responsibility.

A1. Emissions

Greenhouse Gas Emission (the “GHG Emission”)

The growing urgency to reduce GHG emissions has pushed environmental responsibility to the top of the agenda for global industry initiatives. The Group’s GHG emissions primarily caused by fuel consumption in motor vehicles, construction equipment such as air compressors and generators (Scope 1), and electricity usage in offices and construction sites (Scope 2). To mitigate our environmental impact, we have established and strictly enforce internal policies aimed at reducing emissions while ensuring compliance with relevant laws and regulations.

As part of our commitment to sustainability, the Group has implemented several key measures:

- A dedicated environmental team oversees and manages environmental issues for each construction project.
- Management team frequently monitors the integrity of compliance with all relevant environmental laws and regulations in every aspect of our operations.
- Green guidelines are enforced to minimise pollution, reduce waste, and prevent unnecessary resource consumption.
- The Environmental Policy is distributed across all employees, suppliers, vendors, and subcontractors to promote awareness and accountability.
- Regular training programs are regularly provided, equipping our employee with the knowledge and motivation to adopt environmentally responsible practices.
- The Group strongly recommends its suppliers, vendors, and subcontractors to participate in environmental protection initiatives, fostering a culture of sustainability throughout our supply chain.

By integrating these policies into our daily operations, the Group remains committed to reducing its carbon footprint and promoting environmental responsibility across all levels of the business.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (continued)

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

A1.1 GHG emissions from use of motor vehicle

	Unit	2024	2023
Nitrogen oxides	gram	171,699.46	143,563.79
Sulphur oxides	gram	955.32	883.77
Respiratory suspended particles	gram	15,288.74	13,063.21

The increase in GHG emissions from motor vehicle use in this Reporting Year is attributed to a higher travel demand. The Group was selected as the main contractor for several projects in this Reporting Year. As a result, the frequency of safety patrol among construction sites has been increased significantly.

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

	Unit	2024	2023
Scope 1			
Carbon dioxide	kg	153,709.80	142,212.15
Methane	kg	296.22	362.46
Nitrous oxide	kg	19,743.10	15,448.98
Scope 2			
Carbon dioxide	kg	95,319.63	96,075.66
GHG emission Intensity	kg/construction contract	11,211.20	6,049.98

Increase in GHG Emission (Scope 1)

The Group was selected as the main contractor for several projects in this Reporting Year and therefore, the frequency of safety patrol among construction sites has been increased significantly which, in turn, increased the petrol consumption. To mitigate the environmental impact, the Group has introduced several electric vehicles to replace older models, demonstrating our commitment to reducing emissions wherever possible.

Decrease in GHG Emission (Scope 2)

The decrease is attributed to consolidating our office and the implementation of energy-efficient practices for construction activities. The Group remains committed to minimising energy usage through efficiency measures and sustainable practices whenever possible.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (continued)

Waste Management and Sewage Discharge

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

A1.3 Hazardous wastes produced

	Unit	2024	2023
Hazardous wastes disposal	tonnes	N/A	N/A
Hazardous wastes intensity	tonnes/construction contract*	N/A	N/A

* including works that would generate hazardous wastes

A1.4 Non-hazardous wastes produced

	Unit	2024	2023
Inert construction materials	tonnes	2,143.50	3,315.40
Inert construction materials usage intensity	tonnes/construction contract*	238.17	276.28
Paper	tonnes	1.79	1.51
Paper usage intensity	tonnes/construction contract	0.26	0.30

* including works that would generate inert construction materials

During the Reporting Year, we prioritised the use of recycled materials, which led to a decrease in the usage of inert construction materials.

A1.5 Measures to mitigate GHG emissions

The Group acknowledges the critical need to reduce GHG emissions and is dedicated to adopting and executing impactful strategies to achieve this goal. We have established the following policies and strategies to manage vehicle use and improve energy efficiency.

Motor Vehicles Use:

- The implementation of regular maintenance and servicing policies regarding the use of vehicles ensures optimal operating efficiency and reduced emissions.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (continued)

- Transitioning from older vehicles to more energy-efficient and low-emission alternatives, such as electric and hybrid models, further supports sustainability objectives.
- Promoting carpooling and shared transportation among staff to decrease the frequency of trips.
- Enhancing travel efficiency by optimising routes and minimising unnecessary travel distances through improved projects planning.

Electricity Consumption

Please refer to section A2.3 for more details. In the coming year, our short-term target aims to achieve a lower GHG emissions intensity compared to this Reporting Year. These efforts are designed to minimise our environmental impact and promote sustainability across our operations.

A1.6 Waste Management

Hazardous Wastes

Due to the business nature, to the best knowledge of the Directors, the Group did not generate any hazardous waste in the course of its operation during the Reporting Year. In case any hazardous chemical wastes are produced, they will be temporarily stored in dedicated locations with appropriate hazard labels. A qualified chemical waste collector will be engaged to handle such waste.

Non-hazardous Wastes

During the Reporting Year, the non-hazardous waste generated primarily consisted of inert construction materials, which were managed in accordance with the Environmental Protection Department's guidelines. As construction waste generation is directly related to several construction activities outlined in project plans, the amount and intensity of unnecessary wastes may fluctuate annually.

The Group has implemented several measures to minimise the environmental impact of waste generation:

1. **Design Optimisation:** Prior to the commencement of construction projects, the Group emphasises design optimisation to ensure efficient material use and minimise unnecessary waste generation. This includes meticulous planning of material quantities to avoid any over-ordering and reduce disposal.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (continued)

2. **Training and Awareness:** Regular training and awareness programs are provided to staff and contractors to emphasise the best practices in reducing material wastage during construction activities. This program ensures that all parties are aware of the importance of waste minimisation.
3. **Material Reuse:** The Group encourages the reuse of inert construction materials, such as concrete, metal, and wood. Materials from demolition or renovation works are sorted, cleaned, and reused in new construction projects, thereby decreasing the demand for new raw materials and supporting a circular approach to resource management.

The Group aims to reduce construction waste by increasing the use of reusable materials and raising employee awareness about the importance of environmental sustainability in the coming years.

Sewage Discharge

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

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

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

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

A2. Use of Resources

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

Energy Efficiency

The Group is committed to adopting energy-efficient practices across all aspects of its operations, from construction sites to office spaces. By implementing energy-saving measures and continuously exploring innovative technologies, the Group strives to enhance energy performance and reduce its environmental footprint through proactive planning, regular monitoring, and staff engagement.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (continued)

Water Consumption

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

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

A2.1 Energy consumption in total and intensity

Unit		2024	2023
Electricity usage	kWh	151,301.00	152,501.04
Electricity usage intensity	kWh/office*	12,608.42	25,416.84

* including head office and construction site offices

During the Reporting Year, we achieved a lower usage in electricity by consolidating our offices and the implementation of energy-efficient practices for construction activities.

A2.2 Water consumption in total and intensity

Unit		2024	2023
Water consumption	cu.m.	17,333.00	24,298.00
Water consumption intensity	cu.m./office*	597.69	528.22

* including head office and construction site offices

During the Reporting Year, the Group's total water consumption at construction sites decreased through the implementation of water-saving practices. The Group continues to focus on maintaining responsible water usage across all operations, ensuring that water is utilised only when necessary and in the most efficient manner.

A2.3 Energy and water use efficiency initiatives and targets

During the Reporting Year, the Group implemented a variety of measures aimed at promoting energy and water efficiency across its operations. These initiatives were designed to minimise resource consumption while maintaining operational effectiveness and promoting sustainability.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (continued)

Electricity Consumption:

- The Group raised awareness among workers and staff about the importance of energy conservation through the display of informative tips on reducing electricity usage in common areas.
- Older and less efficient office equipment were phased out or replaced with energy-efficient models to lower electricity consumption.
- Policies were enforced to ensure lights, air conditioners, and computers were switched off when not in use, reducing idle energy consumption and encouraging responsible energy practices.
- Efforts were made to maximise the use of natural lighting and ventilation in workspaces, reducing the need for artificial lighting and air conditioning during daylight hours.

Water Consumption:

- The Group utilised recycled water for core drilling operations, reducing reliance on fresh water and contributing to more sustainable water usage practices.
- The Group established a clear process for staff to report any leaking faucets or pipes to the relevant authorities for timely repairs, minimising water wastage and maintaining the efficiency of water usage.

Given that electricity and water consumption vary depending on the scope and nature of construction activities, setting fixed targets may not be practical. However, the Group is committed to fostering a culture of energy and water efficiency within the organisation. This will be achieved by engaging employees in energy- and water-saving initiatives, adopting advanced technologies to optimise resource use, and continuously promoting awareness of the importance of conservation. The overarching goal is to achieve a sustained reduction in overall energy and water consumption across all operations.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (continued)

A2.4 Sourcing Water

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

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

A2.5 Packaging Material Used

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

A3. The Environment and Natural Resources

The Group is dedicated to minimising the environmental impact associated with our slope construction activities. We recognise that our operations have potential to adversely affect the environment and natural resources in various ways, including noise pollution and dust emissions. Below are the primary environmental concerns and the corresponding measures we implement to address them.

1. Noise Pollution

Noise generated by heavy machinery and construction activities represents one of the most significant environmental challenges for the Group. Prolonged exposure to excessive noise levels can disrupt local communities, disturb wildlife habitats, as well as negatively pose risk to the health and well-being of on-site workers .

Measures:

- Safety officers regularly conduct noise assessments to monitor the decibel levels produced by plant equipment and construction activities. These assessments are well designed for each new work activity and are conducted every three months.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (continued)

- Silent or low noise machineries, such as generators and air compressors, are prioritised to be used whenever practicable to reduce noise emissions during construction activities.
- In instances where noisy machinery operations are unavoidable, the Group establishes noise protection zones and prominently displays safety signage. Workers are always reminded to wear hearing protection to reduce noise exposure and safeguard their health.

2. Dust Emissions

Dust pollution is another significant environmental concern for the Group. Construction activities, particularly excavation and demolition, have the potential to generate large amounts of dust, which degrades air quality and poses health risks to both on-site workers and nearby residents.

Measures:

- The Group regularly sprays water on construction sites to effectively suppress dust and maintain acceptable air quality levels.
- Air quality is continuously monitored throughout construction activities in order that health safety and environmental regulations are complied.

We remain committed to reducing our overall environmental impact and aim to preserve natural resources, minimise pollution, and ensure the safety and health for both on-site workers and surrounding communities.

A4. Climate Change

As a construction company, the Group faces a range of climate-related risks, including both physical and transition risks, which can impact operations, costs, and long-term success. These risks arise from both sudden extreme events and gradual environmental changes, and are further influenced by the global shift toward a low-carbon economy. Understanding these risks and developing proactive strategies is essential for minimizing their impact and ensuring our climate resilience and sustainability moving forward. Below, we outline the identified risks and our responses to address these challenges effectively.

A4.1 Significant climate-related issues

First, we identify acute physical risks, which are immediate, extreme events such as storms, floods, and heavy rainfall that can directly damage construction sites. These events can also pose safety risks to workers and disrupt supply chains, leading to increased costs and extended project timelines. In response, the Group implements robust disaster preparedness plans, including site assessments for climate risks, contingency measures for extreme weather, and safety protocols for workers. Additionally, we have prepared resilient infrastructure and materials that can withstand extreme weather conditions, applying them as necessary.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (continued)

Next, we address chronic physical risks, which are long-term shifts in climate patterns, such as rising temperatures, that can affect our construction projects over time. High temperatures pose health and safety risks to construction workers, including heat stress, dehydration, and heatstroke. In extreme cases, this may result in work stoppages or the need to adjust work hours to avoid midday heat, ultimately slowing project timelines and increasing labor costs. To address these chronic risks, we implement heat management measures, including regular water breaks, shaded rest areas, and adjusted work hours during cooler periods of the day. Ensuring that workers wear lightweight, breathable clothing and providing training on heat stress symptoms and first aid will further improve safety. These steps will help maintain productivity, reduce health risks, and minimise delays and additional labor costs.

In addition to physical risks, we also acknowledge the transition risks associated with the shift toward a low-carbon economy. These risks arise from changes in regulations, technologies, market preferences, and reputational concerns. For instance, stricter environmental regulations may require more sustainable practices, and failing to comply can result in penalties, project delays, or loss of market share. To mitigate these risks, we ensure compliance with evolving regulations and proactively embrace sustainability initiatives. This approach will help the Group stay competitive while meeting the growing demand for environmentally responsible construction.

B. SOCIAL

We have implemented a robust management system, associated with well-established manuals, policies, and procedures to effectively address key social aspects such as employment practices, training and development, occupational health and safety, supply chain management, service responsibility, anti-corruption measures, and community investment initiatives.

B1. Employment

Human Resources Policies

We are committed to fostering a supportive and rewarding work environment where every employee has the opportunity to thrive and contribute to the success of the Group. Recognising the value of our workplace, we have established a comprehensive human resource framework to ensure that all employees are equipped to perform at their best and feel supported. Our staff handbook outlines key areas such as the recruitment process, promotion and appraisal procedures, compensation, dismissal policies, working hours, and our commitment to diversity and equal opportunities. By formulating these procedures, we guarantee that all employees are afforded equitable opportunities and corresponding benefits. These policies undergo regularly reviewed to ensure their continued effectiveness and alignment with our overall strategies objectives.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (continued)

The foundational principles of our framework are designed to foster a productive, equitable and supportive working environment include:

- **Resources Provision:** Providing necessary resources upon request to enable each employee achieve optimal productivity and efficiency.
- **Equitable Compensation:** Offering fair and competitive compensation to all staff members aligned with industry standard and individual contributions.
- **Professional Development:** Encouraging continuous development on employees' practicable skills on rapid changing construction environment.
- **Recognition and Incentives:** Rewarding staff who demonstrates exceptional performance and exceeds the Group's expectations.
- **Open Communication:** Promoting two-way communication between employees and management to facilitate transparency, collaboration and mutual understanding.
- **Workplace Safety:** Ensuring a safe and secure workplace for all employees to carry out their duties.

The Group did not have any non-compliance on applicable laws and regulations regarding compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare for the Reporting Year and the year ended 31 December 2023.

B1.1 Total workforce

As at 31 December 2024 and 2023, all staff are located in Hong Kong and the staff composition of the Group is as follow:

By Gender	2024	2023
Male	126	110
Female	24	15
By Age Group	2024	2023
30 years old or below	15	14
31–64 years old	104	92
65 years old or above	31	19

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (continued)

By Employment category	2024	2023
Monthly-rated	51	40
Daily-rated	99	85

According to the statistics by the Construction Industry Council, as in February 2025, the number of male registered workers was 534,338, which is significantly higher than the number of female registered workers of 135,443. The percentage of female employees in the Group's workforce increased from 12.0% in 2023 to 16.0% in 2024. The gender ratio for the Board and senior management is 7 males to 1 female as at 31 December 2024. The Group is devoted in achieving gender diversity and will continue to promote gender diversity across its workforce by hiring suitable female staff when appropriate. We target to maintain the percentage of female employees in the Group's workforce of no less than 10% in the next three years.

B1.2 Turnover rate

The increase in our staff turnover rate from 5% to 33.3% during the Reporting Year is mainly attributed to job market dynamics and demographic shifts within the workforce. Additionally, the competitive construction job market has led to higher workforce mobility, prompting seasoned professionals to pursue alternative employment opportunities or transition into retirement.

The turnover rate of the Group is as follow:

By Gender	2024	2023
Male	36.1%	–
Female	26.7%	18.2%

By Age Group	2024	2023
30 years old or below	50.0%	–
31–64 years old	40.0%	7.7%
65 years old or above	17.6%	–

* The above turnover rate of the Group excluded daily-rated workers as certain numbers of daily-rated works left and re-joined the Group during the Reporting Year. It was calculated by number of staff left during the Reporting Year/the number of full-time staff as at 31 December 2024.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (continued)

Recruitment

The Group's recruitment process is designed to ensure that candidates possess the required experience, skills, and abilities to meet the Group's operational and strategic needs. The human resources department conducts comprehensive background checks and interviews to evaluate candidates' suitability. The recruitment process is strictly merit-based, with no consideration given to age, gender, religion, or race, thereby upholding principles of fairness and equal opportunity throughout hiring process.

Promotion and Staff Welfare

The Group is committed to recognising and rewarding outstanding performance. We offer equitable and competitive compensation packages, with rewards and incentives for employees who consistently exceed expectations. Our promotion and appraisal processes are designed to acknowledge and reward employees based on their contributions and dedication, ensuring that all employees are treated fairly and equitably.

Internal promotion is prioritised whenever possible, especially during the period of business expansion, to provide career advancement opportunities to existing employees. Additionally, the Group provides various paid leaves options, including annual leave, maternity leave, and occasional leave, in addition to statutory and public holidays. The Group's dismissal policy, working hours, and rest periods are fully complied with relevant labor laws and regulations to ensure fair treatment of all employees. Regular reviews and feedback mechanisms are in place to ensure that employees' contributions are acknowledged and rewarded, and that compensation aligns with market standards and employee performance.

Equal Opportunity and Diversity

The Group is dedicated to creating an inclusive and collaborative work environment. We encourage open communication between staff and supervisors, allowing employees to address work-related challenges and offer suggestions for improvement. Our commitment to equal opportunity ensures that every candidate, regardless of background, has an equitable chance for employment and career advancement. Staff performance is evaluated based on individual abilities, ensuring that all employees are given equal opportunities to achieve their succeed.

Anti-discrimination

The Group upholds a strong anti-discrimination policy, ensuring that no employee or candidate is subject to unfair treatment or bias based on personal characteristics. We promote a culture of mutual respect and inclusion, where diversity is celebrated, and every employee is treated with dignity and respect. This commitment to anti-discrimination is embedded in our daily operations, recruitment practices, and ongoing staff engagement. Any form of unfair or wrongful dismissal is strictly prohibited, and all dismissal procedures are followed in accordance with our internal policies.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (continued)

B2. Health and Safety

Investing in workplace health and safety is essential for long-term business success. A strong health and safety system protects employees from injuries and health risks, ensuring their well-being and productivity. Prioritising safety not only enhances the company's reputation, making it more attractive to employees, customers, and investors, but also fosters a safe work environment. This, in turn, improves employee satisfaction and retention, reduces lost work hours, and minimises operational. We have established policies and procedures under ISO 45001:2018 to provide a safe and secure working environment for our employees.

B2.1 Number and rate of work-related fatalities

During each of past three years, there were no reported cases of work-related fatalities.

B2.2 Lost days due to work injury

During the Reporting Year, there are 320 days lost due to work injury (2023: 359 days).

B2.3 Occupational health and safety measures adopted

Ensuring a safe and secure working environment

The Group conducts comprehensive risk assessments prior to the commencement of any construction projects. Based on the findings of these assessments, customised safety measures and protocols are established, regularly reviewed, and adjusted to ensure the maintenance of a safe working environment. Dedicated safety officers conduct frequently on-site inspections to monitor conditions, identify potential hazards, and implement necessary safety improvements. Any instances of unsafe work practices or breaches of safety regulations are promptly addressed to ensure compliance and protect on-site workers. Additionally, only qualified machinery is approved for use on-site, and proper equipment is provided to meet the specific needs of each construction site.

Strengthening protection against occupational hazards

To further enhance workplace safety, the Group enforces strict occupational hazard prevention measures. All workers are required to undergo thorough induction programs and regular toolbox training sessions before entering construction sites. These initiatives are designed to equip employees with essential knowledge regarding site-specific risks and best practices for safety. Clear communication of potential hazards and preventive measures ensures that all team members are well prepared to handle risks effectively.

Additionally, the Group mandates the use of appropriate personal protective equipment for all workers before they commence their tasks. Emergency response procedures and first-aid protocols are reinforced through regular drills, ensuring swift action in case of accidents. Work-related injuries are systematically documented and reported in line with internal safety guidelines, which are aligned with the Labour Department's reporting requirements. By fostering a proactive safety culture, the Group remains committed to minimising occupational risks and ensuring a secure working environment for all employees.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (continued)

The Group did not have any non-compliance on the Occupational Safety and Health Ordinance (Chapter 509 of the Laws of Hong Kong) and applicable occupational health and safety laws and regulations relating to providing a safe working environment and protecting employees from occupational hazards for the Reporting Year.

B3. Development and Training

The Group values opportunities for employee training and development, motivating individuals across various roles to continuously enhance their knowledge and skills. This encouragement aims to facilitate career growth. Training sponsorship for job related courses are provided at discretionary basis. During the Reporting Year, 17.3% (2023: 59.2%) of our employees have participated in training with average 18.15 (2023: 3.9) training hours.

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

B3.1 The workforce trained during the Reporting Year

By Gender	2024	2023
Male	76.9%	91.9%
Female	23.1%	8.1%
By Employment category	2024	2023
Senior level	26.9%	9.5%
Middle level	15.4%	8.1%
Entry level	57.7%	82.4%

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

By Gender	2024	2023
Male	18.5 hours	3.7 hours
Female	17.0 hours	6.3 hours
By Employment category	2024	2023
Senior level	10.5 hours	13.7 hours
Middle level	49.0 hours	7.2 hours
Entry level	13.5 hours	2.4 hours

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (continued)

B4. Labour Standards

B4.1 Measures to avoid child and forced labour

The Group strictly prohibits child and forced labour in all operations and construction projects. To prevent such unethical practices, a rigorous recruitment process has been implemented, including thorough identity verification and background checks to ensure all employees meet the legal working age and employment criteria. Contractors and subcontractors are required to comply with the Group's labour policies, which are fully aligned with local labour laws. Regular site inspections are conducted to monitor compliance, and strict contractual obligations are enforced to eliminate any form of involuntary or underage labour.

B4.2 Steps to eliminate such practices when discovered

If any case of child or forced labour is discovered, immediate corrective actions are taken to rectify the situation. The Group conducts a thorough investigation to determine the root cause of the violation and imposes disciplinary actions against responsible parties, including termination of contracts with non-compliant subcontractors or suppliers. Policies and monitoring procedures are subsequently reinforced to prevent any recurrence of such practices.

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

B5. Supply Chain Management

The Group values its suppliers and subcontractors as critical business partners and is committed to maintaining strong, collaborative relationships. To ensure adherence to high standards, we conduct regular assessments and monitoring, evaluating the quality, reliability, and compliance of supplied products and services. Additionally, significant emphasis is placed on the environmental and social impact of suppliers, with active reviews of their sustainability practices to ensure alignment with the Group's corporate responsibility objectives.

B5.1 Number of suppliers

During the Reporting Year, the Group had 117 suppliers (2023: 111), including material suppliers and subcontractors which are all based in Hong Kong (2023: all based in Hong Kong) to save the transportation costs.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (continued)

B5.2 Procedure for engaging suppliers and subcontractors

The Group follows a structured and transparent procedure when engaging suppliers and subcontractors for construction services. The selection process begins with a comprehensive pre-qualification assessment, during which potential partners are evaluated based on their technical expertise, financial stability, past performance, and compliance with industry regulations. Additionally, suppliers and subcontractors must meet the Group's quality, safety, environmental, and ethical standards. Once engaged, suppliers and subcontractors are subject to continuous performance monitoring, including regular audits and site inspections, to ensure adherence to contractual obligations, safety protocols, and sustainability requirements.

B5.3 Practices used to identify environmental and social risks

The Group implements rigorous practices to assess and manage environmental and social risks associated with suppliers and subcontractors. These measures ensure compliance with sustainability standards and corporate responsibility goals.

Environmental and Social Responsibility of the Suppliers

The Group carefully selects its suppliers, particularly those providing project materials, through a rigorous pre-qualification screening process. Each supplier is assessed based on product quality, qualifications, pricing, and compliance with environmental and social regulations. To maintain consistent quality, laboratories or testing companies are engaged to conduct regular analysis on raw materials. Social responsibility assessments, including evaluation of fair labour practices and human rights compliance, are also conducted through routine site reviews. These measures collectively help maintain a responsible and sustainable supply chain.

Environmental and Social Responsibility of the Subcontractors

The Group implements a comprehensive approach to managing subcontractors, ensuring compliance with environmental, social, and safety standards. Regular site inspections and environmental monitoring are conducted to assess air and water pollution control, waste disposal, and adherence to environmental regulations. Scheduled or ad-hoc environmental inspections take place at least once a week, with findings recorded and communicated to subcontractors for corrective action. To enhance environmental awareness, the Group's safety officers or environmental officers provide regular training sessions for subcontractor workers.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (continued)

Additionally, risk-based assessments help identify potential hazards, such as unsafe working conditions or environmentally harmful practices. Continuous performance monitoring, including regular site visits and reporting mechanisms, ensures that subcontractors maintain sustainability and ethical standards. Workers and subcontractors are required to report any significant incidents or environmental risks to site agents or safety officers immediately. If any work is found to pose a safety or environmental hazard, operations are halted to prevent harm to on-site staff and the public.

In cases where subcontractors fail to meet the Group's standards or are involved in serious environmental pollution or safety incidents, corrective actions such as work reduction, contract suspension, or replacement of subcontractors are implemented.

B5.4 Practices used to promote environmental preferable products and service when selecting supplier and subcontractors

The Group prefers to engage those suppliers or subcontractors who have certain environmental and social responsibility accreditation or have no previous record of violation on any environmental and social issue. The selection process is regularly reviewed to ensure its proper execution and alignment with the Group's standards.

B6. Services Responsibility

The Group is committed to maintaining high-quality standards across its business operations by strictly complying with all applicable laws and regulations. To ensure regulatory adherence and service excellence, the Group has implemented the ISO 9001:2015 Quality Management System, which provides a structured framework for overseeing its operations. This system undergoes an annual review to assess its effectiveness and identify areas for continuous improvement, ensuring long-term efficiency and compliance with evolving industry standards.

B6.1 Percentage of products sold subject to recalls for safety and health reasons

Due to the Group's business nature, recalls for safety and health reasons is not applicable.

B6.2 Number of products and services related complaints

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

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (continued)

B6.3 Protecting Intellectual Property Right

The Group is committed to protecting its intellectual property while respecting the intellectual property rights of others. With the registration of “A-City Workshop” as a company trademark, we actively enforce measures to safeguard our brand identity and ensure proper usage of the trademark across all business activities. Additionally, we strictly comply with copyright, patent, and trademark laws to prevent any infringement on third-party intellectual property rights, thereby maintaining a fair and legally compliant business environment.

B6.4 Health and Safety and Quality Assurance

The Group prioritises the safety and well-being of its workers and all on-site personnel by implementing a comprehensive risk management approach. To enhance safety awareness, workers are required undergo mandatory training at the start of each contract, with periodic refresher courses provided to reinforce best practices. Regular safety inspections are conducted to identify any deficiencies in safety controls, and immediate corrective actions taken to mitigate risks.

In addition to internal safety protocols, the Group maintains open communication with customers, inviting them to inspect work progress at each stage and address any safety or health concerns. Our quality management system, aligned with ISO 9001:2015, ensures that all work meets high standards through a structured control process. Employees, who possess extensive industry experience, participate in continuous training programs to stay updated on the latest industry developments and client requirements, enabling them to deliver work of the highest quality. Site officers conduct routine inspections, while ongoing communication is maintained with customers regarding work methods, procedures, project timelines, and resource allocation. Any deviations from expected standards are promptly identified and rectified to uphold safety, quality, and regulatory compliance. Through these proactive measures, the Group ensures a secure and well-managed construction environment.

B6.5 Protecting Customers' Privacy

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

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (continued)

B7. Anti-corruption

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

B7.1 No legal case regarding corrupt practices was brought against the Group during the Reporting Year and the year ended 31 December 2023.

B7.2 Preventive measures and whistle-blowing procedure

The Group's internal manuals provide clear guidance on ethical conduct and compliance. They help employees manage conflicts of interest and avoid situations where personal interests may conflict with the Group's goals. The gift policy outlined in the manuals sets clear rules for accepting and handling gifts, ensuring these exchanges do not compromise ethics or create conflicts.

To prevent corruption, the Group enforces stringent anti-corruption measures at all levels. Employees are strictly prohibited from offering, soliciting, or accepting bribes, kickbacks, or any other forms of illegal payments, either directly or indirectly. To support this, the Group regularly conducts training programs to raise awareness of anti-corruption laws, regulations, and the severe consequences of non-compliance. These measures ensure that employees are well-informed and understand the importance of maintaining ethical conduct in all business dealings.

The Group also fosters a culture of transparency and accountability through robust whistleblower measures. Employees and relevant personnel are encouraged to report any instances of corruption, unethical behavior, or violations of company policies using a confidential reporting channel, such as a dedicated mailbox. This system ensures that all reports are handled with the utmost confidentiality, protecting the anonymity of whistleblowers and encouraging honest communication. Each case is carefully investigated, ensuring that appropriate actions are taken while safeguarding the trust and confidence of all involved.

B7.3 Anti-corruption training

The Company is committed to upholding the highest ethical standards and provides anti-corruption training to both directors and staff. During the Reporting Year and the year ended 31 December 2023, the directors participated in anti-corruption and regulatory training to stay updated on relevant laws and best practices. When updates to anti-corruption regulations occur, directors are promptly informed, and the latest information is disseminated across the organisation to ensure continued compliance with the Company's anti-corruption policies.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (continued)

The Group did not have any non-compliance on applicable laws and regulations regarding bribery, extortion, fraud and money laundering and commit any fraud or corruption for the Reporting Year and the year ended 31 December 2023.

B8. Community Investment

The Group is dedicated to making a positive impact on the community through various investment measures, focusing on fostering social responsibility and encouraging active employee involvement in volunteer efforts.

B8.1 Focus areas of contribution

The Group does not limit its community contributions to a specific focus area but is committed to identifying and supporting organisations and groups that genuine need assistance. We actively seek out opportunities where we can make a meaningful impact, focusing on causes that align with our values and the needs of the community.

B8.2 Resources contributed

We remain committed to supporting our community through the active engagement of our employees. We encourage our staff to dedicate their time to voluntary works and community initiatives, fostering a culture of social responsibility within the organisation. Our employees have enthusiastically participated in various volunteer activities, offering their time and skills to make a positive impact on local communities. This initiative reflects our ongoing commitment to corporate social responsibility, emphasising the importance of contributing to societal well-being through meaningful, non-financial contributions.

DIRECTORS' REPORT

The Directors are pleased to present their annual report together with the audited consolidated financial statements of the Group for the year ended 31 December 2024.

CORPORATE REORGANISATION

The Company was incorporated in the Cayman Islands as an exempted company with members' limited liability on 30 January 2019. The Transfer of Listing was completed on 31 December 2021.

PRINCIPAL ACTIVITIES

The Company is an investment holding company and the Group is principally engaged in the undertaking of slope works in Hong Kong.

Details of the principal activities of the principal subsidiaries are set out in note 14 to the consolidated financial statements.

RESULTS AND DIVIDENDS

Profit of the Group for the year ended 31 December 2024 and the state of affairs of the Company and the Group as at that date are set out in the consolidated financial statements on pages 84 to 141.

The Group has distributed one-off special dividend of HK\$0.175 per ordinary shares (the "Shares"), totalling HK\$70.0 million on 16 February 2024.

The Board does not recommend the payment of final dividend for the year ended 31 December 2024.

FINANCIAL SUMMARY

A summary of the results, and assets and liabilities of the Group announced in the past five years are set out on page 142 of this annual report.

DIRECTORS' REPORT (continued)

BUSINESS REVIEW

Overview

A review of the business of the Group for the year ended 31 December 2024 and a discussion on the Group's future business development are provided in the "Management's Discussion and Analysis" on pages 6 to 14. The discussion constitutes a part of this Directors' Report.

Principal Risks and Uncertainties

The principal risks faced by the Group are set out in pages 10 to 11 of this annual report. As it is a non-exhaustive list, there may be other risks and uncertainties further to the disclosures. Besides, this annual report does not constitute a recommendation or an advice for anyone to invest in the securities of the Company. Investors are advised to make their own judgements or consult professionals before making any investment in the securities of the Company. The discussion constitutes a part of this Directors' Report.

Important Events

The Board has not identified any important events affecting the Group that have occurred since the end of this financial year.

Key Performance Indicators

The key performance indicators are detailed in the financial review set out in the Management's Discussion and Analysis on pages 6 to 14 of this annual report. This discussion constitutes a part of this Directors' Report.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2024, the five largest customers accounted for approximately 93.1% (2023: 86.9%) of the Group's total revenue. The five largest suppliers accounted for approximately 40.1% (2023: 45.1%) of the Group's total purchases. In addition, the largest customer accounted for approximately 31.2% (2023: 40.0%) of the Group's total revenue while the largest supplier accounted for approximately 14.4% (2023: 15.5%) of the Group's total purchases.

None of the Directors, their associates or any shareholders (which, to the knowledge of the Directors, own more than 5% of the Company's issued share capital) had any interest in the Group's five largest customers and suppliers.

DIRECTORS' REPORT (continued)

RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Group maintains a sound relationship with its employees, and certain policies have been implemented to ensure that its employees are provided with competitive remuneration, good welfare benefits and continuous professional training. The Group also maintains sound relationships with its customers and suppliers, without whom success in the Group's operation would be at risk.

DONATION

During the year ended 31 December 2024, the Group made a charitable and other donations of approximately Nil (2023: HK\$4,000).

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2024, the Group had 150 employees in Hong Kong (31 December 2023: 119 employees in Hong Kong) excluding the Directors. The remuneration package the Group offered to its employees includes salary, bonuses and other cash subsidies. In general, the Group determines employees' salaries based on each employee's qualifications, position and seniority. The Group reviews the performance of the employees annually which will be taken into account in annual salary review and promotion appraisal.

DIVIDEND POLICY

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

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group for the year ended 31 December 2024 are set out in note 13 to the consolidated financial statements.

BANK OVERDRAFTS AND BORROWING

The Group did not have any bank overdrafts and borrowing as at both 31 December 2024.

INTEREST CAPITALISED

The Group has not capitalised any interest during the year ended 31 December 2024.

SHARE CAPITAL

Details of the movements in the share capital of the Company during the year ended 31 December 2024 is set out in note 22 to the consolidated financial statements.

DIRECTORS' REPORT (continued)

RESERVES

Details of movements in reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity on page 87 and in note 24 to the consolidated financial statements, respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2024, the Company had distributable reserve of approximately HK\$50.2 million, calculated under the Companies Act. Such amount includes share premium which may be distributable provided that immediately following the date on which the dividend is proposed, the Company will be in a position to pay off its debts or when they fall due in the ordinary course of business.

PRE-EMPTIVE RIGHTS

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

TAX RELIEF

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

EQUITY-LINKED AGREEMENTS

Save for the share option scheme as set out below, no equity-linked agreement was entered into by the Group, or existed during the year ended 31 December 2024.

SHARE OPTION SCHEME

The Company has conditionally adopted a share option scheme (the "**Share Option Scheme**") pursuant to the written resolutions of the sole shareholder passed on 25 November 2019. The condition of which has been fulfilled. The Share Option Scheme shall be valid and effective for the period of ten years commencing on 13 December 2019, being the date on which the Share Option Scheme was adopted upon fulfillment of the condition.

As at the date of this report, there is remaining life of over four years of the Share Option Scheme.

The purpose of the Share Option Scheme

The Share Option Scheme is a share incentive scheme and is established to enable the Company to grant options to the Eligible Participants (as defined below) as incentives or rewards for their contribution to the Group.

The participants of the Share Option Scheme

Under the Share Option Scheme, the Board may, at its discretion, make an offer to any person belonging to the following classes of participants (the **"Eligible Participants"**) share options to subscribe for shares of the Company:

- (i) any employee (whether full time or part time, including any executive director but excluding any non-executive director) of the Company, any subsidiary or any entity in which any member of the Group holds any equity interest (the **"Invested Entity"**);
- (ii) any non-executive director (including independent non-executive directors) of the Company, any subsidiary or any Invested Entity;
- (iii) any supplier of goods or services to any member of the Group or any Invested Entity;
- (iv) any customer of any member of the Group or any Invested Entity;
- (v) any person or entity that provides research, development or other technological support to any member of the Group or any Invested Entity;
- (vi) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity;
- (vii) any adviser (professional or otherwise) or consultant to any area of business or business development of any member of the Group or any Invested Entity; and
- (viii) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of the Group;

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

DIRECTORS' REPORT (continued)

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

The total number of shares which may be allotted and issued upon exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Share Option Scheme and any other share option scheme of the Group) to be granted under the Share Option Scheme and any other share option scheme of the Group must not in aggregate exceed 10% of the shares in issue at the time dealings in the shares first commence on the Stock Exchange, i.e. 40,000,000 Shares (i.e. 10% of the total shares in issue at the date of this annual report).

The maximum entitlement of each participant under the Share Option Scheme

Subject to certain circumstances relating to the grant of options to a substantial shareholder, an independent non-executive director or any of their respective associates, the total number of Shares issued which may fall to be issued upon exercise of the options and the options granted under any other share option scheme of the Group (including both exercised or outstanding options) to each grantee in any 12-month period shall not exceed 1% of the issued share capital of the Company for the time being. Where any further grant of options to a grantee under the Share Option Scheme would result in the Shares allotted and issued and to be allotted and issued upon exercise of all options granted and proposed to be granted to such person (including exercised, cancelled and outstanding options) under the Share Option Scheme and any other share option schemes of the Group in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the Shares in issue, such further grant must be separately approved by the Shareholders in general meeting with such grantee and his close associates (or his associates if such grantee is a connected person (as defined in the Listing Rules)) abstaining from voting.

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

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

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

Unless otherwise determined by the Directors and stated in the offer to a grantee, a grantee is not required to hold an option for any minimum period nor achieve any performance targets before the exercise of an option granted to him.

The amount, if any, payable on application or acceptance of option and the period within which payments or calls must or may be made or loans for such purposes must be repaid

An offer shall have been accepted by an Eligible Participant with a remittance in favour of the Company of HK\$1 by way of consideration for the grant thereof is received by the Company within such time as may be specified in the offer (which shall not be later than 21 days from the offer date).

DIRECTORS' REPORT (continued)

The basis of determining the exercise price

The subscription price in respect of any option shall be at the discretion of the Directors, provided that it shall not be less than the highest of:

- (a) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet for trade in one or more board lots of the Shares on the offer date;
- (b) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five Business Days immediately preceding the offer date; and
- (c) the nominal value of the Share.

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

DIRECTORS

The members of the Board during the year ended 31 December 2024 and up to the date of this annual report are:

EDs

Mr. Sieh Shing Kee (*Chairman*)

Mr. Ho Ka Ki (*Chief Executive Officer*)

INEDs

Ms. Chiao Siu Ling

Mr. Kwong Che Sing

Mr. Ling Siu Tsang

Mr. Tso Ping Cheong Brian

In accordance with article 84 of the Articles, at each AGM, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) shall retire from office by rotation provided that every Director shall be subject to retirement at an AGM at least once every three years. Accordingly, Mr. Tso and Ms. Chiao will retire and, being eligible, offer themselves for re-election at the forthcoming AGM.

BIOGRAPHIES OF THE DIRECTORS AND SENIOR MANAGEMENT

The biographical details of the Directors and senior management are set out under the section headed "Biographical Details of Directors and Senior Management" as set out on pages 15 to 19 of this annual report.

DIRECTORS' REPORT (continued)

DIRECTORS' SERVICE CONTRACTS AND LETTERS OF APPOINTMENT

Each of the EDs has entered into a service agreement with the Company on 25 November 2019 for an initial term of three years commencing from the GEM Listing, which shall continue thereafter unless and until terminated by not less than three months' notice in writing served by either party on the other. The term of service of a Director is subject to retirement by rotation of Directors as set out in the Articles.

Each of the INEDs has entered into a letter of appointment with the Company on 25 November 2019 and subsequently renewed for a term of three years commencing from the GEM Listing, except Ms Chiao who has entered into a letter of appointment with the Company on the Appointment Date and subsequently renewed for a term of three years commencing from the same Appointment Date, which all of them shall continue thereafter unless and until terminated by not less than three months' notice in writing served by either party on the other. The term of service of a Director is subject to retirement by rotation of Directors as set out in the Articles.

Save as disclosed above, none of the Directors, including those to be re-elected at the forthcoming AGM, has a service contract with the Company or any of its subsidiaries which is not determinable within one year without payment of compensation, other than statutory compensation.

DIRECTORS' REMUNERATION

In compliance with the CG Code, the Company has established the Remuneration Committee to make recommendations to the Board on the Company's policy and structure for all the Directors' remuneration. The Directors' remuneration and their discretionary bonus is determined by the Board with reference to the Directors' duties and responsibilities, the recommendation of the Remuneration Committee and the performance and results of the Group. Details of Directors' remuneration are set out in note 12 to the consolidated financial statements of this annual report.

FIVE HIGHEST PAID INDIVIDUALS

The five highest paid individuals of the Group during the year ended 31 December 2024 include 2 Directors (2023: 2 Directors). Details of the five highest paid individuals are set out in note 12 to the consolidated financial statements.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules from each of the INEDs and considers that all the INEDs, namely Ms. Chiao, Mr. Kwong, Mr. Ling and Mr. Tso are independent and meet the independent guidelines set out in Rule 3.13 of the Listing Rules.

DIRECTORS' REPORT (continued)

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTEREST IN CONTRACT OF SIGNIFICANCE

Save as disclosed in note 25 to the consolidated financial statements of this annual report, there was no transaction, arrangement or contract of significance connected to the business of the Group to which the Company, its subsidiaries, or its holding company or any of its fellow subsidiaries was a party and in which any Director or a connected entity of a Director had a direct or indirect material interest, subsisting at the end of the year or at any time during the year.

As of 31 December 2024, save as disclosed in note 25 to the consolidated financial statements of this annual report, no contract of significance had been entered into between the Company, or any of its subsidiaries and the Controlling Shareholders of the Company or any of its subsidiaries.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year ended 31 December 2024 and up to the date of this report, none of the Directors, the Controlling Shareholders and the substantial shareholders of the Company or their respective close associates (as defined under the Listing Rules) had any business or interests in a business that competes or may compete, either directly or indirectly, with the business of the Group and any other conflicts of interest which any such person has or may have with the Group. The INEDs confirmed that the internal control measures in relation to managing actual or potential conflict of interest of the Group have been properly implemented.

NON-COMPETITION UNDERTAKING BY CONTROLLING SHAREHOLDERS

In order to protect the Group's interest in its business activities, on 25 November 2019, the Controlling Shareholders as covenantors executed the Non-competition Undertaking in favour of the Company.

Pursuant to the Non-competition Undertaking, each of the Controlling Shareholders jointly and severally undertakes that he or it shall not, and shall procure that none of their respective close associates (other than members of the Group) shall, during the period which (i) the shares of the Company remain listed on the Stock Exchange; and (ii) the Controlling Shareholders and their respective close associates (other than members of the Group), individually or jointly, are entitled to exercise, or control the exercise of, not less than 30% of the voting power at general meetings of the Company; or (iii) any of the Controlling Shareholders or their respective close associates remains as a director of any member of the Group (the "**Restricted Period**"), directly or indirectly, either on their own account, in conjunction with, on behalf of, or through any person, firm or company, among other things, carry on, participate or be interested, engaged or otherwise involved in or acquire or hold (in each case whether as a shareholder, partner, agent or otherwise and whether for profit, reward or otherwise) any business that is similar to or in competition directly or indirectly with or is likely to be in competition with any business currently and from time to time engaged by the Group in Hong Kong and any other new business which the Group may undertake from time to time after the GEM Listing (the "**Restricted Business**").

DIRECTORS' REPORT (continued)

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

- (a) the Controlling Shareholders are required to, and shall procure their respective close associates (other than members of the Group) to, promptly refer, or procure the referral of, the New Opportunity to the Group, and shall promptly give written notice to the Company of any New Opportunity containing all information reasonably necessary for the Group to consider whether (i) the New Opportunity would constitute competition with the business of the Group and/or any other new business which the Group may undertake at the relevant time; and (ii) it is in the interest of the Group to pursue the New Opportunity, including but not limited to the nature of the New Opportunity and the details of the investment or acquisition costs (the “**Offer Notice**”); and
- (b) the Offeror will be entitled to pursue the New Opportunity only if (i) the Offeror has received a written notice from the Company declining the New Opportunity and confirming that the New Opportunity would not constitute competition with the business of the Group; or (ii) the Offeror has not received the notice from the Company within 10 business days from the Company's receipt of the Offer Notice. If there is a material change in the terms and conditions of the New Opportunity pursued by the Offeror, the Offeror shall refer the New Opportunity as so revised to the Group in the manner as set out above.

The Company confirms that the Non-competition Undertaking of each of Mr. Sieh, Mr. Ho and Good Hill (collectively constituting the Controlling Shareholders), details of which were set out in the Prospectus and the Listing Documents, has been fully complied and enforced since the GEM Listing and up to the date of this report. The Company has obtained an annual written confirmation from each of the Controlling Shareholders in relation to their compliance with the terms of the Deed. The INEDs confirmed that they have reviewed the compliance with the terms of the Non-competition Undertaking by the Controlling Shareholders and the enforcement of the Non-competition Undertaking given by the Controlling Shareholders and are satisfied that the Controlling Shareholders have complied with the terms of the Non-competition Undertaking. The Board also confirms that there are no other matters in relation to the aforesaid undertaking which should be brought to the attention of the shareholders and the potential investors of the Group.

DIRECTORS' REPORT (continued)

COMPETING INTERESTS

The Directors confirm that none of the Controlling Shareholders or the Directors and their respective close associates (as defined in the Listing Rules) is interested in any business apart from the business operated by the Group which competes or is likely to compete, directly or indirectly, with the Group's business during the year ended 31 December 2024 and up to the date of this annual report.

PERMITTED INDEMNITY PROVISION

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

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

MANAGEMENT CONTRACTS

There was no contracts concerning the management or administration of the whole or any substantial part of the business of the Company which was entered into or existed during the year ended 31 December 2024.

RELATED PARTY TRANSACTIONS

To the best knowledge of the Directors, save as disclosed under note 25 to the consolidated financial statements of this annual report, the Group did not incur any related party transactions during the year ended 31 December 2024.

During the year ended 31 December 2024, the Group did not enter into any connected transactions or continuing connected transactions under Chapter 14A of the Listing Rules which require disclosure in this annual report.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as otherwise disclosed in this Report, at no time during the year ended 31 December 2024 and up to the date of this report, have the Directors and the chief executive of the Company and their respective close associates (as defined in the Listing Rules) had any interests in, or had been granted, or exercised any rights to acquire benefits by means of the acquisition of shares in, or debentures of, the Company and/or its associated corporations (within the meaning of SFO).

DIRECTORS' REPORT (continued)

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

As at 31 December 2024, the interests or short positions of each of the Directors and the chief executive of the Company in the shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which (a) would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which such Directors and chief executives of the Company were taken or deemed to have under such provisions of the SFO); or (b) would be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) would be required, pursuant to the Model Code relating to securities transactions by directors to be notified to the Company and the Stock Exchange, were as follows:

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

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

Notes:

- As at 31 December 2024, 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.

DIRECTORS' REPORT (continued)

Save as disclosed above, as at the date of this report, none of the Directors or the chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered into the register required to be kept therein; or (iii) pursuant to the Model Code relating to securities transactions by directors to be notified to the Company and the Stock Exchange.

INTERESTS AND SHORT POSITIONS OF THE SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 December 2024, so far as it is known to the Directors, the following persons (not being a Director or chief executive of the Company) had or were deemed to have interests in shares or underlying shares of the Company which (i) were recorded in the register required to be kept by the Company under Section 336 of the SFO, or (ii) which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO and the Listing Rules; or (iii) who will be, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

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

Notes:

- As at 31 December 2024, the Company's issued ordinary share capital was HK\$4.0 million divided into 400,000,000 shares of HK\$0.01 each.
- These 300,000,000 Shares are held by Good Hill, which in turn is directly owned in equal share by each of Mr. Sieh and Mr. Ho. As such, Mr. Sieh and Mr. Ho are deemed under the SFO to be interested in the 300,000,000 Shares collectively held through Good Hill.
- Ms. Cao Hongmei is the spouse of Mr. Sieh. As such, she is deemed to be interested in the shares of the Company in which Mr. Sieh Shing Kee is interested under Part XV of the SFO.
- Ms. Lee Kim Kum is the spouse of Mr. Ho. As such, she is deemed to be interested in the shares of the Company in which Mr. Ho Ka Ki is interested under Part XV of the SFO.
- The letter "L" denotes the person's long position in the shares of the Company.

DIRECTORS' REPORT (continued)

Save as disclosed above, as at the 31 December 2024, the Directors have not been notified by any person who had interests or short positions in the Shares or underlying Shares or debentures of the Company as recorded in the register required to be kept pursuant to Section 336 of the SFO, or which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's shares during the year ended 31 December 2024 (including sale of treasury shares of the Company).

CORPORATE GOVERNANCE

The Company has applied the principles of the CG Code and has complied with the applicable code provisions during the financial year ended 31 December 2024. Details of the principal corporate governance practices as adopted by the Company and the Company's compliance with the applicable code provisions are set out in the section headed "Corporate Governance Report" on pages 20 to 37 of this report.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as its own code of conduct regarding securities transactions by Directors. Having made specific enquiry of all Directors, all Directors confirmed that they had complied with the required standard of dealings and the Model Code regarding securities transactions during the year ended 31 December 2024.

The Board has also adopted the Model Code to regulate all dealings by relevant employees who are likely to be in possession of unpublished inside information of the Company in respect of securities in the Company as referred to in code provision C.1.3 of the CG Code. No incident of non-compliance with the Model Code by the Company's relevant employees was identified during the year ended 31 December 2024 after making reasonable enquiry.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group has adopted risk management and internal control policies to monitor the on-going compliance with the relevant laws and regulations. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group during the year ended 31 December 2024.

DIRECTORS' REPORT (continued)

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this report, there is sufficient public float of not less than 25% of the Company's issued share as required under the Listing Rules.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to enhancing environmental protection to minimise the impact of its activities on the environment. It is the policy of the Group to promote clean operation and strives to making the most efficient use of resources in its operations and minimizing wastes and emission. Details are set out in Environmental, Social and Governance Report on pages 38 to 62 of this annual report.

SIGNIFICANT INVESTMENTS AND FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

During the year ended 31 December 2024, the Group did not have any significant investment and any other plan for material investments and capital assets.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

During the year ended 31 December 2024 and up to the date of this report, the Group did not have any material acquisitions nor disposals of subsidiaries, associates and joint ventures.

SIGNIFICANT EVENT AFTER THE REPORTING PERIOD

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

ANNUAL GENERAL MEETING

The AGM of the Company will be held on 28 May 2025, the notice of which shall be sent to the shareholders of the Company in accordance with the Articles, the Listing Rules and other applicable laws and regulations.

DIRECTORS' REPORT (continued)

CLOSURE OF THE REGISTER OF MEMBERS OF SHARES

To be eligible to attend and vote in the forthcoming annual general meeting, the register of members of the Company will be closed from Friday, 23 May 2025 to Wednesday, 28 May 2025 (both dates inclusive) during which period no transfer of Shares will be registered. To be qualified for attending and voting at the forthcoming annual general meeting, all Share transfer documents must be lodged with Boardroom Share Registrars (HK) Limited, the Company's share registrar in Hong Kong, at Room 2103B, 21/F, 148 Electric Road, North Point, Hong Kong, for registration no later than 4:30 p.m. on Thursday, 22 May 2025.

AUDITOR

The consolidated financial statements for the year ended 31 December 2024 have been audited by Grant Thornton, who will retire at the forthcoming the AGM and offer themselves for re-appointment. A resolution will be proposed at the forthcoming AGM of the Company to re-appoint Grant Thornton as the auditor of the Company.

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

Hong Kong, 25 March 2025

INDEPENDENT AUDITOR'S REPORT



To the members of Maxicity Holdings Limited
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Maxicity Holdings Limited (the **"Company"**) and its subsidiaries (together, the **"Group"**) set out on pages 84 to 141, which comprise the consolidated statement of financial position as at 31 December 2024, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2024, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (**"HKFRSs"**) issued by the Hong Kong Institute of Certified Public Accountants (**"HKICPA"**) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing (**"HKSAs"**) issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the **"Code"**), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITOR’S REPORT (continued)

KEY AUDIT MATTERS (Continued)

Recognition of contract revenue and contract assets for construction contracts

Refer to notes 2.13, 4, 5 and 16 to the consolidated financial statements.

Key Audit Matter	How the Matter was Addressed in our Audit
<p>We identified construction contract revenue and contract assets as a key audit matter as they are quantitatively significant to the consolidated financial statements as a whole.</p> <p>As disclosed in notes 5 and 16 to the consolidated financial statements, the construction contracts revenue amounted to approximately HK\$205,780,000 for the year ended 31 December 2024 and the contract assets amounted to approximately HK\$13,860,000 as at 31 December 2024. As set out in note 5 to the consolidated financial statements, the Group recognised contract revenue by reference to the progress of satisfying the performance obligation at the reporting date.</p>	<p>Our audit procedures in relation to the contract revenue and contract assets for construction contracts included the following:</p> <ul style="list-style-type: none">• Understood the Group’s internal controls over the recognition of contract revenue for the construction contracts;• Inspected the key terms and conditions of construction contracts and verified the total contract revenue;• Discussed with management of the Group and checked on a sample basis, the supporting documents such as contracts and variation orders to evaluate the reasonableness of the revenue recognised;• Assessed the revenue from construction contracts by comparing, on a sample basis, with the latest certificates issued by the customers or their agents before and after year end; and• Checked the revenue to underlying construction contracts entered into with customers and other relevant correspondences and supporting documents in respect of variations in construction works or price adjustments on a sample basis.

INDEPENDENT AUDITOR'S REPORT (continued)

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises all the information included in the 2024 annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors assisted by the Audit Committee are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT (continued)

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

As part of an audit in accordance with HKSAAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

INDEPENDENT AUDITOR'S REPORT (continued)

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

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguard applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Grant Thornton Hong Kong Limited

Certified Public Accountants

11th Floor

Lee Garden Two

28 Yun Ping Road

Causeway Bay

Hong Kong SAR

25 March 2025

Lau Kwong Kei

Practising Certificate No.: P07578

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2024

	Notes	2024 HK\$'000	2023 HK\$'000
Revenue	5	205,780	168,202
Cost of services		(188,092)	(147,543)
Gross profit		17,688	20,659
Other income and other (losses)/gains, net	6	1,412	4,348
Administrative expenses		(8,954)	(8,980)
Finance costs	7	(102)	(83)
Profit before income tax	8	10,044	15,944
Income tax expense	9	(1,299)	(2,002)
Profit and total comprehensive income for the year		8,745	13,942
Earnings per share attributable to equity holders of the Company			
Basic and diluted	11	HK2.19 cents	HK3.49 cents

The notes on pages 89 to 141 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2024

	Notes	2024 HK\$'000	2023 HK\$'000
ASSETS AND LIABILITIES			
Non-current asset			
Property, plant and equipment	13	8,256	6,859
Current assets			
Trade and other receivables	15	25,341	12,029
Contract assets	16	13,860	33,615
Current tax recoverable		1,095	–
Cash and bank balances	17	63,365	114,555
		103,661	160,199
Current liabilities			
Trade and other payables	18	24,753	21,238
Contract liabilities	16	3,136	394
Lease liabilities	19	843	465
Current tax payable		–	922
		28,732	23,019
Net current assets		74,929	137,180
Total assets less current liabilities		83,185	144,039
Non-current liabilities			
Lease liabilities	19	272	304
Long service payment obligations	20	293	–
Deferred tax liabilities	21	795	655
		1,360	959
Net assets		81,825	143,080

The notes on pages 89 to 141 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

as at 31 December 2024

	Notes	2024 HK\$'000	2023 HK\$'000
EQUITY			
Share capital	22	4,000	4,000
Reserves	23	77,825	139,080
Equity attributable to equity holders of the Company		81,825	143,080

Mr. Sieh Shing Kee
Director

Mr. Ho Ka Ki
Director

The notes on pages 89 to 141 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2024

	Share capital HK\$'000 (note 22)	Share premium* HK\$'000 (note 23)	Capital reserve* HK\$'000 (note 23)	Retained earnings* HK\$'000 (note 23)	Total HK\$'000
As at 1 January 2023	4,000	50,084	1	115,053	169,138
Profit and total comprehensive income for the year	–	–	–	13,942	13,942
Final dividend for the year ended 31 December 2022 (Note 10)	–	–	–	(30,000)	(30,000)
Interim dividend for the year ended 31 December 2023 (Note 10)	–	–	–	(10,000)	(10,000)
As at 31 December 2023 and 1 January 2024	4,000	50,084	1	88,995	143,080
Profit and total comprehensive income for the year	–	–	–	8,745	8,745
Special dividend for the year ended 31 December 2024 (Note 10)	–	–	–	(70,000)	(70,000)
As at 31 December 2024	4,000	50,084	1	27,740	81,825

* These reserve accounts comprise the consolidated reserves of HK\$77,825,000 (2023: HK\$139,080,000) in the consolidated statement of financial position.

The notes on pages 89 to 141 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2024

	Notes	2024 HK\$'000	2023 HK\$'000
Cash flows from operating activities			
Profit before income tax		10,044	15,944
Adjustments for:			
Depreciation		4,318	3,435
Loss on early termination of lease		20	–
Loss/(Gain) on disposal of property, plant and equipment		34	(10)
Long service payment obligations:			
expenses recognised in profit or loss		266	–
Finance costs		102	83
Bank interest income		(1,466)	(4,338)
Operating profit before working capital changes		13,318	15,114
Decrease/(Increase) in contract assets		19,755	(6,895)
Increase in contract liabilities		2,742	–
(Increase)/Decrease in trade and other receivables		(13,733)	10,863
Increase/(Decrease) in trade and other payables		3,515	(12,152)
Cash generated from operations		25,597	6,930
Income taxes paid		(3,176)	(2,768)
<i>Net cash generated from operating activities</i>		22,421	4,162
Cash flows from investing activities			
Interest received		1,887	4,338
Purchase of property, plant and equipment		(4,720)	(420)
Proceeds from disposal of property, plant and equipment		4	110
<i>Net cash (used in)/generated from investing activities</i>		(2,829)	4,028
Cash flows from financing activities			
Payment of lease liabilities	26	(707)	(919)
Interest paid		(75)	(83)
Dividends paid	10	(70,000)	(40,000)
<i>Net cash used in financing activities</i>		(70,782)	(41,002)
Net decrease in cash and cash equivalents		(51,190)	(32,812)
Cash and cash equivalents at the beginning of year		114,555	147,367
Cash and cash equivalents at the end of year	17	63,365	114,555

The notes on pages 89 to 141 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2024

1. GENERAL INFORMATION

Maxicity Holdings Limited (the “**Company**”) was incorporated as an exempted company with limited liability in the Cayman Islands under the Companies Act of the Cayman Islands on 30 January 2019. The addresses of the Company’s registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and the principal place of business of the Company is Room 302, 3/F, Magnet Place Tower 1, 77–81 Container Port Road, Kwai Chung, New Territories, Hong Kong.

The Company’s shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited.

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

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

The consolidated financial statements were approved for issue by the board of directors on 25 March 2025.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES

2.1 Basis of preparation

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) and the accounting principles generally accepted in Hong Kong.

The consolidated financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance and include the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange (“**Listing Rules**”).

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2024

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

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

The preparation of the consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies of the Group. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

2.2 Basis of consolidation

The consolidated financial statements incorporate the financial information of the Company and all its subsidiaries made up to 31 December each year.

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

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

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

In the Company’s statement of financial position, subsidiaries are carried at cost less any impairment loss unless the subsidiary is held for sale or included in a disposal group.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2024

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.3 Foreign currency translation

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

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

2.4 Property, plant and equipment

Property, plant and equipment (including right-of-use assets) are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset (other than cost of right-of-use assets described in note 2.10). Depreciation commences when the assets are ready for their intended use.

Depreciation is provided to write off the cost less their residual values (if any) over their estimated useful lives, using the straight-line method, at the following rates per annum:

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

Accounting policy for depreciation of right-of-use assets is set out in note 2.10.

The assets' residual values, depreciation methods and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

The gain or loss arising on retirement or disposal is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other costs, such as repairs and maintenance, are charged to profit or loss during the financial period in which they are incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2024

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.5 Financial instruments

Recognition and derecognition

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

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

Financial assets

Classification and initial measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with HKFRS 15 "Revenue from Contracts with Customers" ("HKFRS 15"), all financial assets are initially measured at fair value, in case of a financial asset not at fair value through profit or loss ("FVTPL"), plus transaction costs that are directly attributable to the acquisition of the financial asset.

All financial assets are measured at amortised costs.

The classification is determined by both:

- the entity's business model for managing the financial asset; and
- the contractual cash flow characteristics of the financial asset.

Expected credit losses ("ECL") of trade receivables, contract assets and other financial assets measured at amortised cost is presented as a separate item in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2024

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.5 Financial instruments (Continued)

Financial assets (Continued)

Subsequent measurement of financial assets

Debt investments

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

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows; and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortised cost using the effective interest method. Interest income from these financial assets is included in “Other income, gains and losses, net” in profit or loss. Discounting is omitted where the effect of discounting is immaterial. The Group’s trade and other receivables and cash and bank balances fall into this category of financial instruments.

Financial liabilities

Classification and measurement of financial liabilities

The Group’s financial liabilities include trade and other payables and lease liabilities.

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

Subsequently, financial liabilities (other than lease liabilities) are measured at amortised cost using the effective interest method.

All interest-related charges are included within finance costs.

Accounting policies of lease liabilities are set out in note 2.10.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2024

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.6 Impairment of financial assets and contract assets

HKFRS 9 “Financial Instruments” (“**HKFRS 9**”) impairment requirements use forward-looking information to recognise ECL – the “ECL model”. Instruments within the scope included loans and other debt-type financial assets measured at amortised cost, trade receivables and contract assets recognised and measured under HKFRS 15.

The Group considers a broader range of information when assessing credit risk and measuring ECL, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk (“**Stage 1**”); and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low (“**Stage 2**”).

“Stage 3” would cover financial assets that have objective evidence of impairment at the reporting date.

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

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

Trade receivables and contract assets

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECL and recognises a loss allowance based on lifetime ECL at each reporting date. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial assets. In calculating the ECL, the Group has established a provision matrix that is based on its historical credit loss experience and external indicators, adjusted for forward-looking factors specific to the debtors and the economic environment.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2024

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.6 Impairment of financial assets and contract assets (Continued)

Other financial assets measured at amortised cost

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

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

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

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; and
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2024

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.6 Impairment of financial assets and contract assets (Continued)

Other financial assets measured at amortised cost (Continued)

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

For internal credit risk management, the Group considers an event of default occurs (i) when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collateral held by the Group) or (ii) the financial asset is 90 days past due.

Detailed analysis of the ECL assessment of trade receivables, contract assets and other financial assets measured at amortised cost are set out in note 28.3.

2.7 Impairment of non-financial assets

The Group's property, plant and equipment (including right-of-use assets) and the Company's investment in a subsidiary are subject to impairment testing. They are tested for impairment whenever there are indications that the asset's carrying amount may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of fair value, reflecting market conditions less costs of disposal, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the asset.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

Impairment loss is charged pro rata to the assets in the cash-generating unit, except that the carrying amount of an asset will not be reduced below its individual fair value less cost of disposal, or value in use, if determinable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2024

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.7 Impairment of non-financial assets (Continued)

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognised.

2.8 Cash and cash equivalents

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

2.9 Contract assets and contract liabilities

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2024

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.10 Leases

Definition of a lease and the Group as a lessee

At inception of a contract, the Group considers whether a contract is, or contains a lease. A lease is defined as “a contract, or part of a contract, that conveys the right to use an identified asset (the underlying asset) for a period of time in exchange for consideration”. To apply this definition, the Group assesses whether the contract meets three key evaluations which are whether:

- the contracts contain an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group;
- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and
- the Group has the right to direct the use of the identified asset throughout the period of use. The Group assesses whether it has the right to direct “how and for what purpose” the asset is used throughout the period of use.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2024

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.10 Leases (Continued)

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

Measurement and recognition of leases as a lessee

At lease commencement date, the Group recognises a right-of-use asset and a lease liability on the consolidated statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the underlying asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any lease incentives received).

The Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term unless the Group is reasonably certain to obtain ownership at the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicator exists.

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments.

Subsequent to initial measurement, the liability will be reduced for lease payments made and increased for interest cost on the lease liability. It is remeasured to reflect any reassessment or lease modification, or if there are changes in in-substance fixed payments.

When the lease is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Group has elected to account for short-term leases using the practical expedient instead of recognising a right-of-use asset and lease liability, the payments in relation to these leases are recognised as expense in profit or loss on a straight-line basis over the lease term. Short-term leases are leases with a lease term of 12 months or less.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2024

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.10 Leases (Continued)

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

Measurement and recognition of leases as a lessee (Continued)

On the consolidated statement of financial position, right-of-use assets have been included in "Property, plant and equipment", the same line as it presents the underlying assets of the same nature that it owns.

The payments of refundable rental deposits are accounted for under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

2.11 Provisions and contingent liabilities

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

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

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future uncertain events not wholly within the control of the Group, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

2.12 Share capital

Ordinary shares are classified as equity. Share capital is recognised at the amount of consideration of shares issued, after deducting any transaction costs associated with the issuing of shares (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2024

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.13 Revenue recognition

Revenue arises mainly from the contracts for the undertaking slope works services.

To determine whether to recognise revenue, the Group follows a 5-step process:

1. Identifying the contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognising revenue when/as performance obligation(s) are satisfied

In all cases, the total transaction price for a contract is allocated amongst the various performance obligations based on their relative stand-alone selling prices. The transaction price for a contract excludes any amounts collected on behalf of third parties.

Revenue is recognised either at a point in time or over time, when (or as) the Group satisfies performance obligations by transferring the promised goods or services to its customers.

Where the contract contains a financing component which provides a significant financing benefit to the customer for more than 12 months, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction with the customer, and interest income is accrued separately under the effective interest method. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2024

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.13 Revenue recognition (Continued)

Revenue from undertaking slope works contracts

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

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

Interest income

Interest income is recognised on a time proportion basis using the effective interest method. For financial assets measured at amortised cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2024

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.14 Employee benefits

Retirement benefits

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

(a) Defined contribution plans

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

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

(b) Defined benefit plans

The amount of long service benefit that an employee will receive on cessation of employment in certain circumstances is defined by reference to the employee's length of service and corresponding salary. The legal obligations for any benefits remains with the Group.

The LSP obligations recognised in the consolidated statement of financial position is the present value of the LSP obligation at the end of the reporting period.

Management estimates the LSP obligations annually. This is based on the discount rate, the salary growth rate, turnover rate and the expected investment return on offsetable MPF accrued benefits. Discount factors are determined close to the end of each annual reporting period by reference to high quality corporate bonds that are denominated in the currency in which the benefits will be paid and have terms to maturity approximating the terms of the related defined benefit liability.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2024

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.14 Employee benefits (Continued)

Retirement benefits (Continued)

(b) Defined benefit plans (Continued)

Defined benefit costs are categorised as follows:

- service cost (including current and past service cost, and gains and losses on curtailments and settlements);
- net interest expense or income; and
- remeasurement.

Service cost on the Group's defined benefit plan is included in employee benefits expense. Employee contributions, all of which are independent of the number of years of service, are treated as a reduction of service cost.

Net interest expense on the net defined benefit liability is included in "finance costs".

Gains and losses resulting from remeasurements of the net defined benefit liability, comprising actuarial gains and losses, if any, are included in other comprehensive income and are not reclassified to profit or loss in subsequent periods.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2024

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.14 Employee benefits (Continued)

Short-term employee benefits

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

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

2.15 Accounting for income taxes

Income tax comprises current tax and deferred tax.

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

Deferred tax is calculated using the liability method on temporary differences at the reporting date between the carrying amounts of assets and liabilities in the consolidated financial statements and their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit, including existing taxable temporary differences, will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2024

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.15 Accounting for income taxes (Continued)

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

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

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

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

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

- income or loss excluding reversals of temporary differences; and
- reversals of existing temporary differences.

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

- (a) the Group has the legally enforceable right to set off the recognised amounts; and
- (b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2024

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.15 Accounting for income taxes (Continued)

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

- (a) the entity has a legally enforceable right to set off current tax assets against current tax liabilities; and
- (b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
 - (i) the same taxable entity; or
 - (ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

2.16 Segment reporting

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2024

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.17 Related parties

For the purposes of the consolidated financial statements, a party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person's family and if that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group.
- (b) the party is an entity and if any of the following conditions applies:
 - (i) the entity and the Group are members of the same group.
 - (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) the entity and the Group are joint ventures of the same third party.
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
 - (vi) the entity is controlled or jointly controlled by a person identified in (a).
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
 - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2024

3. ADOPTION OF NEW AND AMENDED HKFRSs

3.1 Amended HKFRSs that are effective for annual periods beginning on 1 January 2024

In the current year, the Group has applied for the first time the following amended HKFRSs issued by the HKICPA, which are effective for the Group's consolidated financial statements for the annual period beginning on 1 January 2024:

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)
Amendments to HKAS 1	Non-current Liabilities with Covenants
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements

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

3.2 Issued but not yet effective HKFRSs

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

HKFRS 18	Presentation and Disclosure in Financial Statements ³
HKFRS 19	Subsidiaries without Public Accountability: Disclosures ³
Amendments to HKFRS 9 and HKFRS 7	Amendments to the Classification and Measurement of Financial Instruments ²
Amendments to HKFRS 9 and HKFRS 7	Contracts Referencing Nature-dependent Electricity ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
Amendments to HKAS 21	Lack of Exchangeability ¹
Amendments to HKFRS Accounting Standards	Annual Improvements to HKFRS Accounting Standards – Volume 11 ²
Amendments to Hong Kong Interpretation 5	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ³

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

² Effective for annual periods beginning on or after 1 January 2026

³ Effective for annual periods beginning on or after 1 January 2027

⁴ Effective date not yet determined

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2024

3. ADOPTION OF NEW AND AMENDED HKFRSs (Continued)

3.2 Issued but not yet effective HKFRSs (Continued)

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

HKFRS 18 "Presentation and Disclosure in Financial Statements" and related amendments to Hong Kong Interpretation 5

HKFRS 18 replaces HKAS 1 "Presentation of Financial Statements". It carries forward many of the existing requirements in HKAS 1, with limited changes, and some HKAS 1 requirements will be moved to HKAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" and HKFRS 7 "Financial Instruments: Disclosures".

HKFRS 18 will not impact the recognition and measurement of financial statements items but the presentation of them. It introduces three major new requirements, including:

- reporting newly defined subtotals (namely "operating profits" and "profits before financing and income tax"), and classifying items into five newly defined categories (namely "operating", "investing", "financing", "income tax" and "discontinued operation"), depending on the reporting entity's main business activities, in the statement of profit or loss;
- Disclosure of management-defined performance measures ("MPMs") in a single note to the financial statements; and
- enhanced guidance of aggregation and disaggregation of information in the financial statements.

Besides, narrow-scope amendments have been made to HKAS 7 "Statement of Cash Flows", which includes:

- using "operating profit or loss" as the starting point for indirect method for the presentation of operating cash flows purposes; and
- the option for classifying interest and dividend cash flows as operating activities is eliminated.

In addition, there are consequential amendments to several other standards.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2024

3. ADOPTION OF NEW AND AMENDED HKFRSs (Continued)

3.2 Issued but not yet effective HKFRSs (Continued)

HKFRS 18 “Presentation and Disclosure in Financial Statements” and related amendments to Hong Kong Interpretation 5 (Continued)

HKFRS 18, and the amendments to the other HKFRSs, are effective for annual period beginning on or after 1 January 2027 and must be applied retrospectively with specific transition provisions. The directors of the Group are still in the process of assessing the impact of HKFRS 18, particularly with respect to the structure of the Group’s consolidated statement of profit or loss and other comprehensive income, the consolidated statement of cash flows and the additional disclosures required for MPMs. The Group is also assessing the impact of how information is grouped in the consolidated financial statements.

Amendments to HKFRS 9 and HKFRS 7 “Amendments to the Classification and Measurement of Financial Instruments”

The major changes in amendments to HKFRS 9 and HKFRS 7 are summarised as follows:

- clarified the date of recognition and derecognition of some financial assets and liabilities, with a new exception for some financial liabilities settled through an electronic cash transfer system;
- clarified and added further guidance for assessing whether a financial asset meets the solely payments of principal and interest (“SPPI”) criterion;
- added new disclosures for certain instruments with contractual terms that can change cash flows (e.g. some financial instruments with features linked to the achievement of environment, social and governance targets); and
- updated the disclosures for equity instruments designated at FVOCI.

The amendments are effective for annual reporting periods beginning on or after 1 January 2026 and are applied retrospectively with an adjustment to opening retained earnings. The amendments that relate to the classification of financial assets as well as the related disclosures can be early adopted and the other amendments can be applied later. The directors of the Group expect that the amendments have no material impact on the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2024

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

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

Estimation of LSP obligations

Management's estimate of the LSP obligations is based on a number of critical underlying assumptions such as the discount rate, the salary growth rate, turnover rate and the expected investment return on offsetable MPF accrued benefits. Variation in these assumptions may significantly impact the LSP obligations amount and the annual defined benefit expenses amount.

Any changes in these assumptions will impact the carrying amount of LSP obligations.

As at 31 December 2024, the carrying amounts of LSP obligations are HK\$293,000 (2023: HK\$nil). Details of key assumptions and impact of possible changes in key assumptions are disclosed in Note 20.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2024

5. REVENUE AND SEGMENT INFORMATION

5.1 Revenue

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

	2024 HK\$'000	2023 HK\$'000
Provision of slope works		
– Public sector projects	193,598	146,409
– Private sector projects	12,182	21,793
	205,780	168,202

Remaining performance obligations

The following table includes revenue expected to be recognised in the future related to performance obligations that are unsatisfied (or partially unsatisfied) at the end of the reporting period.

	2024 HK\$'000	2023 HK\$'000
Remaining performance obligations expected to be satisfied during the year ending		
31 December 2024	–	294,147
31 December 2025	338,651	97,372
31 December 2026	36,349	41,242
	375,000	432,761

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2024

5. REVENUE AND SEGMENT INFORMATION (Continued)

5.2 Segment information

The chief operating decision-maker has been identified as the executive directors of the Company. The directors regard the Group's business of undertaking slope works as a single operating segment and review the overall results of the Group as a whole to make decision about resources allocation and performance assessment. Accordingly, no segment analysis information is presented.

Geographical information

No separate analysis of segment information by geographical segment is presented as the Group's revenue and non-current assets are principally attributable to a single geographical region, which is Hong Kong.

Information about major customers

Revenue from customers which individually contributed over 10% of the Group's revenue is as follows:

	2024 HK\$'000	2023 HK\$'000
Customer A	21,826	N/A*
Customer B	64,102	33,820
Customer C	42,738	67,241
Customer D	53,916	21,029

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2024

6. OTHER INCOME AND OTHER (LOSSES)/GAINS, NET

	2024 HK\$'000	2023 HK\$'000
Bank interest income	1,466	4,338
(Loss)/Gain on disposal of property, plant and equipment	(34)	10
Loss on early termination of lease	(20)	–
	1,412	4,348

7. FINANCE COSTS

	2024 HK\$'000	2023 HK\$'000
Finance charges on lease liabilities	75	82
Net interest expense on LSP obligations (note 20)	27	–
Interest expense on bank overdrafts	–	1
	102	83

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2024

8. PROFIT BEFORE INCOME TAX

	2024 HK\$'000	2023 HK\$'000
Profit before income tax is arrived at after charging:		
(a) Employee benefit expenses (including directors' emoluments) (note 12(a))		
– Salaries, wages and other benefits	58,726	58,143
– Contributions to defined contribution retirement plans (note a)	1,880	2,038
– Expenses arising from LSP obligation (note 20)	266	–
Staff costs (including director's remuneration) (note b)	60,872	60,181
(b) Other items		
Depreciation, included in:		
– Cost of services		
– Owned assets	3,345	2,565
– Right-of-use assets	847	494
– Administrative expenses		
– Owned assets	17	115
– Right-of-use assets	109	261
	4,318	3,435
Auditor's remuneration	830	830
Subcontracting charges (included in "Cost of services")	88,963	54,595
Short-term lease with lease term less than 12 months in respect of machinery (included in "Cost of services")	356	360
Short-term lease with lease term less than 12 months in respect of a carpark (included in "Administrative expenses")	60	55

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2024

8. PROFIT BEFORE INCOME TAX (Continued)

Notes:

(a) Presenting in consolidated statement of profit or loss and other comprehensive income as:

	2024 HK\$'000	2023 HK\$'000
Cost of services	55,566	55,418
Administrative expenses	5,306	4,763
	60,872	60,181

(b) During the years ended 31 December 2024 and 2023, there were no contributions forfeited by the Group on behalf of its employees who left the plan prior to vesting fully in such contribution, nor had there been any utilization of such forfeited contributions to reduce future contributions. As at 31 December 2024 and 2023, no forfeited contributions were available for utilization by the Group to reduce the existing level of contributions.

9. INCOME TAX EXPENSE

	2024 HK\$'000	2023 HK\$'000
Provision for Hong Kong Profits Tax		
– Current tax	1,188	2,309
– Over provision in respect of prior years	(29)	(1)
	1,159	2,308
Deferred tax (note 21)	140	(306)
	1,299	2,002

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

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

Under the two-tiered profits tax rates regime, the first HK\$2,000,000 of profits of qualifying corporations will be taxed at 8.25%, and profits above HK\$2,000,000 will be taxed at 16.5%.

For the years ended 31 December 2024 and 2023, Hong Kong Profits Tax of A-City Workshop Limited, a subsidiary of the Group, is calculated in accordance with the two-tiered profits tax rates regime. Profits tax of other group entities continue to be taxed at the flat rate of 16.5%.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2024

9. INCOME TAX EXPENSE (Continued)

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

	2024 HK\$'000	2023 HK\$'000
Profit before income tax	10,044	15,944
Tax at Hong Kong Profits Tax rate of 16.5% (2023: 16.5%)	1,657	2,631
Tax effect of non-taxable revenue	(242)	(718)
Tax effect of non-deductible expenses	118	255
Effect of two-tiered profits tax rates regime	(165)	(165)
Over provision in respect of prior years	(29)	(1)
Utilisation of tax losses previously not recognised	(40)	–
Income tax expense	1,299	2,002

Deferred tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred tax assets in respect of the tax losses as the directors of the Company consider that it is uncertain as to the extent that future profits will be available against which tax losses can be utilised in the foreseeable future.

As at 31 December 2024, the Group had unused tax losses of approximately HK\$1,139,000 (2023: HK\$1,379,000), which are available for offset against future profits that may be carried forward indefinitely and are subject to approval from the Hong Kong Inland Revenue Department.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2024

10. DIVIDENDS

(a) Dividends attributable to the year

	2024 HK\$'000	2023 HK\$'000
Special dividend of HK17.5 cents per ordinary share for the year ended 31 December 2024	70,000	–
Interim dividend of HK2.5 cents per ordinary share for the year ended 31 December 2023	–	10,000
	70,000	10,000

(b) Dividends approved and paid during the year

	2024 HK\$'000	2023 HK\$'000
Special dividend of HK17.5 cents per ordinary share for the year ended 31 December 2024	70,000	–
Interim dividend of HK2.5 cents per ordinary share for the year ended 31 December 2023	–	10,000
Final dividend of HK7.5 cents per ordinary share for the year ended 31 December 2022	–	30,000
	70,000	40,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2024

10. DIVIDENDS (Continued)

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

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

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

The board of directors does not recommend the payment of final dividend for the year ended 31 December 2024.

11. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the earning attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	2024	2023
Earnings for the purpose of calculating basic earnings per share (profit for the year) (HK\$'000)	8,745	13,942
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share (in thousand)	400,000	400,000

Diluted earnings per share is the same as basic earnings per share as there were no dilutive potential ordinary shares during the years ended 31 December 2024 and 2023.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2024

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

(a) Directors' and chief executives' emoluments

Directors' and chief executive's emoluments, disclosed pursuant to the Listing Rules, section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	Fees HK\$'000	Salaries and allowances HK\$'000	Retirement scheme contributions HK\$'000	Total HK\$'000
Year ended 31 December 2024				
<i>Executive directors:</i>				
Mr. Sieh Shing Kee (Chairman) (note (i))	–	1,520	18	1,538
Mr. Ho Ka Ki (Chief Executive Officer) (note (ii))	–	1,520	18	1,538
<i>Independent non-executive directors:</i>				
Mr. Kwong Che Sing	168	–	–	168
Mr. Ling Siu Tsang	168	–	–	168
Mr. Tso Ping Cheong Brian	168	–	–	168
Ms. Chiao Siu Ling	150	–	–	150
	654	3,040	36	3,730
Year ended 31 December 2023				
<i>Executive directors:</i>				
Mr. Sieh Shing Kee (Chairman) (note (i))	–	1,200	18	1,218
Mr. Ho Ka Ki (Chief Executive Officer) (note (ii))	–	1,200	18	1,218
<i>Independent non-executive directors:</i>				
Mr. Kwong Che Sing	168	–	–	168
Mr. Ling Siu Tsang	168	–	–	168
Mr. Tso Ping Cheong Brian	168	–	–	168
Ms. Chiao Siu Ling	150	–	–	150
	654	2,400	36	3,090

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2024

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

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

Notes:

- (i) Mr. Sieh Shing Kee is also the Chairman of the Company and a director of the Company's subsidiaries. The emoluments above included his services in connection with these capacities.
- (ii) Mr. Ho Ka Ki is also the Chief Executive Officer of the Company and a director of the Company's subsidiaries. The emoluments above included his services in connection with these capacities.
- (iii) The emoluments shown above were for the services in connection with the management of the affairs of the Group.
- (iv) No emoluments were paid by the Group to a director as an inducement to join or upon joining the Group or as compensation for loss of office as a director or management of any members of the Group.
- (v) There was no arrangement under which a director has waived or agreed to waive any emolument.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year ended 31 December 2024 included two (2023: two) directors whose emoluments are disclosed in note 12(a). The aggregate of the emoluments in respect of the remaining three (2023: three) individuals are as follows:

	2024 HK\$'000	2023 HK\$'000
Salaries, fee and allowances	2,769	2,388
Retirement scheme contributions	54	67
	2,823	2,455

The emoluments fell within the following bands:

	2024	2023
Nil – HK\$1,000,000	2	3
HK\$1,000,001 – HK\$1,500,000	1	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2024

13. PROPERTY, PLANT AND EQUIPMENT

	Building premises HK\$'000 (note)	Leasehold improvements HK\$'000	Furniture and fixtures HK\$'000	Plant and machinery HK\$'000	Motor vehicles HK\$'000 (note)	Total HK\$'000
At 1 January 2023						
Cost	1,555	1,014	3,451	5,000	5,079	16,099
Accumulated depreciation	(260)	(57)	(959)	(2,790)	(2,059)	(6,125)
Net book amount	1,295	957	2,492	2,210	3,020	9,974
Year ended 31 December 2023						
Opening net book amount	1,295	957	2,492	2,210	3,020	9,974
Additions	–	45	168	116	91	420
Disposals	–	–	–	–	(100)	(100)
Depreciation	(556)	(204)	(628)	(782)	(1,265)	(3,435)
Closing net book amount	739	798	2,032	1,544	1,746	6,859
At 31 December 2023 and 1 January 2024						
Cost	1,555	1,059	3,619	5,116	4,721	16,070
Accumulated depreciation	(816)	(261)	(1,587)	(3,572)	(2,975)	(9,211)
Net book amount	739	798	2,032	1,544	1,746	6,859
Year ended 31 December 2024						
Opening net book amount	739	798	2,032	1,544	1,746	6,859
Additions	1,099	416	987	461	2,856	5,819
Disposals	–	–	–	–	(38)	(38)
Early termination of lease	(66)	–	–	–	–	(66)
Depreciation	(757)	(253)	(734)	(820)	(1,754)	(4,318)
Closing net book amount	1,015	961	2,285	1,185	2,810	8,256
At 31 December 2024						
Cost	2,132	1,475	4,606	5,577	7,518	21,308
Accumulated depreciation	(1,117)	(514)	(2,321)	(4,392)	(4,708)	(13,052)
Net book amount	1,015	961	2,285	1,185	2,810	8,256

Note: The Group has obtained the right to use building premises and motor vehicles through the lease agreements. The leases typically run on an initial period of 2 to 3.5 years. The Group makes fixed payments during the contract period. As at 31 December 2024, the carrying amounts of the Group's right-of-use assets in relation to building premises and motor vehicles are HK\$1,015,000 (2023: HK\$739,000) and HK\$116,000 (2023: HK\$315,000) respectively. The depreciation charge for the year ended 31 December 2024 of the Group's right-of-use assets in relation to building premises and motor vehicles are HK\$757,000 (2023: HK\$556,000) and HK\$199,000 (2023: HK\$199,000) respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2024

14. PARTICULARS OF SUBSIDIARIES

Particulars of the subsidiaries at 31 December 2024 and 2023 are as follows:

Name of company	Kind of legal entity	Place of incorporation and operation	Issued and paid up capital	Equity interest attributable to the Group		Principal activities
				2024	2023	
Directly held by the Company						
Kanic International Limited	Limited liability company	The BVI	US\$11 (2023: US\$11)	100%	100%	Investment holding
Indirectly held by the Company						
A-City Workshop Limited	Limited liability company	Hong Kong	HK\$13,900,000 (2023: HK\$13,900,000)	100%	100%	Undertaking slope works in Hong Kong

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

15. TRADE AND OTHER RECEIVABLES

	2024 HK\$'000	2023 HK\$'000
Trade receivables (note (i))	19,872	6,495
Prepayments (note (ii))	3,262	3,866
Other receivables and deposits (note (iii))	2,207	1,668
	25,341	12,029

The directors consider that the fair values of trade and other receivables are not materially different from their carrying amounts, because their balances have short maturity periods on their inception.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2024

15. TRADE AND OTHER RECEIVABLES (Continued)

Notes:

(i) Trade receivables

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

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

	2024 HK\$'000	2023 HK\$'000
0-30 days	17,164	62
31-90 days	1,130	1,141
Over 90 days	1,578	5,292
	19,872	6,495

The Group applies the simplified approach to provide for ECLs prescribed by HKFRS 9 which permits the use of lifetime ECL provision for all trade receivables. As at 31 December 2024 and 2023, the Group assessed the loss allowance and the expected credit loss rate under the application of HKFRS 9 were insignificant.

(ii) Prepayments

As at 31 December 2024, prepayments mainly comprised of: (1) prepaid expenses for insurance covered in sites operation and machinery rentals expenses which amounted to HK\$3,262,000 (2023: HK\$3,329,000); and (2) prepaid professional fee which amounted to HK\$nil (2023: HK\$220,000).

(iii) Other receivables and deposits

As at 31 December 2024, other receivables and deposits mainly comprised of: (1) utility and security deposits which amounted to HK\$2,045,000 (2023: HK\$1,085,000) and (2) interest receivables from bank fixed deposits which amounted to HK\$139,000 (2023: HK\$560,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2024

16. CONTRACT ASSETS AND CONTRACT LIABILITIES

16.1 Contract assets

	2024 HK\$'000	2023 HK\$'000
Unbilled revenue	7,708	28,669
Retention receivables	6,152	4,946
	13,860	33,615

Contract assets represent the Group's right to considerations from customers for the provision of undertaking slope work, which arise when: (i) the Group completed the relevant services under such contracts but yet certified by the customers or their appointed architects, surveyors or their agents; and (ii) the customers withhold certain certified amounts payable to the Group as retention money to secure the due performance of the contracts after the expiry of the defect liability period of construction projects. Any amount previously recognised as a contract asset is reclassified to trade receivables at the point at which it becomes unconditional and is invoiced to the customer. As at 31 December 2024 and 2023, the Group assessed the loss allowance and the expected credit loss rate under the application of HKFRS 9 were insignificant.

Changes of contract assets during the year ended 31 December 2024 were mainly due to:

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

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

	2024 HK\$'000	2023 HK\$'000
Transfers from contract assets recognised at the beginning of the year to trade receivables	29,501	22,348

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2024

16. CONTRACT ASSETS AND CONTRACT LIABILITIES (Continued)

16.2 Contract liabilities

	2024 HK\$'000	2023 HK\$'000
Contract liabilities arising from construction contracts from billings in advance of performance	3,136	394

All of the contract liabilities are expected to be recovered/settled within one year.

Revenue recognised in relation to contract liabilities

	2024 HK\$'000	2023 HK\$'000
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	394	–

17. CASH AND BANK BALANCES

	2024 HK\$'000	2023 HK\$'000
Cash at banks and in hand	16,340	8,710
Short-term fixed deposits	47,025	105,845
	63,365	114,555

Cash at banks earns interest at floating rates based on daily bank deposit rates. The short-term fixed deposits earn interest rates at 3.0% to 4.64% (2023: 3.25% to 4.6%) per annum with an original maturity of three months (2023: three months).

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2024

18. TRADE AND OTHER PAYABLES

	2024 HK\$'000	2023 HK\$'000
Trade payables (note (i))	23,021	20,066
Accruals and other payables (note (ii))	1,732	1,172
	24,753	21,238

Notes:

(i) Trade payables

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

	2024 HK\$'000	2023 HK\$'000
0–30 days	22,398	14,356
31–60 days	–	318
61–90 days	–	26
91–365 days	399	–
Over 365 days	224	5,366
	23,021	20,066

(ii) Accruals and other payables

As at 31 December 2024, accruals and other payables mainly comprised of: (1) other payable to subcontractor which amounted to HK\$340,000 (2023: HK\$340,000); and (2) accrued professional fee which amounted to HK\$1,330,000 (2023: HK\$830,000).

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2024

19. LEASE LIABILITIES

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

	2024 HK\$'000	2023 HK\$'000
Total minimum lease payments:		
Within one year	890	491
After one year but within two years	278	310
	1,168	801
Less: Future finance charges on lease liabilities	(53)	(32)
Present value of lease liabilities	1,115	769
Present value of minimum lease payments:		
Within one year	843	465
After one year but within two years	272	304
	1,115	769
Less: Portion due within one year included under current liabilities	(843)	(465)
Portion due after one year included under non-current liabilities	272	304

During the year ended 31 December 2024, the total cash outflows for the leases are approximately HK\$1,198,000 (2023: HK\$1,416,000).

20. LONG SERVICE PAYMENT OBLIGATIONS

Pursuant to the Hong Kong Employment Ordinance, Chapter 57, Hong Kong employees that have been employed continuously for at least five years are entitled to long service payment ("LSP") under certain circumstances (e.g. dismissal by employers or upon retirement).

The amount of LSP payable is determined with reference to the employee's last monthly salary (capped at HK\$22,500) and the years of service, reduced by the amount of any accrued benefits derived from the Group's contributions to MPF scheme, with an overall cap of HK\$390,000 per employee. Currently, the Group does not have any separate funding arrangement in place to meet its LSP obligations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2024

20. LONG SERVICE PAYMENT OBLIGATIONS (Continued)

In June 2022, the Hong Kong SAR Government (the “**Government**”) gazetted the Hong Kong Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the “**Amendment Ordinance**”), which abolishes the use of the accrued benefits derived from employers’ mandatory MPF contributions to offset the LSP. The Amendment Ordinance will take effect on 1 May 2025 (the “**Transition Date**”). Separately, the Government has indicated that it would launch a subsidy scheme to assist employers after the abolition.

Among other things, once the abolition of the offsetting mechanism takes effect, an employer can no longer use any of the accrued benefits derived from its mandatory MPF contributions (irrespective of the contributions made before, on or after the Transition Date) to reduce the LSP in respect of an employee’s service from the Transition Date. However, where an employee’s employment commenced before the Transition Date, the employer can continue to use the above accrued benefits to reduce the LSP in respect of the employee’s service up to that date. In addition, the LSP in respect of the service before the Transition Date will be calculated based on the employee’s monthly salary immediately before the Transition Date and the years of service up to that date.

The benefit payment under LSP remains capped at HK\$390,000 per employee. If an employee’s total benefit payment exceeds HK\$390,000, the amount in excess of the cap is deducted from the portion accrued from the Transition Date.

The Group has accounted for the offsetting mechanism and its abolition as disclosed in notes 2.14 to the consolidated financial statements.

The Group has determined that the Amendment Ordinance primarily impacts the Group’s LSP obligations with respect to Hong Kong employees.

The present value of unfunded LSP obligations and its movements are as follows:

	2024 HK\$'000	2023 HK\$'000
At beginning of the year	–	–
Expenses recognised in profit or loss:		
– Current service cost	266	–
– Interest cost	27	–
At end of the year	293	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2024

20. LONG SERVICE PAYMENT OBLIGATIONS (Continued)

The current service cost are included in “employee benefits expenses” and interest cost are included in “finance costs”. They are recognised in the following line items in the consolidated statement of profit or loss:

	2024 HK\$'000	2023 HK\$'000
Cost of services	154	—
Administrative expenses	112	—
Finance costs	27	—
	293	—

Estimates and assumptions

The significant actuarial assumptions for the determination of LSP obligations are as follows:

	2024	2023
Discount rate	4.1%	3.8%
Salary growth rate	3.1%	2.0%

These assumptions were developed by management. Discount factors are determined close to each period-end by reference to market yields of high quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related LSP obligations. Other assumptions are based on current actuarial benchmarks and management’s historical experience.

The present value of the LSP obligations was measured using the projected unit credit method.

The weighted average duration of the LSP obligations is 18 years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2024

20. LONG SERVICE PAYMENT OBLIGATIONS (Continued)

Expected maturity analysis of undiscounted LSP obligations in the coming years as at 31 December 2024 is disclosed as follows:

	Within 1 year HK\$'000	Over 1 year but within 2 years HK\$'000	Over 2 years but within 5 years HK\$'000	Over 5 years HK\$'000
LSP obligations	–	–	22	271

The LSP obligations expose the Group to actuarial risks such as interest rate risk, salary risk and the investment risk of the Group's MPF scheme's constituent funds.

21. DEFERRED TAX LIABILITIES

During the years ended 31 December 2024 and 2023, deferred taxation is calculated in full on temporary differences under the liability method using the average tax rates that are expected to apply to the taxable profit of the year in which the temporary differences are expected to be utilised.

The movement in deferred tax liabilities during the years are as follows:

	Accelerated tax depreciation	
	2024 HK\$'000	2023 HK\$'000
At beginning of the year	655	961
Charged/(Credited) to profit or loss (note 9)	145	(306)
At end of the year	795	655

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2024

22. SHARE CAPITAL

The authorised and issued share capital of the Company for the years ended 31 December 2024 and 2023 are as follows:

Ordinary shares of HK\$0.01 each	Number of shares	HK\$'000
Authorised:		
As at 31 December 2024 and 2023	1,000,000,000	10,000
Issued and fully paid:		
As at 31 December 2024 and 2023	400,000,000	4,000

23. RESERVES

The amounts of the Group's reserves and the movements therein are presented in the consolidated statement of changes in equity.

Share premium

The share premium represents the difference between the par value of the shares of the Company and net proceeds received from the issuance of the shares of the Company.

Under the Companies Act of the Cayman Islands, the share premium account of the Company may be applied for payment of distributions or dividends to the shareholders provided that immediately following the date on which the distribution or dividend is proposed to be paid, the Company is able to pay its debts as they fall due in the ordinary course of business.

Capital reserve

The capital reserve of the Group represents the aggregate of the paid-up share capital of the subsidiaries comprising the Group.

Retained earnings

Retained earnings represent accumulated net profit or losses less dividends paid.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2024

24. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	2024 HK\$'000	2023 HK\$'000
ASSETS AND LIABILITIES			
Non-current asset			
Investment in a subsidiary		26,780	26,780
Current assets			
Prepayments		—	220
Amounts due from subsidiaries (note (i))		55,203	124,192
Cash and bank balances		360	502
		55,563	124,914
Current liabilities			
Other payables		1,344	830
Net current assets		54,219	124,084
Net assets		80,999	150,864
EQUITY			
Share capital	22	4,000	4,000
Reserves (note (ii))		76,999	146,864
Total equity		80,999	150,864

Approved and authorised for issue by the board of directors on 25 March 2025.

Mr. Sieh Shing Kee
Director

Mr. Ho Ka Ki
Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2024

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

Notes:

- (i) The amount due is non-trade nature, unsecured, interest-free and repayable on demand. The Group considers the ECL rate to be closed to zero (2023: close to zero) based on historical settlement records, forward-looking information and past experience. The Group has assessed that the ECL for these receivables are not material under the 12-month ECL.
- (ii) The movements of the Company's reserves are as follows:

	Share premium HK\$'000	Capital reserve HK\$'000	Accumulated (losses)/ Retained earnings HK\$'000	Total HK\$'000
As at 1 January 2023	50,084	26,780	(31,532)	45,332
Profit and total comprehensive income for the year	–	–	141,532	141,532
Final dividend for the year ended 31 December 2022 (Note 10)	–	–	(30,000)	(30,000)
Interim dividend for the year ended 31 December 2023 (Note 10)	–	–	(10,000)	(10,000)
As at 31 December 2023 and 1 January 2024	50,084	26,780	70,000	146,864
Profit and total comprehensive income for the year	–	–	135	135
Special dividend for the year ended 31 December 2024 (Note 10)	–	–	(70,000)	(70,000)
As at 31 December 2024	50,084	26,780	135	76,999

25. RELATED PARTY TRANSACTIONS

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

Key management personnel remuneration

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

	2024 HK\$'000	2023 HK\$'000
Salaries, fee and allowances	4,968	4,118
Retirement benefit scheme contributions	72	72
	5,040	4,190

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2024

26. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	Lease liabilities	
	2024 HK\$'000	2023 HK\$'000
At beginning of the year	769	1,688
Change from financing cash flows:		
– Payment of lease liabilities	(707)	(919)
– Interest paid	(75)	(82)
Non-cash:		
– Enter into new leases	1,099	–
– Early termination of lease	(46)	–
– Finance charges on lease liabilities	75	82
At end of the year	1,115	769

27. POTENTIAL LITIGATION

As at 31 December 2024 and 2023, the Group has been involved in certain potential litigations and claims against the Group regarding the employees' compensation and common law personal injury claim. The directors are of the opinion that the potential litigations and claims are not expected to have a material impact on the Group's consolidated financial statements, and the outcome for potential claims is uncertain. Accordingly, no provision has been made to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2024

28. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT

The Group is exposed to financial risks through its use of financial instruments in its ordinary course of operations. The financial risks include interest rate risk, credit risk and liquidity risk. The Group's overall risk management strategy seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out by the senior management of the Group and approved by the board of directors.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

28.1 Categories of financial assets and liabilities

The carrying amounts presented in the consolidated statement of financial position relate to the following categories of financial assets and liabilities:

	2024 HK\$'000	2023 HK\$'000
Financial assets		
<i>Financial assets at amortised cost</i>		
– Trade and other receivables	22,079	8,163
– Cash and bank balances	63,365	114,555
	85,444	122,718
Financial liabilities		
<i>Financial liabilities measured at amortised cost</i>		
– Trade and other payables	24,753	21,238
– Lease liabilities	1,115	769
	25,868	22,007

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2024

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

28.2 Interest rate risk

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The exposure to interest rate risk for the Group's bank balances is considered immaterial.

28.3 Credit risk

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

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

At 31 December 2024, the Group has concentration of credit risk as 53.0% and 97.6% (2023: 75.6% and 75.6%) of the total trade receivables (note 15) were due from the Group's largest customer, amounting to approximately HK\$10,530,000 (2023: HK\$4,909,000) and five largest customers, amounting to approximately HK\$19,390,000 (2023: HK\$4,909,000), respectively.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forward-looking information. Internal credit rating, actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations, actual or expected significant changes in the operating results of the borrower and significant changes in the expected performance and behaviour of the borrower including changes in the payment status of borrowers in the Group and changes in the operating results of the borrower are indicators to be incorporated.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2024

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

28.3 Credit risk (Continued)

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

(i) Trade receivables and contract assets

The Group applies the simplified approach to providing for ECL prescribed by HKFRS 9, which permits the use of the lifetime ECL provision for all trade receivables and contract assets.

As at 31 December 2024 and 2023, assessed lifetime ECL rates of contract assets and trade receivables are close to be zero as there are no recent history of default and continuous payment received based on historical credit loss experience and forward-looking elements, it was determined that no loss allowance provision is necessary in respect of these balances as there has not been a significant change in credit quality of the customers.

(ii) Other financial assets at amortised cost

Other financial assets at amortised cost include other receivables and deposits and cash and bank balances. In order to minimise the credit risk of other receivables and deposits, the management makes periodic collective and individual assessment on their recoverability based on historical settlement records and past experience as well as available forward-looking information. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. In these regards, the credit risk of other receivables and deposits are considered to be low.

Besides, the management is of opinion that there is no significant increase in credit risk on these other receivables and deposits since initial recognition as the risk of default is low after considering the factors as set out in note 2.6 and, thus, ECL is assessed based on 12-month ECL.

The credit risks on cash and bank balances are considered to be insignificant because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2024

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

28.4 Liquidity risk

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

Management monitors the cash flow forecasts of the Group in meeting its liabilities.

Analysed below is the Group's remaining contractual maturities for its financial liabilities at the end of the reporting date. When the creditor has a choice of when the liability is settled, the liability is included on the basis of the earliest date on when the Group can be required to pay. Where the settlement of the liability is in instalments, each instalment is allocated to the earliest period in which the Group is committed to pay.

The contractual maturity analysis below is based on the undiscounted cash flows of the financial liabilities.

	Within one year or on demand HK\$'000	Over one year but within two years HK\$'000	Total contractual undiscounted cash flows HK\$'000	Carrying amount HK\$'000
At 31 December 2024				
Trade and other payables	24,753	–	24,753	24,753
Lease liabilities	890	278	1,168	1,115
	25,643	278	25,921	25,868
At 31 December 2023				
Trade and other payables	21,238	–	21,238	21,238
Lease liabilities	491	310	801	769
	21,729	310	22,039	22,007

28.5 Fair value measurement

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2024

29. CAPITAL MANAGEMENT

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

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

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

	2024 HK\$'000	2023 HK\$'000
Lease liabilities	1,115	769
Less: Cash and bank balances	(63,365)	(114,555)
Net debt	(62,250)	(113,786)
Total equity	81,825	142,893
Net debt to equity ratio	N/A – net cash	N/A – net cash

30. COMPARATIVE FIGURES

Certain comparative figures in the consolidated statement of financial position have been reclassified to conform with current year's presentation.

FINANCIAL SUMMARY

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

	For the year ended 31 December				
	2024 HK\$'000	2023 HK\$'000	2022 HK\$'000	2021 HK\$'000	2020 HK\$'000
CONSOLIDATED RESULTS					
Revenue	205,780	168,202	192,258	293,907	276,006
Gross profit	17,688	20,659	20,871	53,745	51,596
Profit before income tax	10,044	15,944	16,280	35,256	46,244
Income tax expense	(1,299)	(2,002)	(1,805)	(7,455)	(6,894)
Profit and total comprehensive income for the year	8,745	13,942	14,475	27,801	39,350
	As at 31 December				
	2024 HK\$'000	2023 HK\$'000	2022 HK\$'000	2021 HK\$'000	2020 HK\$'000
CONSOLIDATED ASSETS AND LIABILITIES					
Total assets	111,917	167,058	206,953	187,081	161,284
Total liabilities	(30,092)	(23,978)	(37,815)	(32,418)	(34,422)
Equity attributable to equity holders of the Company	81,825	143,080	169,138	154,663	126,862