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Maxicity Holdings Limited
豐城控股有限公司

(Incorporated in the Cayman Islands with members' limited liability)
(Stock Code: 2295)

ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2023

HIGHLIGHTS:

- The Group's revenue decreased from approximately HK\$192.3 million for the year ended 31 December 2022 to approximately HK\$168.2 million for the year ended 31 December 2023, representing a decrease of approximately HK\$24.1 million or 12.5%.
- Profit and total comprehensive income for the year amounted to approximately HK\$13.9 million, representing a decrease of approximately HK\$0.5 million or 3.7% as compared with HK\$14.5 million for the year ended 31 December 2022.
- Adjusted profit and total comprehensive income for the year ended 31 December 2023 (excluding financial support from the Anti-epidemic Fund) amounted to approximately HK\$13.9 million, representing an increase of approximately HK\$2.9 million or 25.7%, as compared with approximately HK\$11.1 million for the year ended 31 December 2022.
- The Board has resolved to recommend the payment of an interim dividend of HK2.5 cents per ordinary share for the year ended 31 December 2023 (2022: nil) to shareholders whose names appear in the register of members of the Company on 19 September 2023, which was distributed on 29 September 2023. The Board does not recommend the payment of final dividend for the year ended 31 December 2023 (2022: HK7.5 cents).

The board (the “**Board**”) of directors (the “**Directors**”) of Maxicity Holdings Limited (the “**Company**”) hereby announces the audited consolidated financial results of the Company and its subsidiaries (collectively, the “**Group**”) for the financial year ended 31 December 2023 together with the comparative figures for the corresponding year ended 31 December 2022 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

	<i>Notes</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Revenue	4	168,202	192,258
Cost of services		<u>(147,543)</u>	<u>(171,387)</u>
Gross profit		20,659	20,871
Other income and other gains, net	5	4,348	4,315
Administrative expenses		(8,980)	(8,854)
Finance costs	6	<u>(83)</u>	<u>(52)</u>
Profit before income tax	7	15,944	16,280
Income tax expense	8	<u>(2,002)</u>	<u>(1,805)</u>
Profit and total comprehensive income for the year		<u>13,942</u>	<u>14,475</u>
Earnings per share attributable to equity holders of the Company			
Basic and diluted	10	<u>HK3.49 cents</u>	<u>HK3.62 cents</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	Notes	2023 HK\$'000	2022 HK\$'000
ASSETS AND LIABILITIES			
Non-current asset			
Property, plant and equipment		<u>6,859</u>	<u>9,974</u>
Current assets			
Contract assets	12	33,615	26,720
Trade and other receivables	11	12,029	22,892
Cash and bank balances		<u>114,555</u>	<u>147,367</u>
		<u>160,199</u>	<u>196,979</u>
Current liabilities			
Trade and other payables	13	21,632	33,784
Lease liabilities	14	465	572
Current tax liabilities		<u>922</u>	<u>1,382</u>
		<u>23,019</u>	<u>35,738</u>
Net current assets		<u>137,180</u>	<u>161,241</u>
Total assets less current liabilities		<u>144,039</u>	<u>171,215</u>
Non-current liabilities			
Lease liabilities	14	304	1,116
Deferred tax liabilities		<u>655</u>	<u>961</u>
		<u>959</u>	<u>2,077</u>
Net assets		<u>143,080</u>	<u>169,138</u>
EQUITY			
Share capital	15	4,000	4,000
Reserves		<u>139,080</u>	<u>165,138</u>
Equity attributable to equity holders of the Company		<u>143,080</u>	<u>169,138</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

1. GENERAL INFORMATION

Maxicity Holdings Limited (the “**Company**”) was incorporated as an exempted company with limited liability in the Cayman Islands under the Companies Act of the Cayman Islands on 30 January 2019. The addresses of the Company’s registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and the principal place of business of the Company is Unit 1A, 6/F, Harbour Crystal Centre, 100 Granville Road, Tsim Sha Tsui, Hong Kong.

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

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

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

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

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES

Basis of preparation

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

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

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

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.

3. ADOPTION OF AMENDED HKFRSs

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

In the current year, the Group has applied for the first time the following new and amended HKFRSs issued by the HKICPA, which are relevant to the Group's operations and effective for the Group's consolidated financial statements for the annual period beginning on 1 January 2023:

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

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

3.2 Issued but not yet effective HKFRSs

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

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

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

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

³ Effective date not yet determined

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

4. REVENUE AND SEGMENT INFORMATION

4.1 Revenue

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

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

Remaining performance obligations

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

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

4.2 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:

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

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

5. OTHER INCOME AND OTHER GAINS, NET

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

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

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

6. FINANCE COSTS

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

7. PROFIT BEFORE INCOME TAX

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

8. INCOME TAX EXPENSE

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

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

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

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

For the years ended 31 December 2023 and 2022, Hong Kong Profits Tax of A-City Workshop Limited, a subsidiary of the Group, is calculated in accordance with the two-tiered profits tax rates regime. Profits tax of other group entities continue to be taxed at the flat rate of 16.5%.

9. DIVIDENDS

(a) Dividends attributable to the year

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

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

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

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

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

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

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

10. EARNINGS PER SHARE

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

	2023	2022
Earnings for the purpose of calculating basic earnings per share (profit for the year) (HK\$'000)	<u>13,942</u>	<u>14,475</u>
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share (in thousand)	<u>400,000</u>	<u>400,000</u>

Diluted earnings per share is the same as basic earnings per share as there were no dilutive potential ordinary shares during the years ended 31 December 2023 and 2022.

11. TRADE AND OTHER RECEIVABLES

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

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:

(i) Trade receivables

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

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

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

The Group applies the simplified approach to provide for ECLs prescribed by HKFRS 9 which permits the use of lifetime ECL provision for all trade receivables. As at 31 December 2023 and 2022, the Group assessed the loss allowance and the expected credit loss rate under the application of HKFRS 9 were insignificant.

(ii) Prepayments

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

(iii) Other receivables and utility deposits

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

12. CONTRACT ASSETS

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

Contract assets represent the Group's right to considerations from customers for the provision of undertaking slope work, which arise when: (i) the Group completed the relevant services under such contracts but yet certified by the customers or their appointed architects, surveyors or other representatives; and (ii) the customers withhold certain certified amounts payable to the Group as retention money to secure the due performance of the contracts after the expiry of the defect liability period of construction projects. Any amount previously recognised as a contract asset is reclassified to trade receivables at the point at which it becomes unconditional and is invoiced to the customer. As at 31 December 2023 and 2022, the Group assessed the loss allowance and the expected credit loss rate under the application of HKFRS 9 were insignificant.

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

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

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

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

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

13. TRADE AND OTHER PAYABLES

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

Notes:

(i) Trade payables

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

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

(ii) Accruals and other payables

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

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

14. LEASE LIABILITIES

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

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

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

15. SHARE CAPITAL

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

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

16. POTENTIAL LITIGATION

As at 31 December 2023 and 2022, the Group has been involved in certain potential litigations and claims against the Group regarding the employees' compensation and common law personal injury claim. The directors are of the opinion that the potential litigations and claims are not expected to have a material impact on the Group's consolidated financial statements, and the outcome for potential claims is uncertain. Accordingly, no provision has been made to the consolidated financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

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

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

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

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

PROSPECTS/BUSINESS OUTLOOK

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

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

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

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

FINANCIAL REVIEW

Revenue

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

Number of projects with revenue contributions:

	2023	2022
Public sector projects	16	17
Private sector projects	31	25
	<hr/>	<hr/>
Total	47	42
	<hr/> <hr/>	<hr/> <hr/>

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

Cost of Services

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

Gross Profit and Gross Profit Margin

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

Other Income and Other Gains, net

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

Administrative Expenses

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

Finance Costs

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

Income Tax Expenses

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

Profit and Total Comprehensive Income for the Year

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

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

Capital Commitments and Contingent Liabilities

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

Pledge of Assets

As at 31 December 2023, the Group did not have any pledge of assets.

LIQUIDITY AND FINANCIAL RESOURCES

Treasury Policy

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

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

Dividend

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

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

Bank Borrowings

As at 31 December 2023 and 2022, the Group had no outstanding bank borrowings.

Gearing ratio

The Group's gearing ratio (dividing lease liabilities by equity attributable to equity holders of the Company at year end date) decreased from approximately 1.0% as at 31 December 2022 to approximately 0.5% as at 31 December 2023. The decrease was mainly due to the decrease in lease liabilities of approximately 54.4%, which outweighed the decrease in equity attributable to equity holders of the Company of approximately 15.4% as at 31 December 2023, as compared with 31 December 2022.

Current ratio

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

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2023, the Group had 119 employees (2022: 137 employees) excluding the Directors. Total staff costs excluding Directors' remuneration amounted to approximately HK\$57.1 million for the year ended 31 December 2023 (2022: HK\$56.5 million). The remuneration packages the Group offers to its employees include salary and discretionary bonuses. The Group's remuneration policies are in line with the prevailing market practices and the staff remuneration is determined on the basis of the performance and experience of each individual employee. The remuneration of the Directors is decided by the Board upon the recommendation from the remuneration committee of the Company having regard to the Group's operating results, individual performance and comparable market statistics.

FOREIGN CURRENCY FLUCTUATION

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

CAPITAL EXPENDITURE

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

CAPITAL STRUCTURE

As at 31 December 2023, the Company's issued capital was HK\$4,000,000 and the number of its issued ordinary shares was 400,000,000 of HK\$0.01 each. As at the date of this announcement, the capital structure of the Company comprised mainly issued share capital and reserves.

SIGNIFICANT INVESTMENT HELD

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

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

During the year ended 31 December 2023 and up to the date of this announcement, the Group did not have any material acquisitions nor disposals of subsidiaries, associates and joint ventures.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

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

SIGNIFICANT EVENT AFTER THE REPORTING PERIOD

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

Saved for above, there was no other significant events relevant to the business or financial performance of the Group that come to the attention of the Directors.

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 code (“**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 Board is of the view that for the year ended 31 December 2023 and up to the date of this announcement, the Group has complied with all applicable code provisions as set out in the CG Code.

DIRECTORS’ INTERESTS IN COMPETING BUSINESS

During the year ended 31 December 2023 and up to the date of this announcement, 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 independent non-executive Directors confirmed that the internal control measures in relation to managing actual or potential conflict of interest of the Group have been properly implemented.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

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

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

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company during the year ended 31 December 2023.

SHARE OPTION SCHEME

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

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

SUFFICIENCY OF PUBLIC FLOAT

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

CLOSURE OF THE REGISTER OF MEMBERS OF SHARES

To be eligible to attend and vote in the forthcoming annual general meeting, the register of members of the Company will be closed from Wednesday, 15 May 2024 to Tuesday, 21 May 2024 (both dates inclusive) during which period no transfer of Shares will be registered. To be qualified for attending and voting at the forthcoming annual general meeting, all Share transfer documents must be lodged with Boardroom Share Registrars (HK) Limited, the Company’s share registrar in Hong Kong, at Room 2103B, 21/F, 148 Electric Road, North Point, Hong Kong, for registration no later than 4:30 p.m. on Tuesday, 14 May 2024.

AUDIT COMMITTEE

As at the date of this announcement, the audit committee consists of four members, namely, Mr. Tso Ping Cheong Brian, Ms. Chiao Siu Ling, Mr. Kwong Che Sing and Mr. Ling Siu Tsang. Mr. Tso Ping Cheong Brian is the chairman of the audit committee. The annual results of the Group for the year ended 31 December 2023 have been reviewed by the audit committee of the Company and opined that the applicable accounting standard and requirements have been complied with and adequate disclosures have been made.

SCOPE OF WORK OF THE AUDITOR

The figures in respect of the preliminary announcement of the Group’s results for the year ended 31 December 2023 have been agreed by the Company’s auditor, Grant Thornton Hong Kong Limited (“**Grant Thornton**”), to the amounts set out in the Group’s audited consolidated financial statements for the year ended 31 December 2023. The work performed by Grant Thornton in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements of Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Grant Thornton on this preliminary announcement.

PUBLICATION OF ANNUAL RESULTS ON THE STOCK EXCHANGE'S WEBSITE AND DESPATCH OF ANNUAL REPORT

This annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.maxicity.com.hk). The annual report of the Company for the year ended 31 December 2023 containing all the information required by the Listing Rules will be despatched to the shareholders and will be published on the websites of both the Stock Exchange and the Company in due course.

NOTE OF APPRECIATION

The Board would like to take this opportunity to express its sincere gratitude to the Group's shareholders, customers, subcontractors, suppliers and business partners for their continuous support, and to the Group's management and staff members for their diligence, dedication and contribution to the growth of the Group.

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

Hong Kong, 28 March 2024

As at the date of this announcement, the Board comprises Mr. Sieh Shing Kee (chairman of the Board) and Mr. Ho Ka Ki (chief executive officer) as the executive Directors and Ms. Chiao Siu Ling, Mr. Kwong Che Sing, Mr. Ling Siu Tsang and Mr. Tso Ping Cheong Brian as the independent non-executive Directors.